

FLOYD COUNTY
Charles City, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS & QUESTIONED COSTS
June 30, 2009

FLOYD COUNTY, IOWA
Charles City, Iowa

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**FLOYD COUNTY
Charles City, Iowa**

OFFICIALS

(Before January 2009)

<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

(After January 2009)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Leo Staudt	Board of Supervisors	January 2011
Arlin Enabnit	Board of Supervisors	January 2011
Warren K. Dunkel	Board of Supervisors	January 2013
Gloria Carr	County Auditor	January 2013
Frank Rottinghaus	County Treasurer	January 2011
Deborah K. Roberts	County Recorder	January 2011
Rick Lynch	County Sheriff	January 2013
Jesse Marzen	County Attorney	January 2011
Bruce C. Hovden	County Assessor	Appointed



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report

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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2010 on our consideration of Floyd County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 – 9 and 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 six years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

March 7, 2010

Garlin Thomsen, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 15%, or approximately \$2,069,519, from fiscal 2008 to fiscal 2009. Property tax increased \$235,922, operating and capital grants and contributions increased \$2,267,306.
- Program expenses were 8%, or approximately \$965,643, more in fiscal 2009 than in fiscal 2008. Roads & Transportation expense increased \$881,418, County Environment & Education expense increased \$162,421 and Public Safety & Legal Service expense increased \$148,028.
- The County's net assets increased 12%, or approximately \$2,993,689 from June 30, 2008 to June 30, 2009.

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 from a year ago, increasing from \$24.7 million to \$27.7 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,	
	2009	2008
Current and Other Assets	\$16,226	\$16,880
Capital Assets	18,662	15,119
Total Assets	34,888	31,999
Long-Term Debt Outstanding	1,367	1,468
Other Liabilities	5,841	5,845
Total Liabilities	7,208	7,313
Net Assets:		
Invested in Capital Assets, Net of Related Debt	18,662	15,119
Restricted	4,669	6,689
Unrestricted	4,349	2,878
Total Net Assets	\$27,680	\$24,686

Net assets of the Floyd County's governmental activities increased by 12% (\$24.7 million compared to \$27.7 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,	
	2009	2008
Revenues:		
Program Revenues:		
Charges for Service	\$1,553	\$1,544
Operating Grants, Contributions and Restricted Interest	3,743	4,179
Capital Grants, Contributions and Restricted Interest	3,154	451
General Revenues:		
Property Tax	5,447	5,210
Penalty and Interest on Property Tax	46	47
State Tax Credits	290	305
Local Option Sales Tax	496	584
Unrestricted Investment Earning	152	414
Other General Revenues	270	347
Total Revenues	15,151	13,081
Program Expenses:		
Public Safety and Legal Services	2,035	1,887
Physical Health and Social Services	1,111	1,179
Mental Health	1,746	1,959
County Environment and Education	628	466
Roads and Transportation	4,988	4,106
Governmental Services to Residents	551	500
Administration	910	981
Non-Program	140	62
Interest on Long-term Debt	48	51
Total Expenses	12,157	11,191
Increase in Net Assets	2,994	1,890
Net Assets Beginning of Year	24,686	22,796
Net Assets End of Year	\$27,680	\$24,686

Floyd County's net assets of governmental activities increased by approximately \$2,993,689 during the year. Revenues for governmental activities increased by approximately \$2,069,519 over the prior year, with property tax revenue up from the prior year by approximately \$235,922.

Floyd County's taxable valuations payable in fiscal year 2009 increased by more than \$13 million from fiscal year 2008. Urban values decreased 2.06% and rural values increased 5.30%. Property tax rates for 2009 went down approximately 1.77% for urban (\$7.27994 to \$7.15119 per \$1,000 of taxable value) and down 1.15% for rural (\$11.22994 to \$11.10119 per \$1,000 of taxable value). The General Fund tax levy rate remained at the maximum of \$3.50 per \$1,000 of taxable property valuation. The General Supplemental Fund levy decreased from \$2.518 to \$2.025. The Mental Health Fund decreased from \$1.042 to \$0.956. The Debt Service Levy decreased from \$0.097 to \$0.089. The Rural Services Fund tax levy rate decreased from \$3.95 to \$3.594. The effect of the increase in valuations and the decrease in levies raised the county's property tax revenue by approximately \$150,000.

The cost of all governmental activities this year was \$12,156,994 compared to \$11,191,351 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was only \$5.4 million because some of the cost was paid by those directly benefited from the programs (\$1.55 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6.9 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2009 from approximately \$6.18 million to \$8.45 million, principally due to receiving more Intergovernmental funds for Secondary Roads. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$5.4 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 \$9,116,534, a decrease of more than \$1,190,000 above last year's total of \$10,313,228. 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 \$527,056 from the prior year to \$4,759,789.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,777,497, a decrease of 10% from the prior year. The Mental Health Fund balance at year end decreased to a balance of \$180,829.
- Secondary Roads Fund expenditures increased by approximately \$1,874,588 over the prior year, due principally to an increase in roadway construction. With this increase in expenditures, the Secondary Roads Fund ending balance decreased \$1,761,683 or 35%.
- 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 on April 29, 2009. This amendment was made to provide for additional expenditures in certain County functions. It also re-estimated intergovernmental receipts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, Floyd County had approximately \$31.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$4.04 million or 14% over last year.

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

	June 30,	
	2009	2008
Land	\$463	\$463
Buildings and Improvements	2,722	2,677
Equipment and Vehicles	5,160	5,016
Infrastructure	23,511	19,664
Total	\$31,856	\$27,820
This year's major additions include (expressed in thousands)		
Capital assets contributed by the Iowa Dept. of Transportation	\$2,130	
Replacement Secondary Roads Equipment	432	
Capital assets contributed by the State of Iowa	44	
Sheriff Vehicles	56	
Total	\$2,662	

The County had depreciation expense of \$922,168 for the year ended June 30, 2009 and total accumulated depreciation of \$13,194,178 at June 30, 2009.

The County's fiscal year 2009 capital budget included \$2,043,347 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 4 to the financial statements.

Long-Term Debt

At June 30, 2009 Floyd County has approximately \$1,205,000 in general obligation bonds and other debt outstanding compared to approximately \$1,335,000 at June 30, 2008, as shown below.

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

	June 30,	
	2009	2008
General Obligation Bonds and Notes	\$1,205	\$1,335
Compensated Absences	162	133
Total	\$1,367	\$1,468

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 \$48 million. Other obligations include accrued vacation pay. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Unemployment in Floyd County increased from 4.6% in June 2008 to 8.1% in June 2009 and is expected to increase more in 2010. The cost of living (CPI-U) changed -1.4% from June 2008 to June 2009. Federal and state stimulus funds provide opportunities to fund projects in an effort to maintain and create jobs. Agencies of Floyd County expect to see negative impacts on county budgets due to state cutbacks for funding certain county programs and credits. The county expected to see a decrease in property values due to the Flood of 2008. However, the volume of residential sales are down but the market price stands strong. Employer and employee contribution rates for IPERS will increase in FY10. Floyd County's elected and appointed officials considered all of the above-mentioned factors when setting the fiscal year 2010 budget, tax rates, and fees that will be charged for various County activities.

Floyd County continues to rebound from the devastating flood of June 2008. Completion of and funding for bridge and road repair projects should be finalized in FY10. The County will be acquiring two flooded rural residential properties through Federal Hazard Mitigation Grant Program. Structures on these properties will be demolished and the area will be restricted to green space in an effort to abate future flooding issues.

Repairs and replacements of bridges and roads are ongoing projects throughout the County. Plans to replace two major bridges, one on Dancer Avenue in Scott Township and one on 280th Street in Pleasant Grove Township, are estimated to cost \$300,000 each. Secondary Road equipment purchases include a front-end loader and a skid loader.

In 2010, the Board of Supervisors plan to identify an urban renewal plan encompassing the wind turbine area. This will allow the county to make loans to support necessary road improvement projects. Floyd County will utilize tax increment financing (TIF) as a means of financing eligible costs associated with the implementation of this plan.

The County's GIS system has proven to be a resourceful tool for not only the county, but also to other municipalities and agencies such as banks, real estate agents, and surveyors. With many changes in our landscape since the 2002 aerials were flown, new aerials are scheduled for the Spring of 2010. The County intends to utilize more options with the GIS system in FY11.

Budgeting revenues and expenditures is a challenging task with 2010 being no exception. With the exception of bonding for capital improvement roads projects, anticipated revenues and expenditures are expected to decrease. At the close of FY09 the actual revenues and expenses netted a \$1.3 million decrease in funds, significantly due to the completion of the viaduct project with which reserve funds were scheduled to be expended.

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, 2009

	Governmental Activities
ASSETS:	
Cash & Pooled Investments	\$9,786,640
Receivables:	
Property Tax:	
Delinquent	84,544
Succeeding Year	4,991,001
Interest and Penalty on Property Tax	11
Accounts	125,366
Accrued Interest	37,777
Due From Other Governments	840,558
Inventories	360,102
Capital Assets (Net of Accumulated Depreciation)	18,661,705
TOTAL ASSETS	34,887,704
LIABILITIES:	
Accounts Payable	526,037
Accrued Interest Payable	3,645
Salaries & Benefits Payable	103,315
Due To Other Governments	216,898
Deferred Revenue:	
Succeeding Year Property Tax	4,991,001
Long Term Liabilities:	
Portion Due or Payable Within One Year:	
General Obligation Bonds	141,000
Compensated Absences	162,088
Portion Due or Payable After One Year:	
General Obligation Bonds	1,064,000
TOTAL LIABILITIES	7,207,984
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	18,661,705
Restricted For:	
Mental Health Purposes	197,207
Secondary Roads Purposes	3,650,561
Debt Service	104,922
Other Purposes	716,604
Unrestricted	4,348,721
TOTAL NET ASSETS	\$27,679,720

See Notes To Financial Statements

**FLOYD COUNTY
Charles City, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2009**

	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for Service	Operating Grants, & Restricted Interest	Capital Grants, & Restricted Interest	
Functions/Programs:					
Governmental Activities:					
Public Safety & Legal Services	\$2,034,940	\$145,049	\$1,796	\$0	\$(1,888,095)
Physical Health & Social Services	1,111,453	489,235	394,222	0	(227,996)
Mental Health	1,746,223	258,780	866,253	0	(621,190)
County Environment & Education	628,109	24,504	0	0	(603,605)
Roads & Transportation	4,987,757	98,701	2,346,194	3,109,616	566,754
Governmental Services to Residents Administration	551,208	338,106	0	44,467	(168,635)
Non-Program	910,114	32,169	131,984	0	(745,961)
Interest on Long-Term Debt	139,768	166,115	2,438	0	28,785
	47,422	0	0	0	(47,422)
Total	\$12,156,994	\$1,552,659	\$3,742,887	\$3,154,083	(3,707,365)
General Revenues:					
Property and Other County Tax Levied For:					
General Purposes					5,386,640
Debt Service					60,022
Penalty Interest on Property Tax					46,138
State Tax Credits					289,892
Local Option Sales Tax					495,533
Unrestricted Investment Earnings					152,482
Miscellaneous					260,624
Gain on Disposal of Capital Assets					9,723
Total General Revenue					6,701,054
Changes in Net Assets					2,993,689
Net Assets Beginning of Year					24,686,031
Net Assets End of Year					\$27,679,720

See Notes To Financial Statements

FLOYD COUNTY
Charles City, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2009

	General	Special Revenue	
		Mental Health	Rural Services
ASSETS			
Cash and Pooled Investments	\$4,647,655	\$243,407	\$308,128
Receivables:			
Property Tax:			
Delinquent	51,993	8,912	22,559
Succeeding Year	3,145,315	539,116	1,251,712
Interest and Penalty on Property Tax	11	0	0
Accounts	108,479	2,961	0
Accrued Interest	37,777	0	0
Due From Other Governments	117,866	146,324	0
Inventories	0	0	0
TOTAL ASSETS	\$8,109,096	\$940,720	\$1,582,399
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$57,271	\$51,489	\$822
Salaries & Benefits Payable	41,515	358	456
Due To Other Governments	34,418	152,550	1,386
Deferred Revenue:			
Succeeding Year Property Tax	3,145,315	539,116	1,251,712
Other	70,788	16,378	22,559
Total Liabilities	3,349,307	759,891	1,276,935
Fund Balances:			
Reserved For:			
Inventories	0	0	0
Debt Service	0	0	0
Road Purposes	0	0	0
Unreserved, Reported In:			
General Fund	4,759,789	0	0
Special Revenue Funds	0	180,829	305,464
Total Fund Balances	4,759,789	180,829	305,464
TOTAL LIABILITIES AND FUND BALANCES	\$8,109,096	\$940,720	\$1,582,399

See Notes To Financial Statements

Exhibit C

<u>Special Revenue</u>			
Secondary Roads	Debt Service	Nonmajor	Total
\$3,225,922	\$107,487	\$387,533	\$8,920,132
0	1,080	0	84,544
0	54,858	0	4,991,001
0	0	0	11
10,396	0	1,048	122,884
0	0	0	37,777
576,368	0	0	840,558
360,102	0	0	360,102
<u>\$4,172,788</u>	<u>\$163,425</u>	<u>\$388,581</u>	<u>\$15,357,009</u>
\$362,872	\$0	\$0	\$472,454
60,986	0	0	103,315
28,544	0	0	216,898
0	54,858	0	4,991,001
346,002	1,080	0	456,807
<u>798,404</u>	<u>55,938</u>	<u>0</u>	<u>6,240,475</u>
360,102	0	0	360,102
0	107,487	0	107,487
1,436,894	0	0	1,436,894
0	0	0	4,759,789
1,577,388	0	388,581	2,452,262
<u>3,374,384</u>	<u>107,487</u>	<u>388,581</u>	<u>9,116,534</u>
<u>\$4,172,788</u>	<u>\$163,425</u>	<u>\$388,581</u>	<u>\$15,357,009</u>

FLOYD COUNTY
Charles City, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total Governmental Fund Balances (Page 13) \$9,116,534

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 \$31,855,883 and the accumulated depreciation is \$13,194,178. 18,661,705

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 456,807

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. 815,407

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. (1,370,733)

Net Assets of Governmental Activities (Page 10) \$27,679,720

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, 2009

	General	Special Revenue	
		Mental Health	Rural Services
REVENUES:			
Property & Other County Tax	\$3,384,832	\$582,745	\$1,369,447
Interest & Penalty on Property Tax	46,138	0	0
Intergovernmental	1,094,730	1,149,449	70,923
Licenses & Permits	21,063	0	0
Charges for Services	515,830	0	0
Use of Money & Property	144,496	0	0
Miscellaneous	138,431	33,685	0
Total Revenues	5,345,520	1,765,879	1,440,370
EXPENDITURES:			
Operating:			
Public Safety & Legal Services	1,768,498	0	312,085
Physical Health & Social Services	1,118,237	0	0
Mental Health	0	1,777,497	0
County Environment & Education	371,162	0	205,268
Roads & Transportation	0	0	55,520
Governmental Services to Residents	539,374	0	0
Administrative Services	957,960	0	0
Debt Service	0	0	0
Capital Projects	0	0	0
Total Expenditures	4,755,231	1,777,497	572,873
Excess (Deficiency) of Revenues Over (Under) Expenditures	590,289	(11,618)	867,497
Other Financing Sources (Uses):			
Sale of Capital Assets	1,419	0	0
Operating Transfers In	29,449	0	0
Operating Transfers Out	(94,101)	(29,449)	(806,317)
Total Other Financing Sources (Uses)	(63,233)	(29,449)	(806,317)
Net Change in Fund Balances	527,056	(41,067)	61,180
Fund Balances – Beginning of Year	4,232,733	221,896	244,284
Decrease in Reserve For Inventories	0	0	0
Fund Balances – End of Year	\$4,759,789	\$180,829	\$305,464

See Notes To Financial Statements

Exhibit E

Special Revenue				
Secondary	Debt		Nonmajor	Total
Roads	Service			
\$495,533	\$59,441		\$0	\$5,891,998
0	0		0	46,138
3,007,908	119,220		16,835	5,459,065
2,295	0		0	23,358
1,939	0		3,462	521,231
10,900	0		8,256	163,652
161,845	0		5,951	339,912
3,680,420	178,661		34,504	12,445,354
0	0		8,586	2,089,169
0	0		0	1,118,237
0	0		0	1,777,497
0	0		0	576,430
4,788,656	0		0	4,844,176
0	0		6,132	545,506
0	0		0	957,960
0	177,911		0	177,911
1,657,709	0		22,716	1,680,425
6,446,365	177,911		37,434	13,767,311
(2,765,945)	750		(2,930)	(1,321,957)
9,847	0		0	11,266
880,418	0		20,000	929,867
0	0		0	(929,867)
890,265	0		20,000	11,266
(1,875,680)	750		17,070	(1,310,691)
5,136,067	106,737		371,511	10,313,228
113,997	0		0	113,997
\$3,374,384	\$107,487		\$388,581	\$9,116,534

**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, 2009**

Net Change in Fund Balances - Total Governmental Funds (Page 15-16) \$(1,310,691)

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	\$2,292,029	
Capital assets contributed by the Iowa Department of Transportation	2,129,962	
Capital assets contributed by the State of Iowa	44,467	
Depreciation expense	(922,168)	3,544,290

In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (1,543)

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	50,748	
Other	295,065	345,813

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		130,000
--------	--	---------

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	(28,371)	
Interest on long-term debt	489	(27,882)

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. 199,705

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. 113,997

Change in Net Assets of Governmental Activities (Page 11) \$2,993,689

See Notes to Financial Statements

FLOYD COUNTY
Charles City, Iowa

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2009

	<u>Internal Service Employee Group Health</u>
ASSETS	
Cash & Cash Equivalents	\$866,508
Receivables	
Accounts	2,482
<hr/>	
Total Assets	\$868,990
<hr/>	
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts Payable	\$53,583
<hr/>	
Net Assets	
Unrestricted	\$815,407
<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, 2009

	<u>Internal Service Employee Group Health</u>
Operating Revenues:	
Reimbursements from Operating Funds	\$867,092
Reimbursements from Employees	144,478
Other Reimbursements	135,782
<u> Total Operating Revenues</u>	<u>1,147,352</u>
Operating Expenses:	
Medical Claims	726,872
Insurance Premiums	210,898
Miscellaneous	17,341
<u> Total Operating Expenses</u>	<u>955,111</u>
Operating Income	192,241
Non-Operating Revenues:	
Interest Income	7,464
Net Income	199,705
<u>Net Assets Beginning of Year</u>	<u>615,702</u>
<u>Net Assets End of Year</u>	<u>\$815,407</u>

See Notes To Financial Statements

FLOYD COUNTY
Charles City, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2009

	Internal Service Employee Group Health
Cash Flows From Operating Activities:	
Cash Received From Operating Fund Reimbursements	\$867,092
Cash Received From Employees and Others	279,266
Cash Payments to Suppliers for Services	(1,011,881)
Net Cash Provided by Operating Activities	134,477
Cash Flows From Investing Activities:	
Interest on Investments	7,464
Net Increase in Cash and Cash Equivalents	141,941
Cash and Cash Equivalents at Beginning of Year	724,567
Cash and Cash Equivalents at End of Year	\$866,508
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$192,241
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase in Accounts Receivable	(994)
Decrease in Accounts Payable	(56,770)
Net Cash Provided by Operating Activities	\$134,477

See Notes To Financial Statements

FLOYD COUNTY
Charles City, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2009

ASSETS

Cash & Pooled Investments:	
County Treasurer	\$1,121,182
Other County Officials	33,292
Receivables:	
Property Tax:	
Delinquent	17
Succeeding Year	13,497,888
Accounts	3,089
Assessments	152,592
Due from Other Governments	31,035
Total Assets	14,839,095

LIABILITIES

Accounts Payable	6,419
Due to Other Governments	14,720,595
Trusts Payable	102,840
Compensated Absences	9,241
Total Liabilities	14,839,095
Net Assets	\$0

See Notes To Financial Statements

FLOYD COUNTY
Charles City, Iowa

Notes to Financial Statements

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)

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)

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)

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)

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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2008.

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, 2009, 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)

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, 2009. 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, 2009, disbursements in certain departments exceeded the amounts appropriated.

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

Note 3: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Basic	Special Revenue: Mental Health	\$29,449
Special Revenue Secondary Roads	General Basic Special Revenue	74,101
Secondary Roads	Rural Services	806,317
Conservation Land Reserve	General Basic	<u>20,000</u>
		<u>\$929,867</u>

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

Notes to Financial Statements (Continued)

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$462,547	\$0	\$0	\$462,547
Construction in Process	743,760	1,664,173	743,760	1,664,173
Total Capital Assets Not Being Depreciated	1,206,307	1,664,173	743,760	2,126,720
Capital Assets Being Depreciated:				
Buildings	2,336,578	0	0	2,336,578
Improvements Other than Buildings	340,314	45,699	0	386,013
Machinery and Equipment	4,252,418	444,361	366,265	4,330,514
Vehicles	329,613	74,400	21,400	382,613
Office Equipment	434,727	81,308	69,170	446,865
Infrastructure, Road Network	18,920,401	2,926,179	0	21,846,580
Total Capital Assets Being Depreciated	26,614,051	3,571,947	456,835	29,729,163
Less Accumulated Depreciation For:				
Buildings	640,686	48,865	0	689,551
Improvements Other than Buildings	105,249	15,054	0	120,303
Machinery and Equipment	2,439,778	192,831	364,722	2,267,887
Vehicles	242,023	43,705	21,400	264,328
Office Equipment	320,801	33,719	43,268	311,252
Infrastructure, Road Network	8,952,863	587,994	0	9,540,857
Total Accumulated Depreciation	12,701,400	922,168	429,390	13,194,178
Total Capital Assets Being Depreciated, Net	13,912,651	2,649,779	27,445	16,534,985
Governmental Activities Capital Assets, Net	\$15,118,958	\$4,313,952	\$771,205	\$18,661,705

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public Safety and Legal Services	\$26,664
Physical Health and Social Services	13,012
Mental Health	1,825
County Environment and Education	41,624
Roads and Transportation	800,974
Government Services to Residents	26,354
Administration	11,715
Total Depreciation Expense – Governmental Activities	\$922,168

Notes to Financial Statements (Continued)

Note 5: Due to Other Governments

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

Fund	Description	Amount
General	Services	\$34,418
Special Revenue		
Mental Health	Services	152,550
Rural Services		1,386
Secondary Roads		28,544
		182,480
Total For Governmental Funds		\$216,898
Agency:		
Agricultural Extension	Collections	\$171,436
Assessor		278,455
Schools		7,780,339
Community Colleges		366,719
Corporations		4,873,638
Auto Licenses & Use Tax		336,408
All Other		913,600
Total For Agency Funds		\$14,720,595

Note 6: Changes in Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	2002 GO Bonds	2004 GO Bonds	Compensated Absences	Total
Balance Beginning of Year	\$1,010,000	\$325,000	\$133,717	\$1,468,717
Increases	0	0	28,371	28,371
Decreases	80,000	50,000	0	130,000
Balance End of Year	\$930,000	\$275,000	\$162,088	\$1,367,088
Due Within One Year	\$90,000	\$51,000	\$162,088	\$303,088

Notes to Financial Statements (Continued)

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

Bond Payable

A summary of the County's June 30, 2009 General Obligation Urban Renewal Bonds indebtedness is as follows:

Year Ending June 30	Interest Rates	Principal	Interest	Total
2010	3.10	\$90,000	\$33,590	\$123,590
2011	3.20	90,000	30,800	120,800
2012	3.30	95,000	27,920	122,920
2013	3.40	95,000	24,785	119,785
2014	3.60	100,000	21,555	12,155
2015-2018	3.7-4.00	460,000	46,040	506,040
		<u>\$930,000</u>	<u>\$184,690</u>	<u>\$1,114,690</u>

During the year ended June 30, 2009, the County retired \$80,000 of bonds.

Economic Development Bonds Payable

A summary of the County's June 30, 2009 General Obligation Economic Development Bonds indebtedness is as follows:

Year Ending June 30	Interest Rates	Principal	Interest	Total
2010	3.35	\$51,000	\$10,151	\$61,151
2011	3.50	53,000	8,443	61,443
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>\$275,000</u>	<u>\$32,038</u>	<u>\$307,038</u>

During the year ended June 30, 2009, the County retired \$50,000 of bonds.

Note 7: 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 4.10% of their annual covered salary and the County is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$279,930, \$256,811, and \$243,907, respectively, equal to the required contributions for each year.

Notes to Financial Statements (Continued)

Note 8: Risk Management

The County carries commercial insurance which provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There 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 \$25,000 (\$50,000 for the Treasurer), respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9: Employee Health Insurance Plan

The 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 \$65,000. 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, 2009 was \$867,092.

Note 10: 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, 2009, 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, 2009

	Actual	Less Funds Not Required to be Budgeted
RECEIPTS:		
Property and Other County Tax	\$5,882,848	\$0
Interest and Penalty on Property Tax	46,127	0
Intergovernmental	5,341,645	0
Licenses and Permits	22,938	0
Charges for Services	461,744	0
Use of Money and Property	127,475	0
Miscellaneous	353,719	2,438
Total Receipts	12,236,496	2,438
DISBURSEMENTS:		
Public Safety and Legal Services	2,075,886	0
Physical Health and Social Services	1,110,601	0
Mental Health	1,805,539	0
County Environment and Education	584,572	0
Roads and Transportation	4,624,624	0
Governmental Services to Residents	544,453	0
Administrative Services	959,124	0
Debt Services	177,911	0
Capital Projects	1,680,425	0
Total Disbursements	13,563,135	0
Excess (Deficiency) of Receipts Under Disbursements	(1,326,639)	2,438
Other Financing Sources, Net	11,266	0
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(1,315,373)	2,438
Balance – Beginning of Year	10,235,505	23,092
Balance – End of Year	\$8,920,132	\$25,530

See Accompanying Independent Auditors' Report

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$5,882,848	\$5,763,681	\$5,763,681	\$119,167
46,127	10,500	10,500	35,627
5,341,645	5,536,337	6,266,337	(924,692)
22,938	20,050	20,050	2,888
461,744	448,545	448,545	13,199
127,475	441,600	441,600	(314,125)
351,281	153,064	153,064	198,217
12,234,058	12,373,777	13,103,777	(869,719)
2,075,886	2,188,957	2,226,697	150,811
1,110,601	1,313,058	1,313,058	202,457
1,805,539	2,145,302	2,145,302	339,763
584,572	714,402	724,292	139,720
4,624,624	4,590,344	5,320,344	695,720
544,453	643,617	643,617	99,164
959,124	1,208,725	1,208,725	249,601
177,911	177,911	177,911	0
1,680,425	2,043,347	2,043,347	362,922
13,563,135	15,025,663	15,803,293	2,240,158
(1,329,077)	(2,651,886)	(2,699,516)	1,370,439
11,266	0	0	11,266
(1,317,811)	(2,651,886)	(2,699,516)	1,381,705
10,212,413	7,178,419	7,178,419	3,033,994
\$8,894,602	\$4,526,533	\$4,478,903	\$4,415,699

FLOYD COUNTY
Charles City, Iowa

BUDGETARY COMPARISON SCHEDULE –
BUDGET TO GAAP RECONCILIATION

Required Supplementary Information
Year Ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$12,236,496	\$208,858	\$12,445,354
Expenditures	13,563,135	204,176	13,767,311
Net	(1,326,639)	4,682	(1,321,957)
Other Financing Sources (Net)	11,266	0	11,266
Beginning Fund Balances	10,235,505	77,723	10,313,228
Increase (Decrease) in Reserve for: Inventories	0	113,997	113,997
Ending Fund Balances	<u>\$8,920,132</u>	<u>\$196,402</u>	<u>\$9,116,534</u>

See Accompanying Independent Auditors' Report

FLOYD COUNTY
Charles City, Iowa

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

June 30, 2009

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 increased budgeted disbursements by \$777,630. 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, 2009, disbursements in certain departments exceeded the amounts appropriated.

FLOYD COUNTY
Charles City, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2009

	Supplemental Environmental Project	Attorney Forfeiture	Attorney Collection Incentive	Resource Enhancement & Protection	Sheriff Forfeiture
ASSETS					
Cash and Pooled Investments	\$12,067	\$2,818	\$39	\$108,313	\$1,055
Receivables:					
Accounts	0	0	0	0	0
TOTAL ASSETS	\$12,067	\$2,818	\$39	\$108,313	\$1,055
FUND BALANCES					
Unreserved	\$12,067	\$2,818	\$39	\$108,313	\$1,055
TOTAL FUND BALANCES	\$12,067	\$2,818	\$39	\$108,313	\$1,055

See Accompanying Independent Auditors' Report

Schedule 1

Sheriff Reserve	Commissary Profit	Recorders Records Management	Infrastructure Assistance	Drainage	Conservation Land Acquisition	Total
\$3,237	\$5,647	\$12,250	\$146,964	\$25,530	\$69,613	\$387,533
0	0	1,048	0	0	0	1,048
\$3,237	\$5,647	\$13,298	\$146,964	\$25,530	\$69,613	\$388,581
\$3,237	\$5,647	\$13,298	\$146,964	\$25,530	\$69,613	\$388,581
\$3,237	\$5,647	\$13,298	\$146,964	\$25,530	\$69,613	\$388,581

FLOYD COUNTY
Charles City, Iowa

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

Year Ended June 30, 2009

	Supplemental Environmental Project	Attorney Forfeiture	Attorney Collection Incentive	Resource Enhancement & Protection	Sheriff Forfeiture
REVENUES:					
Intergovernmental	\$0	\$0	\$0	\$16,835	\$0
Charges for Services	0	0	0	0	0
Use of Money and Property	112	0	0	855	0
Miscellaneous	0	76	0	0	2,689
Total Revenues	112	76	0	17,690	2,689
EXPENDITURES:					
Operating:					
Public Safety and Legal Services	0	0	0	0	4,783
Governmental Services to Residents	0	0	0	0	0
Capital Projects	0	0	0	0	0
Total Expenditures	0	0	0	0	4,783
Excess (Deficiency) of Revenues Over (Under) Expenditures	112	76	0	17,690	(2,094)
Other Financing Sources:					
Operating Transfers In	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	112	76	0	17,690	(2,094)
Fund Balances – Beginning of Year	11,955	2,742	39	90,623	3,149
Fund Balances – End of Year	\$12,067	\$2,818	\$39	\$108,313	\$1,055

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	\$16,835
0	0	3,462	0	0	0	3,462
0	7,142	147	0	0	0	8,256
748	0	0	0	2,438	0	5,951
748	7,142	3,609	0	2,438	0	34,504
554	3,249	0	0	0	0	8,586
0	0	6,132	0	0	0	6,132
0	0	0	0	0	22,716	22,716
554	3,249	6,132	0	0	22,716	37,434
194	3,893	(2,523)	0	2,438	(22,716)	(2,930)
0	0	0	0	0	20,000	20,000
194	3,893	(2,523)	0	2,438	(2,716)	17,070
3,043	1,754	15,821	146,964	23,092	72,329	371,511
\$3,237	\$5,647	\$13,298	\$146,964	\$25,530	\$69,613	\$388,581

FLOYD COUNTY
Charles City, Iowa

COMBINING SCHEDULE OF FIDUCIARY
 ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash & Pooled Investments:				
County Treasurer	\$0	\$2,853	\$123,069	\$133,912
Other County Officials	33,292	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	0	0	8
Succeeding Year	0	168,583	165,071	7,646,419
Accounts	3,031	0	58	0
Assessments	0	0	0	0
Due from Other Governments	0	0	0	0
TOTAL ASSETS	\$36,323	\$171,436	\$288,198	\$7,780,339
LIABILITIES				
Accounts Payable	\$0	\$0	\$1,361	\$0
Due to Other Governments	3,283	171,436	278,455	7,780,339
Trusts Payable	33,040	0	0	0
Compensated Absences	0	0	8,382	0
TOTAL LIABILITIES	\$36,323	\$171,436	\$288,198	\$7,780,339

See Accompanying Independent Auditors' Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto Licenses & Use Tax	Other	Total
\$6,423	\$70,198	\$4,327	\$11,087	\$336,408	\$432,905	\$1,121,182
0	0	0	0	0	0	33,292
0	9	0	0	0	0	17
360,296	4,803,431	229,295	0	0	124,793	13,497,888
0	0	0	0	0	0	3,089
0	0	0	152,592	0	0	152,592
0	0	0	0	0	31,035	31,035
\$366,719	\$4,873,638	\$233,622	\$163,679	\$336,408	\$588,733	\$14,839,095
\$0	\$0	\$0	\$0	\$0	\$5,058	\$6,419
366,719	4,873,638	233,622	163,679	336,408	513,016	14,720,595
0	0	0	0	0	69,800	102,840
0	0	0	0	0	859	9,241
\$366,719	\$4,873,638	\$233,622	\$163,679	\$336,408	\$588,733	\$14,839,095

FLOYD COUNTY
Charles City, Iowa

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

Year Ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
Balances – Beginning of Year	\$35,237	\$163,870	\$258,749	\$7,664,960
Additions:				
Property & Other County Tax	\$0	176,404	172,644	7,990,434
E911 Surcharge	0	.0	0	0
State Tax Credits	0	9,184	8,906	431,032
Driver License Fees	0	0	0	0
Office Fees & Collections	488,799	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	709,137	0	0	0
Miscellaneous	0	0	1,351	0
Total Additions	1,197,936	185,588	182,901	8,421,466
Deductions:				
Agency Remittances:				
To Other Funds	216,121	0	0	0
To Other Governments	279,440	178,022	153,452	8,306,087
Trusts Paid Out	701,289	0	0	0
Total Deductions	1,196,850	178,022	153,452	8,306,087
Balances – End of Year	\$36,323	\$171,436	\$288,198	\$7,780,339

See Accompanying Independent Auditors' Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$369,535	\$4,964,874	\$256,246	\$166,013	\$253,548	\$600,312	\$14,733,444
377,795	4,959,765	243,618	0	0	130,722	14,051,382
0	0	0	0	0	84,995	84,995
20,701	202,878	13,780	0	0	7,213	693,694
0	0	0	0	94,745	0	94,745
0	0	0	0	0	0	488,799
0	0	0	0	0	3,398	3,398
0	0	0	0	4,004,681	0	4,004,681
0	0	0	15,634	0	0	15,634
0	0	0	0	0	129,976	839,113
0	830	0	0	0	875,810	877,991
398,496	5,163,473	257,398	15,634	4,099,426	1,232,114	21,154,432
0	0	0	0	126,881	0	343,002
401,312	5,254,709	280,022	17,968	3,889,685	1,113,866	19,874,563
0	0	0	0	0	129,827	831,116
401,312	5,254,709	280,022	17,968	4,016,566	1,243,693	21,048,681
\$366,719	\$4,873,638	\$233,622	\$163,679	\$336,408	\$588,733	\$14,839,095

FLOYD COUNTY
Charles City, Iowa

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

For the Last Seven Years

	Modified Accrual Basis		
	2009	2008	2007
Revenues:			
Property & Other County Tax	\$5,891,998	\$5,802,047	\$5,498,137
Interest & Penalty on Property Tax	46,138	47,109	47,364
Intergovernmental	5,459,065	5,408,569	5,252,030
Licenses & Permits	23,358	47,895	23,118
Charges for Service	521,231	483,059	472,134
Use of Money & Property	163,652	413,240	596,876
Miscellaneous	339,912	395,084	485,157
Total	<u>\$12,445,354</u>	<u>\$12,597,003</u>	<u>\$12,374,816</u>
Expenditures:			
Operating:			
Public Safety & Legal Services	\$2,089,169	\$1,912,262	\$1,951,304
Physical Health & Social Services	1,118,237	1,193,465	1,124,286
Mental Health	1,777,497	1,968,666	1,902,673
County Environment & Education	576,430	606,009	649,693
Roads & Transportation	4,844,176	3,861,790	3,851,773
Governmental Services to Residents	545,506	511,296	564,434
Administrative Services	957,960	1,017,121	882,157
Non-Program	0	1,376	5,319
Debt Services	177,911	179,439	279,123
Capital Projects	1,680,425	778,282	104,958
Total	<u>\$13,767,311</u>	<u>\$12,029,706</u>	<u>\$11,315,720</u>

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>

FLOYD COUNTY
Charles City, Iowa

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		<u>\$15,718</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	2-07-HBRRS-015	<u>311,693</u>
National Highway Traffic Safety Administration:			
Iowa Department of Public Safety:			
Traffic Safety Bureau:			
Incentive Grants for Use of Seat Belts	20.604	07-157 Task 67, 08-157 Task 68	<u>5,786</u>
U.S. Department of Health and Human Services:			
Iowa Department of Elder Affairs			
Retired Area Agency on Aging			
Special Programs for the Aging – Title III			
Part C – Nutrition Services	93.045		<u>1,470</u>
Iowa Department of Public Health			
Immunization Services	93.268	5888I429/5889I429	<u>5,864</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		<u>14,578</u>
Refugee	93.566		<u>25</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>4,120</u>
Foster Care – Title IV-E	93.658		<u>8,721</u>
Adoption Assistance	93.659		<u>2,110</u>
Expansion XXI	93.767		<u>120</u>
Medical Assistance Program	93.778		<u>19,139</u>
Social Services Block Grant	93.667		<u>9,555</u>
Social Services Block Grant	93.667		<u>74,521</u>
			<u>84,076</u>

**FLOYD COUNTY
Charles City, Iowa**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (Continued):			
Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Recovery – Public Assistance	97.036	DR 1763	\$601,026
Emergency Management Performance Grant	97.042		<u>22,867</u>
Total Indirect			<u>\$1,097,313</u>
Total			<u>\$1,097,313</u>

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

See accompanying independent auditors' report.



Gardiner Thomsen
Certified Public Accountants

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

To the Officials of 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, 2009, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 7, 2010. 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 Part II of the accompanying Schedule of Findings and Questioned Costs 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 II-A-09, II-B-09, and II-C-09 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 and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2009 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 and Questioned Costs. 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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

March 7, 2010

Gardiner Thomsen, P.C.



Gardiner Thomsen
Certified Public Accountants

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

To the Officials of Floyd County:
Charles City, Iowa

Compliance

We have audited the compliance of Floyd County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2009. Floyd County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Floyd County's management. Our responsibility is to express an opinion on Floyd County's compliance based on our audit.

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

In our opinion, Floyd County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Floyd County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Floyd County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Floyd County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Floyd County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

March 7, 2010

Gardiner Thomsen, P.C.

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (e) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (f) The major program was CFDA Number 97.036 – Disaster Recovery – Public Assistance.
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Floyd County did not qualify as a low-risk auditee.

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part II: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

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

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

Conclusion – Response accepted.

II-B-09 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.

II-C-09 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 and Questioned Costs (Continued)
Year Ended June 30, 2009

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

II-D-09 Credit Card Policy – Several departments have credit cards for use by various employees while on County business. The County has a written policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. However, it was noted that supporting documentation for Planning and Zoning and Mental Health was not always available to support credit card charges.

Recommendation – As required by the credit card policy, all claims for purchases by credit card should be supported by detailed invoices or other appropriate supporting documentation before payment.

Response – We will have sufficient appropriate supporting documentation available for credit card claims before payment.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 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.

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

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

IV-B-09 Questionable Expenditures – Certain expenditures we believe may not meet the requirements of public purposes as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

Paid to	Purpose	Amount
Dave’s Restaurant		
Two Invoices for Veteran Affairs	Food for Drivers’ Meeting	\$279

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any future payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation.

Response – The expenses were properly paid for through grants to improve the Veterans Affairs office by providing meals during drivers’ meetings to update them on new policies. As recommended, a policy will be implemented as soon as possible.

Conclusion – Response accepted.

IV-C-09 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-09 Business Transactions – The following business transactions between the County and County officials or employees were noted.

Name and Title and Business Connection	Description	Amount
Marzen’s Towing & Recovery County Attorney, Jesse Marzen Owned by Jesse Marzen’s Father	Vehicle Repair/Maintenance	\$35,554
Kamm Excavating Auditor’s Office, Sandy Hicks Owned by Sandy Hicks’ Brother	Concrete Work	750
Swartzrock Implement Home Health, Diana Swartzrock Owned by Diana Swartzrock’s Father-In-Law	Gear Box and Roller Bearing	543

In accordance with Chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Marzen’s Towing & Recovery do not appear to represent conflicts of interest since Jesse Marzen appears not to participate in acquiring the above services.

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

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

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Kamm Excavating and Swartzrock Implement do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

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

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

Conclusion – Response accepted.

IV-E-09 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

IV-F-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-H-09 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-09 Economic Development – During the year ended June 30, 2009, the County paid \$125,900 for economic development which appears to be an appropriate expenditure of public funds since the public benefits to be derived have been clearly documented.

IV-J-09 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, 2009 for the County Extension Office did not exceed the amount budgeted.

IV-K-09 Employment of Relatives – We noted a relative of a Veterans Affairs commissioner was hired for employment in the Veterans Affairs office. The County policy regarding the employment of relatives states “the County will not hire, appoint, transfer, promote or otherwise place an individual in a position that involves the supervision of, or by, a family member”. In addition, the Code of Iowa, Chapter 35B.6(1)(a) states, “The commission, subject to the approval of the Board of Supervisors, shall have power to employ... other necessary administrative or clerical assistants when needed, the compensation of such employees to be fixed by the Board of Supervisors...”.

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

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

Recommendation – Employees hired by the commission should not be related as required by the Floyd County Employee Handbook. In addition, all employees hired by the commission should be approved by the Board of Supervisors, including their compensation.

Response – We will comply with the County Employee policy and the Code of Iowa in regards to the hiring practices of the Veterans Affairs department.

Conclusion – Response accepted.

News Release

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

The County had local tax revenue of \$21,023,301 for the year ended June 30, 2009, which included \$983,586 in tax credits from the state. The County forwarded \$14,672,269 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,278,225 of the local tax revenue to finance County operations, a 2% increase from the prior year. Other revenues included charges for service of \$1,552,659, operating grants, contributions and restricted interest of \$3,742,887, capital grants, contributions and restricted interest of \$3,154,083, unrestricted investment earnings of \$152,482 and other general revenues of \$270,347.

Expenses for County operations totaled \$12,156,994, a 8% increase from the prior year. Expenses included \$4,987,757 for Roads and Transportation, \$1,746,223 for Mental Health and \$2,034,940 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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