

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

INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
June 30, 2008

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

**TABLE OF CONTENTS**

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	<u>Page</u>
<b>OFFICIALS</b> .....	1
<b>INDEPENDENT AUDITORS' REPORT</b> .....	2-3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	4-9
<b>BASIC FINANCIAL STATEMENTS:</b>	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets .....	A ..... 10
Statement of Activities .....	B ..... 11
Governmental Fund Financial Statements:	
Balance Sheet .....	C ..... 12-13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets .....	D ..... 14
Statement of Revenues, Expenditures and Changes in Fund Balances .....	E ..... 15-16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities .....	F ..... 17
Proprietary Fund Financial Statements:	
Statement of Net Assets .....	G ..... 18
Statement of Revenues, Expenses and Changes in Fund Net Assets....	H ..... 19
Statement of Cash Flows .....	I ..... 20
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds .....	J ..... 21
Notes to Financial Statements.....	22-32
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds .....	33-34
Budget to GAAP Reconciliation .....	35
Notes to Required Supplementary Information – Budgetary Reporting ..	36

## **TABLE OF CONTENTS (Continued)**

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<b>OTHER SUPPLEMENTARY INFORMATION:</b>	<u>Schedule</u>	<u>Page</u>
Nonmajor Governmental Funds:		
Combining Balance Sheet .....	1 .....	37-38
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances .....	2 .....	39-40
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities .....	3 .....	41-42
Combining Schedule of Changes in Fiduciary Assets and Liabilities .....	4 .....	43-44
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds .....	5 .....	45-46
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i> .....</b>		<b>47-48</b>
<b>SCHEDULE OF FINDINGS .....</b>		<b>49-51</b>

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

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Warren K. Dunkel .....	Board of Supervisors .....	January 2009
Leo Staudt .....	Board of Supervisors .....	January 2011
Arlin Enabnit .....	Board of Supervisors .....	January 2011
Gloria Carr .....	County Auditor.....	January 2009
Frank Rottinghaus .....	County Treasurer .....	January 2011
Deborah K. Roberts.....	County Recorder .....	January 2011
Rick Lynch.....	County Sheriff .....	January 2009
Jesse Marzen .....	County Attorney.....	January 2011
Bruce C. Hovden.....	County Assessor.....	Appointed



**Gardiner Thomsen**  
Certified Public Accountants

## **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, 2008, 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, 2008, 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 February 27, 2009 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 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 33 – 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 five years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

February 27, 2009

*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, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 4%, or approximately \$581,372, from fiscal 2007 to fiscal 2008. Property tax increased \$242,795, operating grants, capital grants and contributions totaled \$4.6 million.
- Program expenses were 4%, or approximately \$489,915, more in fiscal 2008 than in fiscal 2007. Physical Health and Social Services expense increased \$67,815, Mental Health expense increased \$56,534 and Public Safety & Legal Service expense decreased \$13,123.
- The County's net assets increased 8%, or approximately \$1.9 million from June 30, 2007 to June 30, 2008.

### **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.

### **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 \$22.8 million to \$24.7 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,	
	2008	2007
Current and Other Assets	\$16,880	\$16,158
Capital Assets	15,119	14,204
<b>Total Assets</b>	<b>31,999</b>	<b>30,362</b>
Long-Term Debt Outstanding	1,468	1,598
Other Liabilities	5,845	5,968
<b>Total Liabilities</b>	<b>7,313</b>	<b>7,566</b>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	15,119	14,204
Restricted	6,689	6,083
Unrestricted	2,878	2,509
<b>Total Net Assets</b>	<b>\$24,686</b>	<b>\$22,796</b>

Net assets of the Floyd County's governmental activities increased by 8% (\$22.8 million compared to \$24.7 million). The largest portion of the County's net assets is 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,	
	2008	2007
Revenues:		
Program Revenues:		
Charges for Service	\$1,544	\$1,465
Operating Grants, Contributions and Restricted Interest	4,179	4,145
Capital Grants, Contributions and Restricted Interest	451	1,228
General Revenues:		
Property Tax	5,210	4,970
Penalty and Interest on Property Tax	47	47
State Tax Credits	305	307
Local Option Sales Tax	584	508
Unrestricted Investment Earning	414	575
Other General Revenues	347	417
<b>Total Revenues</b>	<b>13,081</b>	<b>13,662</b>
Program Expenses:		
Public Safety and Legal Services	1,887	1,900
Physical Health and Social Services	1,179	1,111
Mental Health	1,959	1,902
County Environment and Education	466	679
Roads and Transportation	4,106	4,517
Governmental Services to Residents	500	552
Administration	981	881
Non-Program	62	82
Interest on Long-term Debt	51	57
<b>Total Expenses</b>	<b>11,191</b>	<b>11,681</b>
Increase in Net Assets	1,890	1,981
Net Assets Beginning of Year	22,796	20,815
<b>Net Assets End of Year</b>	<b>\$24,686</b>	<b>\$22,796</b>

Floyd County's net assets of governmental activities increased by approximately \$1.9 million during the year. Revenues for governmental activities increased by approximately \$390,000 over the prior year, with property tax revenue up from the prior year by approximately \$147,000.

Floyd County's taxable valuations payable in fiscal year 2008 increased by more than \$25 million from fiscal year 2007. Urban values gained 6.52% and rural values increased 3.36%. Property tax rates for 2008 went up approximately 0.6% for urban (up from \$7.23624 to \$7.27994 per \$1,000 of taxable value) and 0.39% for rural (\$11.18624 to \$11.22994 per \$1,000 of taxable value). The General Fund and Rural Service Fund tax levy rates remained at the maximum levy rate of \$3.50 and \$3.95 respectively per \$1,000 of taxable property valuation. The General Supplemental Fund levy also stayed the same at \$2.52 per \$1,000. The Mental Health Fund decreased by approximately \$0.05 to \$1.07 per \$1,000. The Debt Service Levy increased by approximately \$0.09 to \$0.91 per \$1,000. The effect of the increase in levies and valuations raised the county's property tax revenue by approximately \$259,108.

The cost of all governmental activities this year was \$11.19 million compared to \$11.68 million last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was only \$5.21 million because some of the cost was paid by those directly benefited from the programs (\$1.54 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4.63 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2008 from approximately \$6.83 million to \$6.18 million, principally due to receiving less Intergovernmental funds for Mental Health & Secondary Roads. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$5.21 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 \$10.31 million, an increase of more than \$604,000 above last year's total of \$9.71 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures increased when compared to the prior year. The ending fund balance showed an increase of \$595,236 from the prior year to \$4,232,733.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,968,666, an increase of 3% from the prior year. The Mental Health Fund balance at year end increased to a balance of \$221,896.
- Secondary Roads Fund expenditures increased by approximately \$704,674 over the prior year, due principally to an increase in roadway maintenance. With this increase in expenditures, the Secondary Roads Fund ending balance decreased \$321,754 or 5%.
- There were no significant changes in revenues, expenditures decreased and the fund balance increased in 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 27, 2008. This amendment was made to provide for additional expenditures in certain County functions and reduce Capital Projects expenditures. It also re-estimated receipt categories.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, Floyd County had approximately \$27.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1.57 million or 6% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2008	2007
Land	\$463	\$291
Buildings and Improvements	2,677	2,677
Equipment and Vehicles	5,016	4,707
Infrastructure	19,664	18,569
Total	\$27,820	\$26,244
This year's major additions include (expressed in thousands)		
Capital assets contributed by the Iowa Dept. of Transportation	\$171	
Replacement Secondary Roads Equipment	409	
County Conservation Vehicle	21	
Total	\$601	

The County had depreciation expense of \$805,277 for the year ended June 30, 2008 and total accumulated depreciation of \$12,701,400 at June 30, 2008.

The County's fiscal year 2008 capital budget included \$2,283,000 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, 2008 Floyd County has approximately \$1,335,000 in general obligation bonds and other debt outstanding compared to approximately \$1,463,000 at June 30, 2007, as shown below.

Outstanding Debt at Year-End of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2008	2007
General Obligation Bonds and Notes	\$1,335	\$1,463
Compensated Absences	133	135
Total	\$1,468	\$1,598

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 \$42 million. Other obligations include accrued vacation pay. 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 2009 budget, tax rates, and fees that will be charged for various County activities. Economic factors such as inflation, unemployment, agriculture and commercial growth were taken into account. The cost of living (CPI-U) was 2.4% in June 2008. Unemployment in the County increased from 3.8% in June of 2007 to 4.6% in 2008.

In June 2008, Floyd County was devastated with torrential rains which led to rivers and creeks cresting at record levels. More than 900 homes and businesses were flooded and several roads and bridges were washed out. Damage throughout the county was in the millions and the county was declared a federal disaster area. The County started paying out flood related expenses in June 2008 with the majority hitting the FY09 budget. Losses to Floyd County government are estimated at \$1 million. Most of the county's expenses will be reimbursed by the Federal Emergency Management Agency. The County expects to see a decline in 2009 valuations due to many un-repaired homes and approximately 30 homes that will likely be purchased and demolished through a Federal Hazard Mitigation Grant Program.

Repairs and replacements of bridges and roads are ongoing projects throughout the county. The viaduct replacement project west of Charles City started in January 2008 and was completed in September 2008. The total project cost is approximately \$1.3 million. Other bridge projects for FY09 include the 300<sup>th</sup> Street and 110<sup>th</sup> Street bridges. Two motor graders costing approximately \$400,000 are budgeted for FY09. Other secondary road equipment purchases include a tractor and a mower.

The County's GIS system has proven to be a resourceful tool for not only the county, but also to agencies such as banks, real estate agents, and surveyors. The County has not updated the aerial maps since 2002. With many changes in the landscape throughout the county, the County intends to utilize more options with the system and intends to update new aerial maps of the area in late FY09 or FY10.

Budgeting revenues and expenditures is a challenging task with 2009 being no exception. Anticipated revenues are expected to decrease by \$265,000 and expenditures are expected to increase \$2,848,000. At the close of fiscal year 2008 the budgeted revenues and expenses versus actual revenues and expenses netted at \$1.7 million increase in most funds.

## **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, 2008**

	Governmental Activities
<b>ASSETS:</b>	
Cash & Pooled Investments	\$10,968,953
Receivables:	
Property Tax:	
Delinquent	33,793
Succeeding Year	5,140,911
Accounts	147,699
Assessments	1,785
Due From Other Governments	340,433
Inventories	246,105
Capital Assets (Net of Accumulated Depreciation)	15,118,958
<b>TOTAL ASSETS</b>	<b>31,998,637</b>
<b>LIABILITIES:</b>	
Accounts Payable	336,690
Accrued Interest Payable	4,134
Salaries & Benefits Payable	87,382
Due To Other Governments	274,772
Deferred Revenue:	
Succeeding Year Property Tax	5,140,911
Long Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Bonds	130,000
Compensated Absences	133,717
Portion Due Or Payable After One Year:	
General Obligation Bonds	1,205,000
<b>TOTAL LIABILITIES</b>	<b>7,312,606</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	15,118,958
Restricted For:	
Mental Health Purposes	225,942
Secondary Roads Purposes	5,103,660
Debt Service	103,102
Other Purposes	1,256,029
Unrestricted	2,878,340
<b>TOTAL NET ASSETS</b>	<b>\$24,686,031</b>

See Notes To Financial Statements

**FLOYD COUNTY  
Charles City, Iowa**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008**

	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for Service	& Restricted Interest	Capital Grants, & Restricted Interest	
<b>Functions/Programs:</b>					
Governmental Activities:					
Public Safety & Legal Services	\$1,886,912	\$164,722	\$11	\$0	\$(1,722,179)
Physical Health & Social Services	1,179,275	549,425	396,170	0	(233,680)
Mental Health	1,958,819	275,466	1,247,492	0	(435,861)
County Environment & Education	465,688	40,690	32,256	0	(392,742)
Roads & Transportation	4,106,339	108,888	2,384,743	450,622	(1,162,086)
Governmental Services to Residents	500,088	307,656	0	0	(192,432)
Administration	981,174	19,700	118,370	0	(843,104)
Non-Program	61,744	77,769	0	0	16,025
Interest on Long-Term Debt	51,312	0	0	0	(51,312)
<b>Total</b>	<b>\$11,191,351</b>	<b>\$1,544,316</b>	<b>\$4,179,042</b>	<b>\$450,622</b>	<b>(5,017,371)</b>
<b>General Revenues:</b>					
Property and Other County Tax Levied For:					
General Purposes					5,095,335
Debt Service					115,405
Penalty Interest on Property Tax					47,109
State Tax Credits					305,046
Local Option Sales Tax					584,017
Unrestricted Investment Earnings					414,375
Miscellaneous					308,357
Gain on Disposal of Capital Assets					37,540
<b>Total General Revenue</b>					<b>6,907,184</b>
Changes in Net Assets					1,889,813
Net Assets Beginning of Year					22,796,218
Net Assets End of Year					<b>\$24,686,031</b>

See Notes To Financial Statements

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

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2008

	General	Special Revenue	
		Mental Health	Rural Services
<b>ASSETS</b>			
Cash and Pooled Investments	\$4,207,047	\$400,599	\$251,563
Receivables:			
Property Tax:			
Delinquent	21,836	3,760	7,698
Succeeding Year	3,227,346	555,725	1,300,981
Accounts	101,573	44,275	0
Assessments	0	0	0
Due From Other Funds	8,881	0	0
Due From Other Governments	69,886	9,747	0
Inventories	0	0	0
<b>TOTAL ASSETS</b>	<b>\$7,636,569</b>	<b>\$1,014,106</b>	<b>\$1,560,242</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$39,187	\$41,239	\$5,461
Salaries & Benefits Payable	32,375	0	0
Due To Other Governments	44,025	191,200	1,818
Deferred Revenue:			
Succeeding Year Property Tax	3,227,346	555,725	1,300,981
Other	60,903	4,046	7,698
<b>Total Liabilities</b>	<b>3,403,836</b>	<b>792,210</b>	<b>1,315,958</b>
Fund Balances:			
Reserved For:			
Inventories	0	0	0
Debt Service	0	0	0
Road Purposes	0	0	0
Unreserved, Reported In:			
General Fund	4,232,733	0	0
Special Revenue Funds	0	221,896	244,284
<b>Total Fund Balances</b>	<b>4,232,733</b>	<b>221,896</b>	<b>244,284</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$7,636,569</b>	<b>\$1,014,106</b>	<b>\$1,560,242</b>

See Notes To Financial Statements

**Exhibit C**

<u>Special Revenue</u>			
<u>Secondary Roads</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$4,897,712	\$106,737	\$371,847	\$10,235,505
0	499	0	33,793
0	56,859	0	5,140,911
363	0	0	146,211
1,785	0	0	1,785
0	0	0	8,881
243,965	0	16,835	340,433
246,105	0	0	246,105
<u>\$5,389,930</u>	<u>\$164,095</u>	<u>\$388,682</u>	<u>\$16,153,624</u>
\$140,114	\$0	\$336	\$226,337
55,007	0	0	87,382
37,729	0	0	274,772
0	56,859	0	5,140,911
21,013	499	16,835	110,994
<u>253,863</u>	<u>57,358</u>	<u>17,171</u>	<u>5,840,396</u>
246,105	0	0	246,105
0	106,737	0	106,737
2,172,498	0	0	2,172,498
0	0	0	4,232,733
2,717,464	0	371,511	3,555,155
<u>5,136,067</u>	<u>106,737</u>	<u>371,511</u>	<u>10,313,228</u>
<u>\$5,389,930</u>	<u>\$164,095</u>	<u>\$388,682</u>	<u>\$16,153,624</u>

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

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

June 30, 2008

**Total Governmental Fund Balances (Page 13)** \$10,313,228

*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 \$27,820,358 and the accumulated depreciation is \$12,701,400. 15,118,958

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 110,994

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. 615,702

Long-term liabilities, including capital lease purchase agreements payable, bonds payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (1,472,851)

**Net Assets of Governmental Activities (Page 10)** \$24,686,031

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, 2008

	General	Special Revenue	
		Mental Health	Rural Services
<b>REVENUES:</b>			
Property & Other County Tax	\$3,254,295	\$576,373	\$1,271,675
Interest & Penalty on Property Tax	47,109	0	0
Intergovernmental	1,151,487	1,556,770	74,027
Licenses & Permits	34,586	0	0
Charges for Services	477,332	0	0
Use of Money & Property	310,806	0	0
Miscellaneous	144,652	41,782	0
<b>Total Revenues</b>	<b>5,420,267</b>	<b>2,174,925</b>	<b>1,345,702</b>
<b>EXPENDITURES:</b>			
Operating:			
Public Safety & Legal Services	1,666,909	0	237,963
Physical Health & Social Services	1,193,465	0	0
Mental Health	0	1,968,666	0
County Environment & Education	349,263	0	190,530
Roads & Transportation	0	0	48,295
Governmental Services to Residents	511,296	0	0
Administrative Services	1,017,121	0	0
Non-Program	0	0	0
Debt Service	0	0	0
Capital Projects	0	0	0
<b>Total Expenditures</b>	<b>4,738,054</b>	<b>1,968,666</b>	<b>476,788</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	682,213	206,259	868,914
Other Financing Sources (Uses):			
Sale of Capital Assets	4,000	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(90,977)	0	(765,734)
<b>Total Other Financing Sources (Uses)</b>	<b>(86,977)</b>	<b>0</b>	<b>(765,734)</b>
Net Change in Fund Balances	595,236	206,259	103,180
Fund Balances – Beginning of Year	3,637,497	15,637	141,104
Decrease in Reserve For Inventories	0	0	0
<b>Fund Balances – End of Year</b>	<b>\$4,232,733</b>	<b>\$221,896</b>	<b>\$244,284</b>

See Notes To Financial Statements

**Exhibit E**

Special Revenue Secondary Roads	Debt Service	Nonmajor	Total
\$584,017	\$115,687	\$0	\$5,802,047
0	0	0	47,109
2,487,041	124,692	14,552	5,408,569
13,309	0	0	47,895
2,461	0	3,266	483,059
95,946	0	6,488	413,240
201,592	0	7,058	395,084
3,384,366	240,379	31,364	12,597,003
0	0	7,390	1,912,262
0	0	0	1,193,465
0	0	0	1,968,666
0	0	66,216	606,009
3,813,495	0	0	3,861,790
0	0	0	511,296
0	0	0	1,017,121
0	0	1,376	1,376
0	179,439	0	179,439
758,282	0	20,000	778,282
4,571,777	179,439	94,982	12,029,706
(1,187,411)	60,940	(63,618)	567,297
33,540	0	0	37,540
838,159	0	18,552	856,711
0	0	0	(856,711)
871,699	0	18,552	37,540
(315,712)	60,940	(45,066)	604,837
5,457,821	45,797	416,577	9,714,433
(6,042)	0	0	(6,042)
\$5,136,067	\$106,737	\$371,511	\$10,313,228

**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, 2008

**Net Change in Fund Balances - Total Governmental Funds (Page 15-16)** **\$604,837**

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

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

Expenditures for capital assets	\$1,339,825	
Capital assets contributed by the Iowa Department of Transportation	380,245	
Depreciation expense	<u>(805,227)</u>	914,843

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	(7,290)	
Other	<u>(24,165)</u>	(31,455)

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 are as follows:

Repaid		128,000
--------	--	---------

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	1,457	
Interest on long-term debt	<u>127</u>	1,584

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.

278,046

The change in amount reserved for the Secondary Road inventory is reported as an increase or decrease in reserved fund balance in the governmental funds. This amount is reported as an increase in the Secondary Road expenses in the Statement of Activities.

(6,042)

**Change in Net Assets of Governmental Activities (Page 11)** **\$1,889,813**

See Notes to Financial Statements

FLOYD COUNTY  
Charles City, Iowa

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2008

	<u>Internal Service Employee Group Health</u>
<b>ASSETS</b>	
Cash & Cash Equivalents	\$724,567
Receivables	
Accounts	1,488
<hr/>	
Total Assets	\$726,055
<hr/>	
<b>LIABILITIES AND NET ASSETS</b>	
Liabilities	
Accounts Payable	\$110,353
<hr/>	
Net Assets	
Unrestricted	\$615,702
<hr/>	

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, 2008

	<u>Internal Service Employee Group Health</u>
Operating Revenues:	
Reimbursements from Operating Funds	\$864,169
Reimbursements from Employees	144,838
Other Reimbursements	46,028
<hr/> Total Operating Revenues	<hr/> 1,055,035
Operating Expenses:	
Medical Claims	584,095
Insurance Premiums	202,551
Miscellaneous	8,028
<hr/> Total Operating Expenses	<hr/> 794,674
Operating Income	260,361
Non-Operating Revenues:	
Interest Income	17,685
Net Income	278,046
Net Assets Beginning of Year	337,656
<hr/> Net Assets End of Year	<hr/> <hr/> \$615,702

See Notes To Financial Statements

FLOYD COUNTY  
Charles City, Iowa

STATEMENT OF CASH FLOWS  
**PROPRIETARY FUND**  
Year Ended June 30, 2008

	<u>Internal Service Employee Group Health</u>
Cash Flows From Operating Activities:	
Cash Received From Operating Fund Reimbursements	\$864,169
Cash Received From Employees and Others	189,378
Cash Payments to Suppliers for Services	(826,379)
<u>    Net Cash Provided by Operating Activities</u>	<u>227,168</u>
Cash Flows From Investing Activities:	
Interest on Investments	17,685
Net Increase in Cash and Cash Equivalents	244,853
Cash and Cash Equivalents at Beginning of Year	479,714
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$724,567</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income	\$260,361
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase in Accounts Receivable	(1,488)
Decrease in Accounts Payable	(31,705)
<u>    Net Cash Provided by Operating Activities</u>	<u>\$227,168</u>

See Notes To Financial Statements

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

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
June 30, 2008

**ASSETS**

Cash & Pooled Investments:	
County Treasurer	\$1,036,633
Other County Officials	35,337
Receivables:	
Property Tax:	
Succeeding Year	13,459,727
Accounts	32,330
Assessments	162,803
Due from Other Governments	6,614
<b>Total Assets</b>	<b>14,733,444</b>

**LIABILITIES**

Accounts Payable	17,436
Due to Other Governments	14,603,505
Trusts Payable	102,256
Compensated Absences	10,247
<b>Total Liabilities</b>	<b>14,733,444</b>
<b>Net Assets</b>	<b>\$0</b>

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

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

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

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

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

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 nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other 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 financial statements:

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2007.

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, 2008, 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 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, 2008. 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, 2008, 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, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

The detail of inter-fund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
General	Agency	
	Auto License and Use Tax	\$8,881

These balances result from the time lag between the dates 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, 2008 is as follows:

Transfer To	Transfer From	Amount
Special Revenue		
Secondary Roads	General Basic	\$72,425
	Special Revenue	
Secondary Roads	Rural Services	765,734
Conservation Reserve	General Basic	18,552
		\$856,711

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, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$291,187	\$171,360	\$0	\$462,547
Construction in Process	0	743,760	0	743,760
Total Capital Assets Not Being Depreciated	291,187	915,120	0	1,206,307
Capital Assets Being Depreciated:				
Buildings	2,336,578	0	0	2,336,578
Improvements Other than Buildings	340,314	0	0	340,314
Machinery and Equipment	3,965,447	409,743	122,772	4,252,418
Vehicles	329,356	21,557	21,300	329,613
Office Equipment	412,044	22,683	0	434,727
Infrastructure, Road Network	18,569,434	350,967	0	18,920,401
Total Capital Assets Being Depreciated	25,953,173	804,950	144,072	26,614,051
Less Accumulated Depreciation For:				
Buildings	591,821	48,865	0	640,686
Improvements Other than Buildings	92,023	13,226	0	105,249
Machinery and Equipment	2,379,384	183,166	122,772	2,439,778
Vehicles	218,163	45,160	21,300	242,023
Office Equipment	303,344	17,457	0	320,801
Infrastructure, Road Network	8,455,510	497,353	0	8,952,863
Total Accumulated Depreciation	12,040,245	805,227	144,072	12,701,400
Total Capital Assets Being Depreciated, Net	13,912,928	(277)	0	13,912,651
Governmental Activities Capital Assets, Net	\$14,204,115	\$914,843	\$0	\$15,118,958

Depreciation expense was charged to the following functions:

Governmental Activities:		
Public Safety and Legal Services		\$29,118
Physical Health and Social Services		13,012
County Environment and Education		41,980
Roads and Transportation		701,017
Government Services to Residents		11,243
Administration		8,857
Total Depreciation Expense – Governmental Activities		<u>\$805,227</u>

## 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	\$44,025
Special Revenue		
Mental Health	Services	191,200
Rural Services		1,818
Secondary Roads		37,729
		230,747
Total For Governmental Funds		\$274,772
Agency:		
Agricultural Extension	Collections	163,870
Assessor		248,919
Schools		7,664,960
Community Colleges		369,535
Corporations		4,964,874
Auto Licenses & Use Tax		253,548
All Other		937,799
Total For Agency Funds		\$14,603,505

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

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	2002 GO	2004 GO	Compensated	Total
	Bonds	Bonds	Absences	
Balance Beginning of Year	\$1,090,000	\$373,000	\$135,174	\$1,598,174
Reductions	80,000	48,000	1,457	129,457
Balance End of Year	\$1,010,000	\$325,000	\$133,717	\$1,468,717
Due Within One Year	\$80,000	\$50,000	\$133,717	\$263,717

## Notes to Financial Statements (Continued)

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

#### Bond Payable

A summary of the County's June 30, 2008 General Obligation Urban Renewal Bonds is as follows:

Year Ending June 30	Interest Rates	Principal	Interest	Total
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
2014-2018	3.6-4.00	560,000	67,595	627,595
		<u>\$1,010,000</u>	<u>\$220,600</u>	<u>\$1,230,600</u>

During the year ended June 30, 2008, the County retired \$80,000 of bonds.

#### Economic Development Bonds Payable

A summary of the County's June 30, 2008 General Obligation Economic Development Bonds is as follows:

Year Ending June 30	Interest Rates	Principal	Interest	Total
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>\$325,000</u>	<u>\$43,738</u>	<u>\$368,738</u>

During the year ended June 30, 2008, the County retired \$48,000 of bonds.

### 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 3.90% of their annual covered salary and the County is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$256,811, \$243,907, and \$234,152, respectively, equal to the required contributions for each year.

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

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### **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 the same 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, 2008 was \$864,169.

### **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, 2008, disbursements exceeded amounts appropriated in certain departments.

**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, 2008

	Actual	Less Funds Not Required to be Budgeted
<b>RECEIPTS:</b>		
Property and Other County Tax	\$5,821,272	\$0
Interest and Penalty on Property Tax	47,228	0
Intergovernmental	5,297,455	0
Licenses and Permits	166,500	0
Charges for Services	501,471	0
Use of Money and Property	411,951	0
Miscellaneous	398,283	305
Total Receipts	12,644,160	305
<b>DISBURSEMENTS:</b>		
Public Safety and Legal Services	1,962,014	0
Physical Health and Social Services	1,196,204	0
Mental Health	1,976,095	0
County Environment and Education	598,161	0
Roads and Transportation	4,000,507	0
Governmental Services to Residents	514,195	0
Administrative Services	1,015,128	0
Non-Program	1,376	1,376
Debt Services	179,439	0
Capital Projects	778,282	0
Total Disbursements	12,221,401	1,376
Excess (Deficiency) of Receipts Under Disbursements	422,759	(1,071)
Other Financing Sources, Net	37,540	0
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	460,299	(1,071)
Balance – Beginning of Year	9,775,206	24,163
Balance – End of Year	\$10,235,505	\$23,092

See Accompanying Independent Auditors' Report

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$5,821,272	\$5,622,153	\$5,622,153	\$199,119
47,228	35,500	35,500	11,728
5,297,455	5,295,187	5,302,709	(5,254)
166,500	18,000	31,221	135,279
501,471	441,840	441,840	59,631
411,951	446,125	448,515	(36,564)
397,978	136,864	141,196	256,782
12,643,855	11,995,669	12,023,134	620,721
1,962,014	2,036,687	2,043,687	81,673
1,196,204	1,315,549	1,330,933	134,729
1,976,095	2,041,050	2,041,050	64,955
598,161	752,319	752,319	154,158
4,000,507	4,257,450	4,285,450	284,943
514,195	553,580	553,580	39,385
1,015,128	1,136,418	1,136,418	121,290
0	0	0	0
179,439	179,539	179,539	100
778,282	3,803,000	2,283,000	1,504,718
12,220,025	16,075,592	14,605,976	2,385,951
423,830	(4,079,923)	(2,582,842)	3,006,672
37,540	0	0	37,540
461,370	(4,079,923)	(2,582,842)	3,044,212
9,751,043	7,945,290	7,945,290	1,805,753
\$10,212,413	\$3,865,367	\$5,362,448	\$4,849,965

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

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

Required Supplementary Information  
Year Ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$12,644,160	\$(47,157)	\$12,597,003
Expenditures	12,221,401	(191,695)	12,029,706
Net	422,759	144,538	567,297
Other Financing Sources (Net)	37,540	0	37,540
Beginning Fund Balances	9,775,206	(60,773)	9,714,433
Decrease in Reserve for: Inventories	0	(6,042)	(6,042)
Ending Fund Balances	\$10,235,505	\$77,723	\$10,313,228

See Accompanying Independent Auditors' Report

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

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

June 30, 2008

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds 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 decreased budgeted disbursements by \$1,469,616. 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, 2008, disbursements in certain departments exceeded the amounts appropriated.

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

COMBINING BALANCE SHEET  
**NONMAJOR GOVERNMENTAL FUNDS**  
 June 30, 2008

	Supplemental Environmental Project	Attorney Forfeiture	Attorney Collection Incentive	Resource Enhancement & Protection	Sheriff Forfeiture
<b>ASSETS</b>					
Cash and Pooled Investments	\$11,955	\$2,742	\$39	\$90,623	\$3,485
Due from Other Governments	0	0	0	16,835	0
<b>TOTAL ASSETS</b>	<b>\$11,955</b>	<b>\$2,742</b>	<b>\$39</b>	<b>\$107,458</b>	<b>\$3,485</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$0	\$0	\$0	\$0	\$336
Deferred Revenue	0	0	0	16,835	0
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,835</b>	<b>336</b>
Fund Balances:					
Unreserved	11,955	2,742	39	90,623	3,149
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$11,955</b>	<b>\$2,742</b>	<b>\$39</b>	<b>\$107,458</b>	<b>\$3,485</b>

See Accompanying Independent Auditors' Report

Schedule 1

Sheriff Reserve	Commissary Profit	Recorders Records Management	Infrastructure Assistance	Drainage	Conservation Land Acquisition	Total
\$3,043	\$1,754	\$15,821	\$146,964	\$23,092	\$72,329	\$371,847
0	0	0	0	0	0	16,835
\$3,043	\$1,754	\$15,821	\$146,964	\$23,092	\$72,329	\$388,682
\$0	\$0	\$0	\$0	\$0	\$0	\$336
0	0	0	0	0	0	16,835
0	0	0	0	0	0	17,171
3,043	1,754	15,821	146,964	23,092	72,329	371,511
\$3,043	\$1,754	\$15,821	\$146,964	\$23,092	\$72,329	\$388,682

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

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

Year Ended June 30, 2008

	Supplemental Environmental Project	Attorney Forfeiture	Attorney Collection Incentive	Resource Enhancement & Protection	Sheriff Forfeiture
<b>REVENUES:</b>					
Intergovernmental	\$0	\$0	\$11	\$14,541	\$0
Charges for Services	0	0	0	0	0
Use of Money and Property	387	1	0	2,593	0
Miscellaneous	0	0	0	0	5,769
Total Revenues	387	1	11	17,134	5,769
<b>EXPENDITURES:</b>					
Operating:					
Public Safety and Legal Services	0	0	0	0	2,620
County Environment and Education	0	0	0	0	0
Non-Program	0	0	0	0	0
Capital Projects	0	0	0	0	0
Total Expenditures	0	0	0	0	2,620
Excess (Deficiency) of Revenues Over (Under) Expenditures	387	1	11	17,134	3,149
Other Financing Sources:					
Operating Transfers In	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	387	1	11	17,134	3,149
Fund Balances – Beginning of Year	11,568	2,741	28	73,489	0
Fund Balances – End of Year	\$11,955	\$2,742	\$39	\$90,623	\$3,149

See Accompanying Independent Auditors' Report

**Schedule 2**

Sheriff Reserve	Commissary Profit	Recorders Records Management	Infrastructure Assistance	Drainage	Conservation Land Acquisition	Total
\$0	\$0	\$0	\$0	\$0	\$0	\$14,552
0	0	3,266	0	0	0	3,266
0	3,082	425	0	0	0	6,488
984	0	0	0	305	0	7,058
984	3,082	3,691	0	305	0	31,364
1,518	3,252	0	0	0	0	7,390
0	0	0	66,216	0	0	66,216
0	0	0	0	1,376	0	1,376
0	0	0	0	0	20,000	20,000
1,518	3,252	0	66,216	1,376	20,000	94,982
(534)	(170)	3,691	(66,216)	(1,071)	(20,000)	(63,618)
0	0	0	0	0	18,552	18,552
(534)	(170)	3,691	(66,216)	(1,071)	(1,448)	(45,066)
3,577	1,924	12,130	213,180	24,163	73,777	416,577
\$3,043	\$1,754	\$15,821	\$146,964	\$23,092	\$72,329	\$371,511

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

COMBINING SCHEDULE OF FIDUCIARY  
 ASSETS AND LIABILITIES  
**AGENCY FUNDS**  
 June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS</b>				
Cash & Pooled Investments:				
County Treasurer	\$0	\$2,991	\$102,734	\$145,968
Other County Officials	35,337	0	0	0
Receivables:				
Property Tax:				
Succeeding Year	0	160,879	156,015	7,518,992
Accounts	0	0	0	0
Assessments	0	0	0	0
Due from Other Governments	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$35,337</b>	<b>\$163,870</b>	<b>\$258,749</b>	<b>\$7,664,960</b>
<b>LIABILITIES</b>				
Accounts Payable	\$0	\$0	\$1,042	\$0
Due to Other Governments	2,732	163,870	248,919	7,664,960
Trusts Payable	32,605	0	0	0
Compensated Absences	0	0	8,788	0
<b>TOTAL LIABILITIES</b>	<b>\$35,337</b>	<b>\$163,870</b>	<b>\$258,749</b>	<b>\$7,664,960</b>

See Accompanying Independent Auditors' Report

**Schedule 3**

Community Colleges	Corporations	Townships	City Special Assessments	Auto Licenses & Use Tax	Other	Total
\$7,035 0	\$83,167 0	\$4,435 0	\$3,210 0	\$253,548 0	\$433,545 0	\$1,036,633 35,337
362,500 0 0 0	4,881,707 0 0 0	251,811 0 0 0	0 0 162,803 0	0 0 0 0	127,823 32,330 0 6,614	13,459,727 32,330 162,803 6,614
<b>\$369,535</b>	<b>\$4,964,874</b>	<b>\$256,246</b>	<b>\$166,013</b>	<b>\$253,548</b>	<b>\$600,312</b>	<b>\$14,733,444</b>

\$0 369,535 0 0	\$0 4,964,874 0 0	\$0 256,246 0 0	\$0 166,013 0 0	\$0 253,548 0 0	\$16,394 512,808 69,651 1,459	\$17,436 14,603,505 102,256 10,247
<b>\$369,535</b>	<b>\$4,964,874</b>	<b>\$256,246</b>	<b>\$166,013</b>	<b>\$253,548</b>	<b>\$600,312</b>	<b>\$14,733,444</b>

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

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

Year Ended June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS AND LIABILITIES</b>				
Balances – Beginning of Year	\$43,686	\$151,014	\$238,591	\$7,437,402
Additions:				
Property & Other County Tax	0	166,228	161,800	7,776,770
E911 Surcharge	0	0	0	0
State Tax Credits	0	9,006	9,762	445,131
Driver License Fees	0	0	0	0
Office Fees & Collections	356,205	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	360,893	0	0	0
Miscellaneous	0	0	996	0
<b>Total Additions</b>	<b>717,098</b>	<b>175,234</b>	<b>172,558</b>	<b>8,221,901</b>
Deductions:				
Agency Remittances:				
To Other Funds	193,591	0	0	0
To Other Governments	165,013	162,378	152,400	7,994,343
Trusts Paid Out	366,843	0	0	0
<b>Total Deductions</b>	<b>725,447</b>	<b>162,378</b>	<b>152,400</b>	<b>7,994,343</b>
Balances – End of Year	\$35,337	\$163,870	\$258,749	\$7,664,960

See Accompanying Independent Auditors' Report

**Schedule 4**

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$354,166	\$4,834,325	\$248,124	\$169,115	\$311,771	\$683,490	\$14,471,684
375,002	5,034,557	262,509	0	0	130,411	13,907,277
0	0	0	0	0	89,287	89,287
21,156	203,724	14,673	0	0	7,652	711,104
0	0	0	0	70,430	0	70,430
0	0	0	0	0	38,987	395,192
0	0	0	0	0	3,291	3,291
0	0	0	0	3,594,805	0	3,594,805
0	0	0	1,262	0	0	1,262
0	0	0	0	0	126,961	487,854
0	821	0	0	0	871,478	873,295
396,158	5,239,102	277,182	1,262	3,665,235	1,268,067	20,133,797
0	0	0	0	117,546	0	311,137
380,789	5,108,553	269,060	4,364	3,605,912	1,213,426	19,056,238
0	0	0	0	0	137,819	504,662
380,789	5,108,553	269,060	4,364	3,723,458	1,351,245	19,872,037
\$369,535	\$4,964,874	\$256,246	\$166,013	\$253,548	\$600,312	\$14,733,444

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

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

For the Last Six Years

	Modified Accrual Basis	
	2008	2007
<b>Revenues:</b>		
Property & Other County Tax	\$5,802,047	\$5,498,137
Interest & Penalty on Property Tax	47,109	47,364
Intergovernmental	5,408,569	5,252,030
Licenses & Permits	47,895	23,118
Charges for Service	483,059	472,134
Use of Money & Property	413,240	596,876
Miscellaneous	395,084	485,157
Total	\$12,597,003	\$12,374,816
<b>Expenditures:</b>		
Operating:		
Public Safety & Legal Services	\$1,912,262	\$1,951,304
Physical Health & Social Services	1,193,465	1,124,286
Mental Health	1,968,666	1,902,673
County Environment & Education	606,009	649,693
Roads & Transportation	3,861,790	3,851,773
Governmental Services to Residents	511,296	564,434
Administrative Services	1,017,121	882,157
Non-Program	1,376	5,319
Debt Services	179,439	279,123
Capital Projects	778,282	104,958
Total	\$12,029,706	\$11,315,720

See Accompanying Independent Auditors' Report

**Schedule 5**

2006	2005	2004	2003
\$5,295,274	\$4,805,283	\$4,883,833	\$4,634,842
43,908	53,750	36,198	36,326
5,082,450	4,947,891	5,155,744	4,132,497
29,020	18,104	26,653	18,571
470,692	471,754	506,324	513,607
453,700	262,671	132,118	174,136
1,692,004	611,326	423,514	411,297
<u>\$13,067,048</u>	<u>\$11,170,779</u>	<u>\$11,164,384</u>	<u>\$9,921,276</u>
\$1,813,921	\$1,654,793	\$1,518,894	\$1,473,373
1,087,279	849,469	993,977	1,148,652
1,865,675	1,682,439	1,759,700	1,632,493
462,250	647,333	1,316,935	1,110,704
4,091,732	3,748,897	3,679,428	3,308,841
637,086	474,520	427,785	408,856
835,154	939,955	982,806	1,407,412
2,412	4,924	5,740	638
255,615	256,543	108,058	39,877
592,528	494,790	205,505	408,848
<u>\$11,643,652</u>	<u>\$10,753,663</u>	<u>\$10,998,828</u>	<u>\$10,939,694</u>



**Gardiner Thomsen**  
Certified Public Accountants

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

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To the Officials of 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, 2008, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 27, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Floyd County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Floyd County's internal control over financial reporting.

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

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

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

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

### Compliance and Other Matters

As 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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

February 27, 2009

*Gardiner Thomas, P.C.*

FLOYD COUNTY  
Charles City, Iowa

Schedule of Findings  
Year Ended June 30, 2008

Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

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

**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.

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

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

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

**Conclusion** – Response accepted.

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

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

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

**Conclusion** – Response acknowledged.

FLOYD COUNTY  
Charles City, Iowa

Schedule of Findings (Continued)  
Year Ended June 30, 2008

Findings Related to the Financial Statements (Continued)

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Other Findings Related to Required Statutory Reporting

1. **Certified Budget** – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted in any of the functions. Disbursements in certain departments exceeded the amounts appropriated.

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

*Response* – We will watch department budgets more closely and will award additional appropriations when necessary.

*Conclusion* – Response accepted.

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

Name and Title and Business Connection	Description	Amount
Jesse Marzen, County Attorney		
Father Owns Marzen's Towing & Recovery	Vehicle Repair/Maintenance	\$42,473

In accordance with Chapter 331.342 of the Code of Iowa, the transaction with Marzen's Towing & Recovery do not appear to represent conflicts of interest since Jesse Marzen does not participate in acquiring the above services.

*Recommendation* – The County should refrain from conducting business with County officials or employees whenever possible.

*Response* – The County will work on obtaining the lowest price for repairs and maintenance done on county vehicles.

*Conclusion* – Response accepted.

FLOYD COUNTY  
Charles City, Iowa

Schedule of Findings (Continued)  
Year Ended June 30, 2008

Other Findings Related to Required Statutory Reporting (Continued)

5. **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.
6. **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
7. **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
8. **Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
9. **Economic Development** – During the year ended June 30, 2008, the County paid \$111,395 for economic development which appears to be an appropriate expenditure of public funds since the public benefits to be derived have been clearly documented.
10. **County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County Operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2008 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 \$20,718,184 for the year ended June 30, 2008, which included \$1,016,150 in tax credits from the state. The County forwarded \$14,166,183 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,146,912 of the local tax revenue to finance County operations, a 5% increase from the prior year. Other revenues included charges for service of \$1,544,316, operating grants, contributions and restricted interest of \$4,179,042, unrestricted investment earnings of \$414,375 and other general revenues of \$345,897.

Expenses for County operations totaled \$11,191,351, a 4% decrease from the prior year. Expenses included \$4,106,339 for Roads and Transportation, \$1,958,819 for Mental Health and \$1,886,912 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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