

**FLOYD COUNTY**  
**Charles City, Iowa**

INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2006

**FLOYD COUNTY, IOWA**  
**Charles City, Iowa**

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**FLOYD COUNTY**  
**Charles City, Iowa**

**OFFICIALS**

Warren K. Dunkel .....	Board of Supervisors .....	January 2009
Leo Staudt .....	Board of Supervisors .....	January 2007
Arlin Enabnit.....	Board of Supervisors .....	January 2007
Gloria Carr .....	County Auditor.....	January 2009
Frank Rottinghaus .....	County Treasurer .....	January 2007
Deborah K. Roberts.....	County Recorder.....	January 2007
Rick Lynch.....	County Sheriff .....	January 2009
Marilyn Dettmer.....	County Attorney.....	January 2007
Bruce C. Hovden.....	County Assessor.....	Appointed



## Independent Auditors' Report

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To the Officials of Floyd County  
Charles City, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Floyd County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Floyd County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Floyd County at June 30, 2006, 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 January 22, 2007 on our consideration of Floyd County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 – 9 and 34 – 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Floyd 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 three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.

January 22, 2007

*Gardiner Thomsen, P.C.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Floyd 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, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 1%, or approximately \$1,333,905, from fiscal 2005 to fiscal 2006. Property tax increased \$426,157, operating grants, capital grants and contributions totaled \$4,313,890.
- Program expenses were 3%, or approximately \$313,799, more in fiscal 2006 than in fiscal 2005. Physical Health and Social Services expense increased \$257,995, Mental Health expense increased \$178,554 and Public Safety & Legal Service expense increased \$155,261.
- The County's net assets increased 11%, or approximately \$2,139,813 from June 30, 2005 to June 30, 2006.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

### **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

#### ***Government-wide Financial Statements***

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

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

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

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

### ***Fund Financial Statements***

The County has three kinds of funds:

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

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

- 2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, 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. Floyd County's combined net assets increased slightly from a year ago, increasing from \$18.6 million to \$20.8 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities  
(Expressed in Thousands)

	June 30,	
	2006	2005
Current and Other Assets	\$14,740	\$12,980
Capital Assets	13,661	13,637
<b>Total Assets</b>	<b>28,401</b>	<b>26,617</b>
Long-Term Debt Outstanding	1,685	2,338
Other Liabilities	5,901	5,604
<b>Total Liabilities</b>	<b>7,586</b>	<b>7,942</b>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	13,661	13,351
Restricted	5,880	6,031
Unrestricted	1,274	(707)
<b>Total Net Assets</b>	<b>\$20,815</b>	<b>\$18,675</b>

Net assets of the Floyd County's governmental activities increased by 11% (\$18.6 million compared to \$20.8 million). The largest portion of the County's net assets is the invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. 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.

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

	June 30,	
	2006	2005
Revenues:		
Program Revenues:		
Charges for Service	\$1,263	\$1,222
Operating Grants, Contributions and Restricted Interest	3,950	3,746
Capital Grants, Contributions and Restricted Interest	364	1,001
General Revenues:		
Property Tax	4,823	4,361
Penalty and Interest on Property Tax	44	54
State Tax Credits	305	288
Local Option Sales Tax	459	437
Tax Increment Financing	194	568
Unrestricted Investment Earning	423	204
Other General Revenues	1,447	57
<b>Total Revenues</b>	<b>13,272</b>	<b>11,938</b>
Program Expenses:		
Public Safety and Legal Services	1,813	1,657
Physical Health and Social Services	1,074	816
Mental Health	1,854	1,675
County Environment and Education	480	422
Roads and Transportation	4,354	4,301
Governmental Services to Residents	539	468
Administration	862	958
Non-Program	90	189
Interest on Long-term Debt	66	78
<b>Total Expenses</b>	<b>11,132</b>	<b>10,564</b>
Increase in Net Assets	2,140	1,374
Net Assets Beginning of Year	18,675	17,301
<b>Net Assets End of Year</b>	<b>\$20,815</b>	<b>\$18,675</b>

Floyd County's net assets of governmental activities increased by approximately \$2,139,813 during the year. Revenues for governmental activities increased by approximately \$1,333,905 over the prior year, with property tax revenue up from the prior year by approximately \$426,157.

Floyd County's taxable valuations payable in fiscal year 2006 increased approximately 1.8% from fiscal year 2005. Property tax rates for 2006 went up approximately 3.6% for urban and 10.7% for rural. The General Fund tax levy rate stayed at \$3.50 per \$1,000 of taxable property valuation. The General Supplemental Fund levy increased by approximately \$0.16 to \$2.36 per \$1,000. The Mental Health Fund decreased by approximately \$0.02 to \$1.13 per \$1,000. A Debt Service levy was imposed at approximately \$0.11 per \$1,000. The Rural Services Fund levy increased by approximately \$0.82 to \$3.95 per \$1,000. The effect of the increase in levies and valuations raised the county's property tax revenue by approximately \$470,000.

The cost of all governmental activities this year was \$11.13 million compared to \$10.56 million last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was only \$4.82 million because some of the cost was paid by those directly benefited from the programs \$(1.26 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4.31 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2006 from approximately \$5.97 million to \$5.58 million, principally due to receiving additional Intergovernmental funds for Mental Health & Secondary Roads during fiscal 2005. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$4.82 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

### **INDIVIDUAL MAJOR FUNDS ANALYSIS**

As Floyd County completed the year, its governmental funds reported a combined fund balance of \$8.76 million, an increase of more than \$1,528,660 above last year's total of \$7.23 million. The increase in fund balance is primarily attributable to a general obligation economic development bond. 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 increased when compared to the prior year. The ending fund balance showed an increase of \$1,715,117 from the prior year to \$2,810,182.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,865,675, an increase of 11% from the prior year. The Mental Health Fund balance at year end decreased to a balance of \$28,353.
- Secondary Roads Fund expenditures increased by approximately \$328,768 over the prior year, due principally to an increase in roadway maintenance as the County continues to aggressively upgrade the condition of the County roadway system. As a result of this increase in expenditures, the Secondary Roads Fund ending balance decreased \$257,787 or 5%.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Floyd County amended its budget one time. The amendment was made in May 2006. This amendment was made to provide for additional expenditures in certain County departments. It also adjusted the budgeted receipts for the receipt of proceeds from the sale of the County farm and re-estimated other receipt categories.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2006, Floyd County had approximately \$24.9 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 \$823,198 or 3% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2006	2005
Land	\$344	\$291
Buildings and Improvements	2,577	2,577
Equipment and Vehicles	4,662	4,397
Infrastructure	17,349	16,844
Total	\$24,932	\$24,109
This year's major additions include (expressed in thousands)		
Capital assets contributed by the Iowa Dept. of Transportation	\$52	
Replacement Secondary Roads Equipment	64	
County Sheriff Vehicles	21	
Voting Equipment	102	
Infrastructure	505	
Total	\$744	

The County had depreciation expense of \$870,478 for the year ended June 30, 2006 and total accumulated depreciation of \$11,270,545 at June 30, 2006.

The County's fiscal year 2006 capital budget included \$807,000 for capital projects, principally for the continuation of upgrading secondary road and bridges. The County has no plans to issue additional debt to finance these projects. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### **Long-Term Debt**

At June 30, 2006 Floyd County has approximately \$1,685,000 in general obligation bonds and other debt outstanding compared to approximately \$2,165,843 at June 30, 2005, as shown below.

Outstanding Debt at Year-End of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2006	2005
General Obligation Bonds and Notes	\$1,685	\$1,879
Capital Lease Purchase Agreements	0	287
Compensated Absences	165	172
Total	\$1,850	\$2,338

The County continues to carry a general obligation bond rating as Aa3 assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Floyd County's outstanding general obligation debt is significantly below its constitutional debt limit of \$40 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

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

Floyd County's elected and appointed officials considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged for various County activities. Economic factors such as inflation, cost of living, unemployment, agriculture and commercial growth were taken into account. Cost of living remains constant at 2.7%. Unemployment in the County increased slightly from 4.3% in June of 2005 to 4.4% in 2006.

The County is committed to economic development growth opportunities as reflected in participation in various boards and committees throughout the area. Charles City had been the primary beneficiary of a county-supported housing development project started in 2004. In fiscal year 2007, new housing development projects in the Nashua area and the city of Rockford will be eligible for county funding. A wind energy ordinance is slated for 2007 which will allow for new opportunities of economic development.

The County has two major road projects for fiscal year 2007. In November 2005, the County sold property to VeraSun, LLC for the purpose of building an ethanol plant. A stretch of hard surface road from the Avenue of the Saints to the ethanol plant is targeted for completion in the first half of the year. Throughout fiscal year 2007, engineering plans for replacing the viaduct west of Charles City are under way with construction beginning in June 2007.

Budgeting revenues and expenditures is a challenging task with 2007 being no exception. Anticipated revenues are expected to decline \$2,018,000 with expenditures increasing approximately \$270,000. At the close of fiscal year 2006, overall expenditures came in slightly under budget and revenues came in slightly over budget. The County's budgetary operating balance is expected to decrease by the close of fiscal year 2007.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Floyd 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 Floyd County Auditor's Office, 101 S. Main Street, Charles City, Iowa.

**FLOYD COUNTY**  
**Charles City, Iowa**

**STATEMENT OF NET ASSETS**  
 June 30, 2006

	Governmental Activities
<hr/>	
<b>ASSETS</b>	
Cash & Pooled Investments	\$9,090,320
Receivables:	
Property Tax:	
Delinquent	65,961
Succeeding Year	4,760,494
Interest & Penalty On Property Tax	669
Accounts	119,137
Accrued Interest	12,725
Due From Other Governments	331,959
Inventories	358,382
Capital Assets (Net of Accumulated Depreciation)	13,661,263
<b>TOTAL ASSETS</b>	<b>28,400,910</b>
<b>LIABILITIES</b>	
Accounts Payable	507,104
Accrued Interest Payable	4,735
Salaries & Benefits Payable	83,221
Due To Other Governments	386,235
Deferred Revenue:	
Succeeding Year Property Tax	4,760,494
Long Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Bonds	222,000
Compensated Absences	159,173
Portion Due Or Payable After One Year:	
General Obligation Bonds	1,463,000
<b>TOTAL LIABILITIES</b>	<b>7,585,962</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	13,661,263
Restricted For:	
Mental Health Purposes	36,511
Secondary Roads Purposes	5,089,045
Debt Service	41,315
Other Purposes	713,318
Unrestricted	1,273,496
<b>TOTAL NET ASSETS</b>	<b>\$20,814,948</b>

See Notes To Financial Statements

**FLOYD COUNTY  
Charles City, Iowa**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006**

	Expenses	Program Revenues			
		Charges for Service	Contributions, & Restricted Interest	Capital Grants, & Restricted Interest	Operating Grants, Contributions, & Restricted Interest, Net (Expense) Revenue & Changes in Net Assets
<b>Functions/Programs:</b>					
Governmental Activities:					
Public Safety & Legal Services	\$1,812,676	\$197,019	\$8,226	\$ 0	\$(1,607,431)
Physical Health & Social Services	1,073,825	375,344	354,914	0	(343,567)
Mental Health	1,854,086	197,162	1,025,206	0	(631,718)
County Environment & Education	479,755	39,452	12,547	0	(427,756)
Roads & Transportation	4,354,451	61,841	2,395,705	359,909	(1,536,996)
Governmental Services to Residents Administration	538,872	278,361	126,298	0	(134,213)
	862,158	24,104	27,424	3,661	(806,969)
Nonprogram	89,840	90,142	0	0	302
Interest on Long-Term Debt	66,309	0	0	0	(66,309)
<b>Total</b>	<b>\$11,131,972</b>	<b>\$1,263,425</b>	<b>\$3,950,320</b>	<b>\$363,570</b>	<b>(5,554,657)</b>
<b>General Revenues:</b>					
Property and Other County Tax Levied For:					
General Purposes					4,764,984
Debt Service					58,248
Penalties & Interest on Property Tax					43,908
State Tax Credits					305,242
Local Option Sales Tax					458,888
Tax Increment Financing					194,335
Unrestricted Investment Earnings					423,103
Miscellaneous					1,444,616
Gain on Disposal of Capital Assets					1,146
<b>Total General Revenue</b>					<b>7,694,470</b>
Changes in Net Assets					2,139,813
Net Assets Beginning of Year, as Restated (Note 12)					18,675,135
Net Assets End of Year					<b>\$20,814,948</b>

See Notes To Financial Statements

**FLOYD COUNTY  
Charles City, Iowa**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2006

	General	Special Revenue	
		Mental Health	Rural Services
<b>ASSETS</b>			
Cash and Pooled Investments	\$2,754,669	\$382,283	\$170,492
Receivables:			
Property Tax:			
Delinquent	38,557	7,146	19,598
Succeeding Year	2,968,946	550,257	1,185,572
Interest & Penalty on Property Tax	669	0	0
Accounts	119,137	0	0
Accrued Interest	12,725	0	0
Due From Other Funds	9,712	0	0
Due From Other Governments	73,006	1,338	0
Inventories	0	0	0
<b>TOTAL ASSETS</b>	<b>\$5,977,421</b>	<b>\$941,024</b>	<b>\$1,375,662</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$27,574	\$24,363	\$4,312
Salaries & Benefits Payable	33,092	438	69
Due To Other Governments	40,961	329,455	0
Deferred Revenue:			
Succeeding Year Property Tax	2,968,946	550,257	1,185,572
Other	96,666	8,158	18,650
<b>Total Liabilities</b>	<b>3,167,239</b>	<b>912,671</b>	<b>1,208,603</b>
Fund Balances:			
Reserved For:			
Inventories	0	0	0
Debt Service	0	0	0
Road Purposes	0	0	0
Unreserved, Reported In:			
General Fund	2,810,182	0	0
Special Revenue Funds	0	28,353	167,059
<b>Total Fund Balances</b>	<b>2,810,182</b>	<b>28,353</b>	<b>167,059</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$5,977,421</b>	<b>\$941,024</b>	<b>\$1,375,662</b>

See Notes To Financial Statements

**Exhibit C**

<u>Special Revenue</u> Secondary Roads	Debt Service	Nonmajor Special Revenue	Total
\$4,992,603	\$45,390	\$520,153	\$8,865,590
0	660	0	65,961
0	55,719	0	4,760,494
0	0	0	669
0	0	0	119,137
0	0	0	12,725
0	0	0	9,712
250,159	0	7,456	331,959
358,382	0	0	358,382
<u>\$5,601,144</u>	<u>\$101,769</u>	<u>\$527,609</u>	<u>\$14,524,629</u>
\$346,305	\$ 0	\$ 0	\$402,554
49,622	0	0	83,221
15,819	0	0	386,235
0	55,719	0	4,760,494
43	630	7,456	131,603
<u>411,789</u>	<u>56,349</u>	<u>7,456</u>	<u>5,764,107</u>
358,382	0	0	358,382
0	45,420	0	45,420
2,444,900	0	0	2,444,900
0	0	0	2,810,182
<u>2,386,073</u>	<u>0</u>	<u>520,153</u>	<u>3,101,638</u>
<u>5,189,355</u>	<u>45,420</u>	<u>520,153</u>	<u>8,760,522</u>
<u>\$5,601,144</u>	<u>\$101,769</u>	<u>\$527,609</u>	<u>\$14,524,629</u>

**FLOYD COUNTY**  
**Charles City, Iowa**

**RECONCILIATION OF THE BALANCE SHEET**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
June 30, 2006

**Total Governmental Fund Balances (page 13)** \$8,760,522

*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 \$24,931,808 and the accumulated depreciation is \$11,270,545. 13,661,263

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 131,603

The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 110,468

Long-term liabilities, including capital lease purchase agreements payable, bonds payable, accrued interest payable and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds. (1,848,908)

**Net Assets of Governmental Activities (page 10)** \$20,814,948

See Notes to Financial Statements.

**FLOYD COUNTY**  
**Charles City, Iowa**

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
**GOVERNMENTAL FUNDS**  
Year Ended June 30, 2006

	General	Special Revenue	
		Mental Health	Rural Services
<b>REVENUES:</b>			
Property & Other County Tax	\$2,993,684	\$574,619	\$1,209,660
Interest & Penalty on Property Tax	43,908	0	0
Intergovernmental	1,040,964	1,255,162	74,528
Licenses & Permits	27,630	0	0
Charges for Services	463,631	0	0
Use of Money & Property	449,767	0	0
Miscellaneous	1,255,173	15,121	34
<b>Total Revenues</b>	<b>6,274,757</b>	<b>1,844,902</b>	<b>1,284,222</b>
<b>EXPENDITURES:</b>			
Operating:			
Public Safety & Legal Services	1,578,599	0	233,137
Physical Health & Social Services	1,087,279	0	0
Mental Health	0	1,865,675	0
County Environment & Education	300,249	0	162,001
Roads & Transportation	0	0	138,064
Governmental Services to Residents	620,118	0	0
Administration	835,154	0	0
Nonprogram	0	0	0
Debt Service	0	0	0
Capital Projects	0	0	0
<b>Total Expenditures</b>	<b>4,421,399</b>	<b>1,865,675</b>	<b>533,202</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,853,358	(20,773)	751,020
Other Financing Sources (Uses):			
Sale of Capital Assets	3,196	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(141,437)	0	(730,529)
<b>Total Other Financing Sources (Uses)</b>	<b>(138,241)</b>	<b>0</b>	<b>(730,529)</b>
Net Change in Fund Balances	1,715,117	(20,773)	20,491
Fund Balances – Beginning of Year	1,095,065	49,126	146,568
Increase in Reserve For Inventories	0	0	0
<b>Fund Balances – End of Year</b>	<b>\$2,810,182</b>	<b>\$28,353</b>	<b>\$167,059</b>

See Notes To Financial Statements

**Exhibit E**

Special Revenue Secondary Roads	Debt Service	Nonmajor Special Revenue	Total
\$458,889	\$58,422	\$ 0	\$5,295,274
0	0	0	43,908
2,703,236	3,469	5,091	5,082,450
1,390	0	0	29,020
3,661	0	3,400	470,692
747	0	3,186	453,700
222,321	194,335	5,020	1,692,004
3,390,244	256,226	16,697	13,067,048
0	0	2,185	1,813,921
0	0	0	1,087,279
0	0	0	1,865,675
0	0	0	462,250
3,953,668	0	0	4,091,732
0	0	16,968	637,086
0	0	0	835,154
0	0	2,412	2,412
0	255,615	0	255,615
543,482	0	49,046	592,528
4,497,150	255,615	70,611	11,643,652
(1,106,906)	611	(53,914)	1,423,396
0	0	0	3,196
849,119	0	22,847	871,966
0	0	0	(871,966)
849,119	0	22,847	3,196
(257,787)	611	(31,067)	1,426,592
5,345,074	44,809	551,220	7,231,862
102,068	0	0	102,068
\$5,189,355	\$45,420	\$520,153	\$8,760,522

**FLOYD COUNTY  
Charles City, Iowa**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006**

**Net Change in Fund Balances - Total Governmental Funds (page 15-16)** \$1,528,660

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

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

Expenditures for capital assets	\$843,563	
Capital assets contributed by the Iowa Department of Transportation	52,377	
Depreciation Expense	<u>(870,478)</u>	25,462

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (2,050)

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

Property tax	(13,154)	
Other	<u>64,770</u>	51,616

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

Repaid		480,843
--------	--	---------

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	13,316	
Interest on long-term debt	<u>1,389</u>	14,705

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. 40,577

**Change in Net Assets of Governmental Activities (page 11)** \$2,139,813

See Notes to Financial Statements

**FLOYD COUNTY  
Charles City, Iowa**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2006**

Internal Service  
Employee Group  
Health

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**ASSETS**

Cash & Cash Equivalents \$215,018

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**LIABILITIES AND NET ASSETS**

Liabilities  
Accounts Payable 104,550

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Net Assets  
Unrestricted \$110,468

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See Notes To Financial Statements

**FLOYD COUNTY  
Charles City, Iowa**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2006**

	<u>Internal Service Employee Group Health</u>
Operating Revenues:	
Reimbursements from Operating Funds	\$811,365
Reimbursements from Employees	157,226
Other Reimbursements	64,896
<hr/> Total Operating Revenue	<hr/> 1,033,487
Operating Expenses:	
Medical Claims	782,772
Insurance Premiums	189,884
Administrative Fees	3,844
Miscellaneous	25,866
<hr/> Total Operating Expenses	<hr/> 1,002,366
Operating Income	31,121
Non-Operating Revenues:	
Interest Income	9,456
Net Income	40,577
Net Assets Beginning of Year	69,891
<hr/> Net Assets End of Year	<hr/> <hr/> \$110,468

See Notes To Financial Statements

**FLOYD COUNTY**  
**Charles City, Iowa****STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
Year Ended June 30, 2006

	<u>Internal Service Employee Group Health</u>
Cash Flows From Operating Activities:	
Cash Received From Operating Fund Reimbursements	\$811,364
Cash Received From Employees and Others	222,122
Cash Payments to Suppliers for Services	(972,123)
<hr/> Net Cash Provided by Operating Activities	<hr/> 61,363
Cash Flows From Investing Activities:	
Interest on Investments	9,906
<hr/> Net Increase in Cash and Cash Equivalents	<hr/> 71,269
Cash and Cash Equivalents at Beginning of Year	143,749
<hr/> Cash and Cash Equivalents at End of Year	<hr/> <hr/> \$215,018
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income	\$31,121
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase in Accounts Payable	30,242
<hr/> Net Cash Provided by Operating Activities	<hr/> <hr/> \$61,363

See Notes To Financial Statements

**FLOYD COUNTY  
Charles City, Iowa**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2006**

**ASSETS**

Cash & Pooled Investments:	\$880,680
County Treasurer	52,672
Other County Officials	
Receivables:	
Property Tax:	
Delinquent	6,016
Succeeding Year	12,252,846
Accounts	25,965
Assessments	165,411
<hr/> Total Assets	<hr/> 13,383,590

**LIABILITIES**

Accounts Payable	2,240
Salaries & Benefits Payable	1,003
Due to Other Governments	13,315,168
Trusts Payable	57,442
Compensated Absences	7,737
<hr/> Total Liabilities	<hr/> 13,383,590
<hr/> Net Assets	<hr/> \$ 0

See Notes To Financial Statements

**FLOYD COUNTY**  
**Charles City, Iowa**

**Notes to Financial Statements**

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

Floyd 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, Floyd 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 Floyd 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.

Thirty-five 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 Floyd 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 Floyd County Auditor's office.

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

## Notes to Financial Statements (Continued)

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

#### B. BASIS OF PRESENTATION

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are 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 and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are 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 expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

## Notes to Financial Statements (Continued)

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

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

##### Special Revenue Funds

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

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

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

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

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 long-term debt and acquisitions under capital leases are reported as other financing sources.

## Notes to Financial Statements (Continued)

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for the Internal Services Fund 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 balance sheet:

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property 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 and will not be recognized as revenue until the year for which it is levied.

## Notes to Financial Statements (Continued)

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

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

Property Tax Receivable (Continued) – 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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2005.

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.

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, 2006, balances of inter-fund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-65
Building Improvements	20-50
Infrastructure	30-50
Equipment	2-20
Vehicles	3-10

## Notes to Financial Statements (Continued)

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

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

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

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

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

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

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

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

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

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

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

#### E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements in certain departments exceeded the amounts appropriated.

## Notes to Financial Statements (Continued)

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### Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

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

### Note 3: Due from and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General	Agency Auto License and Use Tax	\$9,712

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

### Note 4: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2006 is as follows:

Transfer To	Transfer From	Amount
Special Revenue		
Secondary Roads	General Basic	\$118,590
	Special Revenue	
Secondary Roads	Rural Services	730,529
Conservation Reserve	General Basic	22,847
Agency	Agency	
County Assessor	Special Appraiser	65,000
		<u>\$936,966</u>

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

## Notes to Financial Statements (Continued)

### Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance As Reported 6/30/05	Adjustments	Beginning Balance as Restated	Increases	Decreases	Balance End of Year
<b>Governmental Activities:</b>						
Capital Assets Not Being Depreciated:						
Land	\$36,687	\$254,500	\$291,187	\$ 0	\$ 0	\$291,187
Construction in Process	0	0	0	52,877	0	52,877
<b>Total Capital Assets Not Being Depreciated</b>	<b>36,687</b>	<b>254,500</b>	<b>291,187</b>	<b>52,877</b>	<b>0</b>	<b>344,064</b>
Capital Assets Being Depreciated:						
Buildings	2,285,741	0	2,285,741	50,837	0	2,336,578
Improvements Other than Buildings	291,269	0	291,269	49,045	0	340,314
Machinery and Equipment	3,766,947	0	3,766,947	64,059	20,265	3,810,741
Vehicles	337,926	0	337,926	41,149	46,836	332,239
Office Equipment	292,159	0	292,159	132,525	5,640	419,044
Infrastructure, Road Network	16,843,381	0	16,843,381	505,447	0	17,348,828
<b>Total Capital Assets Being Depreciated</b>	<b>23,817,423</b>	<b>0</b>	<b>23,817,423</b>	<b>843,062</b>	<b>72,741</b>	<b>24,587,744</b>
Less Accumulated Depreciation For:						
Buildings	494,091	0	494,091	48,865	0	542,956
Improvements Other than Buildings	65,571	0	65,571	13,226	0	78,797
Machinery and Equipment	2,049,544	0	2,049,544	177,886	18,215	2,209,215
Vehicles	222,312	0	222,312	48,960	46,837	224,435
Office Equipment	259,602	0	259,602	31,423	5,640	285,385
Infrastructure, Road Network	7,379,639	0	7,379,639	550,118	0	7,929,757
<b>Total Accumulated Depreciation</b>	<b>10,470,759</b>	<b>0</b>	<b>10,470,759</b>	<b>870,478</b>	<b>70,692</b>	<b>11,270,545</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>13,346,664</b>	<b>0</b>	<b>13,346,664</b>	<b>(27,416)</b>	<b>2,049</b>	<b>13,317,199</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$13,383,351</b>	<b>\$254,500</b>	<b>\$13,637,851</b>	<b>\$25,461</b>	<b>\$2,049</b>	<b>\$13,661,263</b>

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public Safety and Legal Services	\$28,665
Physical Health and Social Services	11,819
County Environment and Education	38,181
Roads and Transportation	754,868
Governmental Services to Residents	11,243
Administration	25,702
<b>Total Depreciation Expense – Governmental Activities</b>	<b>\$870,478</b>

During the fiscal year ended June 30, 2006, the Conservation department updated the land costs to reflect the cost or fair market value at the time of acquisition. The beginning capital assets and the beginning net assets on the Statement of Activities have been restated to reflect the correction.

## Notes to Financial Statements (Continued)

### Note 6: Due to Other Governments

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

Fund	Description	Amount
General	Services	<u>\$40,961</u>
Special Revenue		
Mental Health	Services	329,455
Secondary Roads		<u>15,819</u>
		<u>345,274</u>
Total For Governmental Funds		<u><u>\$386,235</u></u>
Agency:		
Agricultural Extension	Collections	\$148,975
Assessor		213,548
Schools		7,006,840
Community Colleges		321,833
Corporations		4,488,463
Auto Licenses & Use Tax		269,121
All Other		<u>866,388</u>
Total For Agency Funds		<u><u>\$13,315,168</u></u>

### Note 7: Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

	2002 GO Bonds	2003 GO Notes	2004 GO Bonds	Compensated Absences	Secondary Road Lease	Total
Balance Beginning of Year	\$1,225,000	\$188,000	\$466,000	\$180,973	\$286,843	\$2,346,816
Reductions	<u>55,000</u>	<u>93,000</u>	<u>46,000</u>	<u>15,698</u>	<u>286,843</u>	<u>496,541</u>
Balance End of Year	<u>\$1,170,000</u>	<u>\$95,000</u>	<u>\$420,000</u>	<u>\$165,275</u>	<u>\$ 0</u>	<u>\$1,850,275</u>
Due Within One Year	<u>\$80,000</u>	<u>\$95,000</u>	<u>\$47,000</u>	<u>\$165,275</u>	<u>\$ 0</u>	<u>\$387,275</u>

## Notes to Financial Statements (Continued)

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

#### Bond Payable

A summary of the County's June 30, 2006 General Obligation UR Bonds is as follows:

Year Ending June 30	Interest Rates	Principal	Interest	Total
2007	2.40	\$80,000	\$39,990	\$119,990
2008	2.70	80,000	38,070	118,070
2009	2.90	80,000	35,910	115,910
2010	3.10	90,000	33,590	123,590
2011	3.20	90,000	30,800	120,800
2012	3.30	95,000	27,920	122,920
2013	3.40	95,000	24,785	119,785
2014	3.60	100,000	21,555	121,555
2015	3.70	110,000	17,955	127,955
2016	3.90	115,000	13,885	128,885
2017	4.00	115,000	9,400	124,400
2018	4.00	120,000	4,800	124,800
		<u>\$1,170,000</u>	<u>\$298,660</u>	<u>\$1,468,660</u>

During the year ended June 30, 2006, the County retired \$55,000 of bonds.

#### Notes Payable

A summary of the County's June 30, 2006 general obligation notes is as follows:

Year Ending June 30	Interest Rates	Principal	Interest	Total
2007	2.70	<u>\$95,000</u>	<u>\$2,565</u>	<u>\$97,565</u>

During the year ended June 30, 2006 the County retired \$93,000 of notes.

#### Economic Development Bonds Payable

A summary of the County's June 30, 2006 General Obligation Economic Development Bonds is as follows:

Year Ending June 30	Interest Rates	Principal	Interest	Total
2007	2.55	\$47,000	\$14,267	\$61,267
2008	2.85	48,000	13,069	61,069
2009	3.10	50,000	11,701	61,701
2010	3.35	51,000	10,151	61,151
2011	3.50	53,000	8,442	61,442
2012	3.75	55,000	6,588	61,588
2013	3.85	57,000	4,525	61,525
2014	3.95	59,000	2,331	61,331
		<u>\$420,000</u>	<u>\$71,074</u>	<u>\$491,074</u>

During the year ended June 30, 2006, the County retired \$46,000 of bonds.

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

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

#### Capital Lease Purchase Agreement

On February 9, 2004, the County entered into a lease purchase agreement with John Deere Credit for three Motorgraders. During the year ending June 30, 2006, the County paid the lease in full.

### **Note 8: Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$234,152, \$212,729, and \$204,851, respectively, equal to the required contributions for each year.

### **Note 9: Risk Management**

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

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

### **Note 10: Employee Health Insurance Plan**

The Floyd County Employee Health Plan Trust Fund was established to account for the self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Auxiant. The agreement is subject to automatic renewal provision. The County assumes liability for claims up to the individual stop loss limitation of \$50,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Floyd County Employee Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Floyd County Employee Health Insurance Fund. The County records the plan assets and related liabilities of the Floyd County Health Insurance Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2006 was \$811,365.

### **Note 11: Budget Over Expenditure**

Per the Code of Iowa, disbursements may not legally exceed amount budgeted by function or amounts appropriated by department. During the year ended June 30, 2006, disbursements exceeded amounts appropriated in certain departments.

## Notes to Financial Statements (Continued)

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### Note 12: Restatement of Net Assets

During the fiscal year ended June 30, 2006, the Conservation department revalued their land costs based on the land's actual cost at the date of purchase or the fair market value at the time of donation. During this process, it was determined that a few land purchases were not listed as capital assets when they were indeed over the County's capitalization policy threshold. These land values were added to capital assets for the fiscal year ended June 30, 2006. The beginning capital assets have been restated to reflect the correction.

Beginning Net Assets on the Statement of Activities have been restated as follows:

Net Assets, June 30, 2005 as previously reported	\$18,420,635
Land Adjustment	<u>254,500</u>
Net Assets, July 1, 2005 as restated for governmental funds	<u><u>\$18,675,135</u></u>

**FLOYD COUNTY**  
**Charles City, 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, 2006

	Actual	Less Funds Not Required to be Budgeted
<b>RECEIPTS:</b>		
Property and Other County Tax	\$5,295,563	\$ 0
Interest and Penalty on Property Tax	58,971	0
Intergovernmental	5,034,325	0
Licenses and Permits	29,010	0
Charges for Services	468,876	0
Use of Money and Property	464,128	0
Miscellaneous	1,696,393	3,910
Total Receipts	13,047,266	3,910
<b>DISBURSEMENTS:</b>		
Public Safety and Legal Services	1,815,911	0
Physical Health and Social Services	1,090,298	0
Mental Health	1,824,077	0
County Environment and Education	461,769	0
Roads and Transportation	4,114,430	0
Governmental Services to Residents	638,896	0
Administration	847,102	0
Nonprogram	2,412	2,412
Debt Services	255,615	0
Capital Projects	595,172	0
Total Disbursements	11,645,682	2,412
Excess (Deficiency) of Receipts Over (Under) Disbursements	1,401,584	1,498
Other Financing Sources, Net	3,196	0
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	1,404,780	1,498
Balance – Beginning of Year	7,460,810	27,283
Balance – End of Year	\$8,865,590	\$28,781

See Accompanying Independent Auditors' Report

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$5,295,563	\$5,276,387	\$5,276,387	\$19,176
58,971	0	0	58,971
5,034,325	5,159,745	5,187,168	(152,843)
29,010	19,500	21,132	7,878
468,876	462,395	465,371	3,505
464,128	189,675	315,122	149,006
1,692,483	160,690	218,475	1,474,008
13,043,356	11,268,392	11,483,655	1,559,701
1,815,911	1,856,786	1,866,786	50,875
1,090,298	1,182,326	1,205,453	115,155
1,824,077	1,758,000	1,917,000	92,923
461,769	513,326	513,326	51,557
4,114,430	4,825,850	4,825,850	711,420
638,896	679,312	679,312	40,416
847,102	855,968	905,968	58,866
0	0	0	0
255,615	255,735	255,735	120
595,172	777,000	807,000	211,828
11,643,270	12,704,303	12,976,430	1,333,160
1,400,086	(1,435,911)	(1,492,775)	2,892,861
3,196	0	1,133,085	(1,129,889)
1,403,282	(1,435,911)	(359,690)	1,762,972
7,433,527	5,933,743	5,933,743	1,499,784
\$8,836,809	\$4,497,832	\$5,574,053	\$3,262,756

**FLOYD COUNTY**  
**Charles City, Iowa**

**BUDGETARY COMPARISON SCHEDULE –**  
**BUDGET TO GAAP RECONCILIATION**

Required Supplementary Information  
Year Ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$13,047,266	\$19,782	\$13,067,048
Expenditures	11,645,682	(2,030)	11,643,652
Net	1,401,584	21,812	1,423,396
Other Financing Sources (Net)	3,196	0	3,196
Beginning Fund Balances	7,460,810	(228,948)	7,231,862
Increase in Reserve for: Inventories	0	102,068	102,068
Ending Fund Balances	\$8,865,590	\$(105,068)	\$8,760,522

See Accompanying Independent Auditors' Report

**FLOYD COUNTY**  
**Charles City, Iowa**

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

June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue 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, nonprogram, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds and Debt Services Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$272,127. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2006, disbursements in certain departments exceeded the amounts appropriated.

**FLOYD COUNTY**  
**Charles City, Iowa**

COMBINING BALANCE SHEET  
**NONMAJOR SPECIAL REVENUE FUNDS**  
 June 30, 2006

	Supplemental Environmental Project	Attorney Forfeiture	Resource Enhancement & Protection	Sheriff Forfeiture
<b>ASSETS</b>				
Cash and Pooled Investments	\$11,002	\$2,741	\$54,359	\$65
Due from Other Governments	0	0	7,456	0
<b>TOTAL ASSETS</b>	<b>\$11,002</b>	<b>\$2,741</b>	<b>\$61,815</b>	<b>\$65</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Deferred Revenue	\$ 0	\$ 0	\$7,456	\$ 0
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>7,456</b>	<b>0</b>
Fund Balances:				
Unreserved	11,002	2,741	54,359	65
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$11,002</b>	<b>\$2,741</b>	<b>\$61,815</b>	<b>\$65</b>

See Accompanying Independent Auditors' Report

**Schedule 1**

Recorders Records Management	Infrastructure Assistance	Fiduciary Grant Fund	Scholarship Fund	Recorder's Electronic Transaction	Drainage	Conservation Land Acquisition	Total
\$10,928	\$355,307	\$11	\$1,275	\$698	\$28,781	\$54,986	\$520,153
0	0	0	0	0	0	0	7,456
\$10,928	\$355,307	\$11	\$1,275	\$698	\$28,781	\$54,986	\$527,609
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$7,456
0	0	0	0	0	0	0	7,456
10,928	355,307	11	1,275	698	28,781	54,986	520,153
\$10,928	\$355,307	\$11	\$1,275	\$698	\$28,781	\$54,986	\$527,609

**FLOYD COUNTY**  
**Charles City, Iowa**

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

Year Ended June 30, 2006

	Supplemental Environmental Project	Attorney Forfeiture	Resource Enhancement & Protection	Sheriff Forfeiture
<b>REVENUES:</b>				
Intergovernmental	\$ 0	\$ 0	\$5,091	\$ 0
Charges for Services	0	0	0	0
Use of Money and Property	439	0	2,194	0
Miscellaneous	0	0	0	491
Total Revenues	439	0	7,285	491
<b>EXPENDITURES:</b>				
Operating:				
Public Safety and Legal Services	0	0	0	2,185
Governmental Services to Residents	0	0	0	0
Nonprogram	0	0	0	0
Capital Projects	0	0	0	0
Total Expenditures	0	0	0	2,185
Excess (Deficiency) of Revenues Over (Under) Expenditures	439	0	7,285	(1,694)
Other Financing Sources (Uses):				
Operating Transfers In	0	0	0	0
	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	439	0	7,285	(1,694)
Fund Balances – Beginning of Year	10,563	2,741	47,074	1,759
Fund Balances – End of Year	\$11,002	\$2,741	\$54,359	\$65

See Accompanying Independent Auditors' Report

**Schedule 2**

Recorders Records Management	Infrastructure Assistance	Fiduciary Grant Fund	Scholarship Fund	Recorder's Electronic Transaction	Drainage	Conservation Land Acquisition	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$5,091
3,400	0	0	0	0	0	0	3,400
384	0	0	0	169	0	0	3,186
619	0	0	0	0	3,910	0	5,020
4,403	0	0	0	169	3,910	0	16,697
0	0	0	0	0	0	0	2,185
1,391	0	0	0	15,577	0	0	16,968
0	0	0	0	0	2,412	0	2,412
0	0	0	0	0	0	49,046	49,046
1,391	0	0	0	15,577	2,412	49,046	70,611
3,012	0	0	0	(15,408)	1,498	(49,046)	(53,914)
0	0	0	0	0	0	22,847	22,847
0	0	0	0	0	0	22,847	22,847
3,012	0	0	0	(15,408)	1,498	(26,199)	(31,067)
7,916	355,307	11	1,275	16,106	27,283	81,185	551,220
\$10,928	\$355,307	\$11	\$1,275	\$698	\$28,781	\$54,986	\$520,153

**FLOYD COUNTY**  
**Charles City, Iowa**

COMBINING SCHEDULE OF FIDUCIARY  
 ASSETS AND LIABILITIES  
**AGENCY FUNDS**  
 June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS</b>				
Cash & Pooled Investments:				
County Treasurer	\$ 0	\$2,321	\$67,341	\$113,439
Other County Officials	52,672	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	87	91	4,690
Succeeding Year	0	146,567	152,275	6,888,711
Accounts	1,401	0	0	0
Assessments	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$54,073</b>	<b>\$148,975</b>	<b>\$219,707</b>	<b>\$7,006,840</b>
 <b>LIABILITIES</b>				
Accounts Payable	\$ 0	\$ 0	\$57	\$ 0
Salaries & Benefits Payable	0	0	0	0
Due to Other Governments	1,727	148,975	213,548	7,006,840
Trusts Payable	52,346	0	0	0
Compensated Absences	0	0	6,102	0
<b>TOTAL LIABILITIES</b>	<b>\$54,073</b>	<b>\$148,975</b>	<b>\$219,707</b>	<b>\$7,006,840</b>

See Accompanying Independent Auditors' Report

**Schedule 3**

Community Colleges	Corporations	Townships	City Special Assessments	Auto Licenses & Use Tax	Other	Total
\$5,193 0	\$46,036 0	\$3,110 0	\$2,135 0	\$269,121 0	\$371,984 0	\$880,680 52,672
183 316,457 0 0	733 4,441,694 0 0	161 179,627 0 0	0 0 0 165,411	0 0 0 0	71 127,515 24,564 0	6,016 12,252,846 25,965 165,411
<u>\$321,833</u>	<u>\$4,488,463</u>	<u>\$182,898</u>	<u>\$167,546</u>	<u>\$269,121</u>	<u>\$524,134</u>	<u>\$13,383,590</u>
\$ 0 0 321,833 0 0	\$ 0 0 4,488,463 0 0	\$ 0 0 182,898 0 0	\$ 0 0 167,546 0 0	\$ 0 0 269,121 0 0	\$2,183 1,003 514,217 5,096 1,635	\$2,240 1,003 13,315,168 57,442 7,737
<u>\$321,833</u>	<u>\$4,488,463</u>	<u>\$182,898</u>	<u>\$167,546</u>	<u>\$269,121</u>	<u>\$524,134</u>	<u>\$13,383,590</u>

**FLOYD COUNTY**  
**Charles City, Iowa**

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

Year Ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS AND LIABILITIES</b>				
Balances – Beginning of Year	\$37,888	\$142,767	\$216,568	\$6,948,383
Additions:				
Property & Other County Tax	0	152,361	158,475	7,165,194
E911 Surcharge	0	0	0	0
State Tax Credits	0	9,299	9,995	452,031
Driver License Fees	0	0	0	0
Office Fees & Collections	302,563	0	0	0
Electronic Transaction Fees	0	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	454,841	0	0	0
Miscellaneous	0	0	1,152	0
Total Additions	757,404	161,660	169,622	7,617,225
Deductions:				
Agency Remittances:				
To County Funds	173,153	0	0	0
To Other Governments	135,058	155,452	231,483	7,558,768
Trusts Paid Out	433,008	0	0	0
Total Deductions	741,219	155,452	231,483	7,558,768
Other Financing Sources (Uses):				
Operating Transfers In (Out)	0	0	65,000	0
Balances – End of Year	\$54,073	\$148,975	\$219,707	\$7,006,840

See Accompanying Independent Auditors' Report

**Schedule 4**

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$320,326	\$4,293,967	\$172,148	\$153,661	\$274,816	\$511,238	\$13,071,762
329,231	4,653,350	187,885	0	0	132,261	12,778,757
0	0	0	0	0	97,650	97,650
20,906	204,558	11,018	0	0	10,640	718,447
0	0	0	0	46,982	0	46,982
0	0	0	0	0	0	302,563
0	0	0	0	0	3,077	3,077
0	0	0	0	3,368,474	0	3,368,474
0	0	0	18,070	0	488	18,558
0	0	0	0	0	120,861	575,702
0	803	0	0	0	755,946	757,901
350,137	4,858,711	198,903	18,070	3,415,456	1,120,923	18,668,111
0	0	0	0	113,363	0	286,516
348,630	4,664,215	188,153	4,185	3,307,788	919,122	17,512,854
0	0	0	0	0	123,905	556,913
348,630	4,664,215	188,153	4,185	3,421,151	1,043,027	18,356,283
0	0	0	0	0	(65,000)	0
\$321,833	\$4,488,463	\$182,898	\$167,546	\$269,121	\$524,134	\$13,383,590

**FLOYD COUNTY  
Charles City, Iowa**

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

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
<b>Revenues:</b>				
Property & Other County Tax	\$5,295,274	\$4,805,283	\$4,883,833	\$4,634,842
Interest & Penalty On Property Tax	43,908	53,750	36,198	36,326
Intergovernmental	5,082,450	4,947,891	5,155,744	4,132,497
Licenses & Permits	29,020	18,104	26,653	18,571
Charges For Service	470,692	471,754	506,324	513,607
Use of Money & Property	453,700	262,671	132,118	174,136
Miscellaneous	1,692,004	611,326	423,514	411,297
Total	<u>\$13,067,048</u>	<u>\$11,170,779</u>	<u>\$11,164,384</u>	<u>\$9,921,276</u>
<b>Expenditures:</b>				
Operating:				
Public Safety & Legal Services	\$1,813,921	\$1,654,793	\$1,518,894	\$1,473,373
Physical Health & Social Services	1,087,279	849,469	993,977	1,148,652
Mental Health	1,865,675	1,682,439	1,759,700	1,632,493
County Environment & Education Services	462,250	647,333	1,316,935	1,110,704
Roads & Transportation	4,091,732	3,748,897	3,679,428	3,308,841
Governmental Services To Residents	637,086	474,520	427,785	408,856
Administration	835,154	939,955	982,806	1,407,412
Nonprogram	2,412	4,924	5,740	638
Debt Services	255,615	256,543	108,058	39,877
Capital Projects	592,528	494,790	205,505	408,848
Total	<u>\$11,643,652</u>	<u>\$10,753,663</u>	<u>\$10,998,828</u>	<u>\$10,939,694</u>

See Accompanying Independent Auditors' Report

**FLOYD COUNTY  
Charles City, Iowa**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2006**

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Direct:			
U.S. Department of Justice Office of Justice Assistance Bulletproof Vest Partnership Program	16.607		\$2,105
Total Direct			\$2,105
Indirect:			
U.S. Department of Agriculture: Iowa Department of Human Services: Human Services Administrative Reimbursements: State Administrative Matching Grants for Food Stamp Program	10.561		\$15,502
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	BROS-CO 34(61)—8J-34	307,532
National Highway Traffic Safety Administration: Iowa Department of Public Safety: Traffic Safety Bureau: Incentive Grants for Use of Seat Belt	20.604		4,427
U.S. Elections Assistance Commission: Iowa Secretary of State: Help America Vote Act Requirements Payments	90.41	06-HAVA-34-100 06-HAVA-34-SA1	112,138 2,214
U.S. Administration for Children and Families: Iowa Secretary of State: Voting Access for Individuals with Disabilities- Grants to States	93.617	06-HAVA-34-001 06-HAVA-34-002 06-HAVA-34-003 06-HAVA-34-004 06-HAVA-34-005	114,352 2,500 123 2,500 2,111 2,500
			9,734

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		\$18,684
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		4,449
Foster Care – Title IV-E	93.658		9,668
Adoption Assistance	93.659		2,353
Medical Assistance Program	93.778		24,903
Social Services Block Grant	93.667		12,593
Social Services Block Grant	93.667		75,067
			<u>87,660</u>
Federal Emergency Management Agency:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Emergency Management Performance Grant	97.042		13,173
Total Indirect			<u>\$612,437</u>
Total			<u>\$614,542</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Floyd County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of the basic financial statements.

See Accompanying Independent Auditors' Report



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

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To the Officials of Floyd County:  
Charles City, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Floyd County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated January 22, 2007. 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 Floyd County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Floyd County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

### Compliance and Other Matters

As a part of obtaining reasonable assurance about whether Floyd County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on test and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Floyd County and other parties to whom Floyd County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

January 22, 2007

*Gardiner Thomsen, P.C.*



## **Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

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To the Officials of Floyd County  
Charles City, Iowa

### **Compliance**

We have audited the compliance of Floyd County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2006. Floyd County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Floyd County's management. Our responsibility is to express an opinion on Floyd County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Floyd County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Floyd County's compliance with those requirements.

In our opinion, Floyd County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

### **Internal Control Over Compliance**

The management of Floyd County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Floyd County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Floyd County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Floyd County and other parties to whom Floyd County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

January 22, 2007

*Gardiner Thomsen, P.C.*

**FLOYD COUNTY**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2006**

**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements
- (b) Reportable conditions in the internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements
- (d) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (e) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (f) The major program was CFDA Number 20.025 – Highway Planning and Construction.
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000
- (h) Floyd County did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements**

REPORTABLE CONDITIONS:

**II-A-06 Segregation of Duties** - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

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

*Response* – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling among the County Official, Deputy, and Clerks.

*Conclusion* – Response accepted.

**II-B-06 Information Systems** – During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- Required password changes because software does not require the user to change log-ins/passwords periodically.
- Requiring user profiles to help limit access to programs to those who have a legitimate need.
- Personal use of computer equipment and software.

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

**FLOYD COUNTY**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2006**

**Part II: Findings Related to the Financial Statements (Continued)**

**II-B-06 Information Systems (Continued)**

*Recommendation* – The County should develop written policies addressing the above items in order to improve the County’s control over computer based systems. A written disaster recovery plan should be developed which includes unwritten existing policy.

*Response* – The County will comply in the future with these recommendations. County officials have discussed and agree that these policies are needed. The written disaster recovery plan was approved in December 2006.

*Conclusion* – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

**Part III: Findings and Questioned Costs for Federal Awards**

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

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

**IV-A-06 Certified Budget** – Disbursements in certain departments exceeded the amounts appropriated during the year ended June 30, 2006. Notice for the Emergency Management budget was not published in accordance with Chapter 331.434 of the Code of Iowa. The E911 budget was not amended before disbursements exceeded the amount budgeted.

*Recommendation* – Chapter 331.435(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Chapter 331.434 of the Code of Iowa requires notice of a budget hearing to be published not less than ten nor more than twenty days before the hearing. Such notices should be published before all budget hearings.

The E911 budget should have been amended before disbursements were allowed to exceed the budget.

*Response* – We will watch appropriations more closely. Notice of budget hearings will be published as required and we will amend the E911 budget when required.

*Conclusion* – Response accepted.

**FLOYD COUNTY**  
**Schedule of Findings**  
**Year Ended June 30, 2006**

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

**IV-B-06 Questionable Expenditures** – We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

**IV-C-06 Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

**IV-D-06 Business Transactions** – No business transactions between the County and County officials or employees were noted.

**IV-E-06 Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

**IV-F-06 Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, it was noted that not all board minutes were provided to the publisher within seven days of a meeting as required by Chapter 349.18 of the Code of Iowa.

*Recommendation* – Minutes should be provided to the publisher within seven days of the meeting.

*Response* – We will submit the minutes on a more timely basis.

*Conclusion* – Response accepted.

**IV-G-06 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.

**IV-H-06 Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

**IV-I-06 Economic Development** – During the year ended June 30, 2006, the County paid \$77,311 for economic development which appears to be an appropriate expenditure of public funds since the public benefits to be derived have been clearly documented.

**IV-J-06 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, 2006 for the County Extension Office did not exceed the amount budgeted.

## **News Release**

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

The County had local tax revenue of \$18,638,832 for the year ended June 30, 2006, which included \$1,023,689 in tax credits from the state. The County forwarded \$13,237,527 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,401,305 of the local tax revenue to finance County operations, a 5% decrease from the prior year. Other revenues included charges for service of \$1,263,425, operating grants, contributions and restricted interest of \$3,950,320, unrestricted investment earnings of \$423,103 and other general revenues of \$1,444,616.

Expenses for County operations totaled \$11,131,972, a 2% increase from the prior year. Expenses included \$4,354,451 for Roads and Transportation, \$1,854,086 for Mental Health and \$1,812,676 for Public Safety and Legal Services.

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

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