

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

INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS & QUESTIONED COSTS  
June 30, 2010

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

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

**OFFICIALS**

<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

\* The Board of Supervisors declared the Office of the Floyd County Attorney held by Jesse Marzen vacated as of March 19, 2010. Normand Klemesrud was appointed as County Attorney.



**Gardiner Thomsen**  
Certified Public Accountants

## **Independent Auditors' Report**

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To the Officials of Floyd County  
Charles City, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Floyd County, Iowa, as of and for the year ended June 30, 2010, 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, 2010, 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 16, 2011 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, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 – 9 and 36 – 40 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 seven years ended June 30, 2009 (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 16, 2011

*Gardiner Thomsen, P.C.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Floyd County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 2%, or approximately \$271,785, from fiscal 2009 to fiscal 2010. Charges for services decreased \$308,888, operating and capital grants and contributions increased \$152,279.
- Program expenses were 5%, or approximately \$560,641, more in fiscal 2010 than in fiscal 2009. Administration expense increased \$207,617. Physical Health and Social Services increased \$147,396 and Public Safety & Legal Service expense increased \$111,111.
- The County's net assets increased 8%, or approximately \$2,151,139 from June 30, 2009 to June 30, 2010.

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

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

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

- 2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are 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 \$27,679,720 to \$29,830,859. 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,	
	2010	2009
Current and Other Assets	\$22,620	\$16,226
Capital Assets	23,238	18,662
<b>Total Assets</b>	<b>45,858</b>	<b>34,888</b>
Long-Term Debt Outstanding	8,992	1,367
Other Liabilities	7,036	5,841
<b>Total Liabilities</b>	<b>16,028</b>	<b>7,208</b>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	20,571	18,662
Restricted	5,080	4,669
Unrestricted	4,179	4,349
<b>Total Net Assets</b>	<b>\$29,830</b>	<b>\$27,680</b>

Net assets of the Floyd County's governmental activities increased by 8% (\$27.7 million compared to \$29.8 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,	
	2010	2009
Revenues:		
Program Revenues:		
Charges for Service	\$1,244	\$1,553
Operating Grants, Contributions and Restricted Interest	3,771	3,743
Capital Grants, Contributions and Restricted Interest	3,279	3,154
General Revenues:		
Property Tax	5,290	5,447
Penalty and Interest on Property Tax	60	46
State Tax Credits	267	290
Local Option Sales Tax	539	496
Unrestricted Investment Earning	112	152
Other General Revenues	306	270
<b>Total Revenues</b>	<b>14,868</b>	<b>15,151</b>

Program Expenses:	June 30,	
	2010	2009
Public Safety and Legal Services	\$2,146	\$2,035
Physical Health and Social Services	1,259	1,111
Mental Health	1,760	1,746
County Environment and Education	615	628
Roads and Transportation	5,098	4,988
Governmental Services to Residents	557	551
Administration	1,118	910
Non-Program	73	140
Interest on Long-term Debt	92	48
<b>Total Expenses</b>	<b>12,718</b>	<b>12,157</b>
Increase in Net Assets	2,150	2,994
Net Assets Beginning of Year	27,680	24,686
<b>Net Assets End of Year</b>	<b>\$29,830</b>	<b>\$27,680</b>

Floyd County's net assets of governmental activities increased by approximately \$2,151,139 during the year. Revenues for governmental activities decreased by approximately \$271,785 over the prior year, with charges for services revenue down from the prior year by approximately \$308,888.

Floyd County's taxable valuations payable in fiscal year 2010 increased by more than \$52.7 million from fiscal year 2009. Urban values increased 7.455% and rural values increased 9.999%. Property tax rates for 2010 went down 8.19% for urban (\$7.15 to \$6.57 per \$1,000 of taxable value) and down 8.48% for rural (\$11.10 to \$10.16 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 \$12,717,635 compared to \$12,156,994 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was only \$4.4 million because some of the cost was paid by those directly benefited from the programs (\$1,243,771) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,049,249). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2010 from approximately \$8.45 million to \$8.27 million, principally due to receiving less Intergovernmental funds for Secondary Roads. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$5.3 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 \$14,528,013, an increase of more than \$5,400,000 above last year's total of \$9,116,534. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased while expenditures increased when compared to the prior year. The ending fund balance showed an increase of \$58,640 from the prior year to \$4,818,429.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,754,410, a decrease of 1% from the prior year. The Mental Health Fund balance at year end decreased to a balance of \$128,327.
- The Rural Services Fund revenues and expenditures decreased when compared to the prior year. The ending fund balance showed a decrease of \$54,829 to \$250,635.

- Secondary Roads Fund expenditures decreased by approximately \$1,975,601 over the prior year, due principally to a decrease in roadway construction paid from this fund. With this decrease in expenditures, the Secondary Roads Fund ending balance increased \$555,993 or 16%.
- There were no significant changes in revenues, expenditures decreased and the fund balance increased in the Debt Service Fund.
- The Capital Projects Fund was established during this fiscal year to account for the roadway improvement projects financed by the tax increment financing debt. Bond proceeds totaled \$7,242,865 and expenditures totaled \$2,679,287.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, Floyd County amended its budget one time. The amendment was made on April 13, 2010. 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, 2010, Floyd County had approximately \$37.3 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$5.4 million or 17% over last year.

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

	June 30,	
	2010	2009
Land	\$496	\$463
Buildings and Improvements	2,722	2,722
Equipment and Vehicles	5,219	5,160
Infrastructure	28,951	23,511
<b>Total</b>	<b>\$37,388</b>	<b>\$31,856</b>
This year's major additions include (expressed in thousands)		
Capital assets contributed by the Iowa Dept. of Transportation	\$2,517	
Replacement Secondary Roads Equipment	248	
Infrastructure	2,690	
Sheriff Vehicles	44	
<b>Total</b>	<b>\$5,499</b>	

The County had depreciation expense of \$1,181,981 for the year ended June 30, 2010 and total accumulated depreciation of \$14,149,849 at June 30, 2010.

The County's fiscal year 2010 capital budget included \$943,000 for capital projects, principally for the continuation of upgrading secondary road and bridges. The County issued urban renewal roadway improvement 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, 2010 Floyd County has approximately \$8,754,000 in general obligation bonds and other debt outstanding compared to approximately \$1,205,000 at June 30, 2009, as shown below.

Outstanding Debt at Year-End of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2010	2009
General Obligation Bonds and Notes	\$8,754	\$1,205
Compensated Absences	171	162
Net OPEB Liability	67	0
<b>Total</b>	<b>\$8,992</b>	<b>\$1,367</b>

The County continues to carry a general obligation bond rating as AA- assigned by national rating agencies to the County's debt since 2009. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue 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 \$49 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 decreased from 7.8% in June 2009 to 7.5% in June 2010. Nationally, the cost of living (CPI-U) increased 1.05% from June 2009 to June 2010. Federal and state stimulus efforts continue to provide opportunities to fund projects in effort to keep and create jobs. Agencies of Floyd County expect to see negative impacts on county budgets due to state cutbacks and the cessation of federal stimulus funding for certain county programs and credits. The volume of residential sales continues to be stagnating although market prices are holding. Regular IPERS and Sheriffs/Deputies employer and employee contribution rates for IPERS will increase in FY11 between 10% and 19.5%, respectively. Floyd County's elected and appointed officials considered all of the above-mentioned factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for various County activities.

In FY10, the Board approved an Urban Renewal Plan for the purpose of stimulating economic development activities with respect to road improvement projects encompassing the wind turbine area. The County elected to issue \$7.69 million as Build America Bonds for which the county will receive a credit from the federal government in the amount of 35% of the interest payable. The County will utilize tax increment financing (TIF) as a means of financing the projects. The initial projects include the Old Highway Road, T64-Shadow Avenue, and Triumph Avenue. Bond funds are expected to be expended by early FY12.

Budgeting revenues and expenditures is a challenging task with 2011 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 FY10 the actual revenues and expenses netted a \$6.4 million increase in funds, due to the bond revenue received for road projects.

## **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, 2010

	Governmental Activities
<b>ASSETS:</b>	
Cash & Pooled Investments	\$16,396,452
Receivables:	
Property Tax:	
Delinquent	185,561
Succeeding Year	5,237,103
Interest and Penalty on Property Tax	3,738
Accounts	48,459
Accrued Interest	19,701
Due From Other Governments	374,093
Inventories	354,869
Capital Assets (Net of Accumulated Depreciation)	23,238,360
<b>TOTAL ASSETS</b>	<b>45,858,336</b>
<b>LIABILITIES:</b>	
Accounts Payable	1,444,960
Accrued Interest Payable	51,779
Salaries & Benefits Payable	100,100
Due To Other Governments	201,343
Deferred Revenue:	
Succeeding Year Property Tax	5,237,103
Long Term Liabilities:	
Portion Due or Payable Within One Year:	
General Obligation Bonds	143,000
Compensated Absences	171,105
Portion Due or Payable After One Year:	
General Obligation Bonds	8,611,000
Net OPEB Liability	67,087
<b>TOTAL LIABILITIES</b>	<b>16,027,477</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	20,571,266
Restricted For:	
Mental Health Purposes	145,041
Secondary Roads Purposes	3,845,476
Debt Service	368,698
Other Purposes	721,642
Unrestricted	4,178,736
<b>TOTAL NET ASSETS</b>	<b>\$29,830,859</b>

See Notes To Financial Statements

**FLOYD COUNTY  
Charles City, Iowa**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010**

	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for Service	Operating Grants, & Restricted Interest	Capital Grants, Contributions, & Restricted Interest	
<b>Functions/Programs:</b>					
Governmental Activities:					
Public Safety & Legal Services	\$2,146,051	\$98,917	\$0	\$0	\$(2,047,134)
Physical Health & Social Services	1,258,849	468,183	432,842	0	(357,824)
Mental Health	1,760,586	174,311	920,042	0	(666,233)
County Environment & Education	615,120	16,345	17,525	25,000	(556,250)
Roads & Transportation	5,097,659	85,087	2,274,586	3,253,650	515,664
Governmental Services to Residents	556,952	306,143	0	0	(250,809)
Administration	1,117,731	15,662	125,604	0	(976,465)
Non-Program	72,512	79,123	0	0	6,611
Interest on Long-Term Debt	92,175	0	0	0	(92,175)
<b>Total</b>	<b>\$12,717,635</b>	<b>\$1,243,771</b>	<b>\$3,770,599</b>	<b>\$3,278,650</b>	<b>(4,424,615)</b>
<b>General Revenues:</b>					
Property and Other County Tax Levied For:					
General Purposes					5,232,409
Debt Service					57,624
Penalty Interest on Property Tax					59,957
State Tax Credits					267,331
Local Option Sales Tax					539,421
Unrestricted Investment Earnings					112,746
Miscellaneous					306,667
Loss on Disposal of Capital Assets					(401)
<b>Total General Revenue</b>					<b>6,575,754</b>
Changes in Net Assets					2,151,139
Net Assets Beginning of Year					27,679,720
Net Assets End of Year					<u>\$29,830,859</u>

See Notes To Financial Statements

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

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 June 30, 2010

	General	Special Revenue	
		Mental Health	Rural Services
<b>ASSETS</b>			
Cash and Pooled Investments	\$4,722,924	\$311,239	\$260,526
Receivables:			
Property Tax:			
Delinquent	101,718	16,809	65,427
Succeeding Year	3,306,606	546,390	1,327,875
Interest and Penalty on Property Tax	3,738	0	0
Accounts	47,305	219	0
Accrued Interest	19,701	0	0
Due From Other Governments	155,051	10,863	0
Inventories	0	0	0
<b>TOTAL ASSETS</b>	<b>\$8,357,043</b>	<b>\$885,520</b>	<b>\$1,653,828</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$51,122	\$53,136	\$8,864
Salaries & Benefits Payable	31,830	255	370
Due To Other Governments	38,127	140,698	672
Deferred Revenue:			
Succeeding Year Property Tax	3,306,606	546,390	1,327,875
Other	110,929	16,714	65,412
<b>Total Liabilities</b>	<b>3,538,614</b>	<b>757,193</b>	<b>1,403,193</b>
Fund Balances:			
Reserved For:			
Inventories	0	0	0
Debt Service	0	0	0
Unreserved, Reported In:			
General Fund	4,818,429	0	0
Special Revenue Funds	0	128,327	250,635
Capital Projects Fund	0	0	0
<b>Total Fund Balances</b>	<b>4,818,429</b>	<b>128,327</b>	<b>250,635</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$8,357,043</b>	<b>\$885,520</b>	<b>\$1,653,828</b>

See Notes To Financial Statements

**Exhibit C**

<u>Special Revenue</u>				
<u>Secondary Roads</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$3,504,637	\$418,870	\$5,724,574	\$405,503	\$15,348,273
0	1,607	0	0	185,561
0	56,232	0	0	5,237,103
0	0	0	0	3,738
843	0	0	92	48,459
0	0	0	0	19,701
208,179	0	0	0	374,093
354,869	0	0	0	354,869
<u>\$4,068,528</u>	<u>\$476,709</u>	<u>\$5,724,574</u>	<u>\$405,595</u>	<u>\$21,571,797</u>
\$48,660	\$0	\$1,148,803	\$0	\$1,310,585
67,645	0	0	0	100,100
21,846	0	0	0	201,343
0	56,232	0	0	5,237,103
0	1,598	0	0	194,653
<u>138,151</u>	<u>57,830</u>	<u>1,148,803</u>	<u>0</u>	<u>7,043,784</u>
354,869	0	0	0	354,869
0	418,879	0	0	418,879
0	0	0	0	4,818,429
3,575,508	0	0	405,595	4,360,065
0	0	4,575,771	0	4,575,771
<u>3,930,377</u>	<u>418,879</u>	<u>4,575,771</u>	<u>405,595</u>	<u>14,528,013</u>
<u>\$4,068,528</u>	<u>\$476,709</u>	<u>\$5,724,574</u>	<u>\$405,595</u>	<u>\$21,571,797</u>

**FLOYD COUNTY  
Charles City, Iowa**

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

June 30, 2010

**Total Governmental Fund Balances (Page 13)** \$14,528,013

*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 \$37,388,209 and the accumulated depreciation is \$14,149,849. 23,238,360

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 194,653

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. 913,804

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. (9,043,971)

**Net Assets of Governmental Activities (Page 10)** \$29,830,859

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, 2010

	General	Special Revenue	
		Mental Health	Rural Services
<b>REVENUES:</b>			
Property & Other County Tax	\$3,275,018	\$561,248	\$1,296,889
Local Option Sales Tax	0	0	0
Interest & Penalty on Property Tax	59,957	0	0
Intergovernmental	1,052,926	1,125,581	67,204
Licenses & Permits	25,619	0	0
Charges for Services	424,360	0	0
Use of Money & Property	97,517	0	0
Miscellaneous	218,755	15,079	0
<b>Total Revenues</b>	<b>5,154,152</b>	<b>1,701,908</b>	<b>1,364,093</b>
<b>EXPENDITURES:</b>			
Operating:			
Public Safety & Legal Services	1,898,555	0	248,981
Physical Health & Social Services	1,243,055	0	0
Mental Health	0	1,754,410	0
County Environment & Education	339,711	0	221,135
Roads & Transportation	0	0	61,871
Governmental Services to Residents	538,840	0	0
Administrative Services	976,827	0	0
Debt Service	0	0	0
Capital Projects	0	0	0
<b>Total Expenditures</b>	<b>4,996,988</b>	<b>1,754,410</b>	<b>531,987</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	157,164	(52,502)	832,106
Other Financing Sources (Uses):			
Sale of Capital Assets	1,253	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(99,777)	0	(886,935)
Proceeds from General Obligation Bonds	0	0	0
Discount on General Obligation Bonds	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(98,524)</b>	<b>0</b>	<b>(886,935)</b>
Net Change in Fund Balances	58,640	(52,502)	(54,829)
Fund Balances – Beginning of Year	4,759,789	180,829	305,464
Decrease in Reserve For Inventories	0	0	0
<b>Fund Balances – End of Year</b>	<b>\$4,818,429</b>	<b>\$128,327</b>	<b>\$250,635</b>

See Notes To Financial Statements

**Exhibit E**

Special Revenue Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
\$0	\$57,105	\$0	\$0	\$5,190,260
539,421	0	0	0	539,421
0	0	0	0	59,957
3,348,165	126,768	0	16,400	5,737,044
2,405	0	0	0	28,024
0	0	0	3,089	427,449
2,211	0	12,193	3,610	115,531
166,676	0	0	1,916	402,426
4,058,878	183,873	12,193	25,015	12,500,112
0	0	0	1,827	2,149,363
0	0	0	0	1,243,055
0	0	0	0	1,754,410
0	0	0	0	560,846
4,174,214	0	0	0	4,236,085
0	0	0	3,645	542,485
0	0	0	0	976,827
0	185,041	0	0	185,041
296,550	0	2,679,287	21,529	2,997,366
4,470,764	185,041	2,679,287	27,001	14,645,478
(411,886)	(1,168)	(2,667,094)	(1,986)	(2,145,366)
5,400	0	0	0	6,653
967,712	0	0	19,000	986,712
0	0	0	0	(986,712)
0	312,560	7,377,440	0	7,690,000
0	0	(134,575)	0	(134,575)
973,112	312,560	7,242,865	19,000	7,562,078
561,226	311,392	4,575,771	17,014	5,416,712
3,374,384	107,487	0	388,581	9,116,534
(5,233)	0	0	0	(5,233)
\$3,930,377	\$418,879	\$4,575,771	\$405,595	\$14,528,013

**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, 2010**

**Net Change in Fund Balances - Total Governmental Funds (Page 15-16) \$5,416,712**

*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	\$3,223,452	
Capital assets contributed by the Iowa Department of Transportation	2,517,238	
Capital assets contributed by the State of Iowa	25,000	
Depreciation expense	<u>(1,181,981)</u>	4,583,709

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.

(7,054)

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	100,330	
Other	<u>(362,484)</u>	(262,154)

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:

Issued	(7,690,000)	
Repaid	<u>141,000</u>	(7,549,000)

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	(9,017)	
Other Postemployment Benefits	(67,087)	
Interest on long-term debt	<u>(48,134)</u>	(124,238)

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.

98,397

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.

(5,233)

**Change in Net Assets of Governmental Activities (Page 11)**

**\$2,151,139**

See Notes to Financial Statements

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

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
June 30, 2010

	<u>Internal Service Employee Group Health</u>
<b>ASSETS</b>	
Cash & Cash Equivalents	\$1,048,179
<hr/>	
Total Assets	\$1,048,179
<hr/>	
<b>LIABILITIES AND NET ASSETS</b>	
Liabilities	
Accounts Payable	\$134,375
<hr/>	
Net Assets	
Unrestricted	\$913,804
<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, 2010**

	<u>Internal Service Employee Group Health</u>
Operating Revenues:	
Reimbursements from Operating Funds	\$876,771
Reimbursements from Employees	155,764
Other Reimbursements	27,118
<u>    Total Operating Revenues</u>	<u>1,059,653</u>
Operating Expenses:	
Medical Claims	737,414
Insurance Premiums	214,866
Miscellaneous	18,832
<u>    Total Operating Expenses</u>	<u>971,112</u>
Operating Income	88,541
Non-Operating Revenues:	
Interest Income	9,856
Net Income	98,397
Net Assets Beginning of Year	815,407
<u>Net Assets End of Year</u>	<u>\$913,804</u>

See Notes To Financial Statements

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

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
Year Ended June 30, 2010

	<u>Internal Service Employee Group Health</u>
<b>Cash Flows From Operating Activities:</b>	
Cash Received From Operating Fund Reimbursements	\$876,771
Cash Received From Employees and Others	185,364
Cash Paid to Suppliers for Services	(890,320)
<b>Net Cash Provided by Operating Activities</b>	<b>171,815</b>
<b>Cash Flows From Investing Activities:</b>	
Interest on Investments	9,856
<b>Net Increase in Cash and Cash Equivalents</b>	<b>181,671</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>866,508</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$1,048,179</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income	\$88,541
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>	
Decrease in Accounts Receivable	2,482
Increase in Accounts Payable	80,792
<b>Net Cash Provided by Operating Activities</b>	<b>\$171,815</b>

See Notes To Financial Statements

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

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
June 30, 2010

**ASSETS**

Cash & Pooled Investments:	
County Treasurer	\$1,064,932
Other County Officials	36,789
Receivables:	
Property Tax:	
Delinquent	3,227
Succeeding Year	14,832,573
Accounts	19,346
Assessments	156,866
Due from Other Governments	41,799
<hr/> Total Assets	<hr/> 16,155,532

**LIABILITIES**

Accounts Payable	8,416
Salaries and Benefits Payable	206
Due to Other Governments	16,000,731
Trusts Payable	135,851
Compensated Absences	10,328
<hr/> Total Liabilities	<hr/> 16,155,532
 Net Assets	 \$0
<hr/>	<hr/>

See Notes To Financial Statements

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

**Notes to Financial Statements**

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

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

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

A. REPORTING ENTITY

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

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

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

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

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

## Notes to Financial Statements (Continued)

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

#### B. BASIS OF PRESENTATION

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

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

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

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

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

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

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

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

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

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

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

##### **Special Revenue Funds**

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

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

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

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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.

## Notes to Financial Statements (Continued)

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

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

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

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

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.

## Notes to Financial Statements (Continued)

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2009.

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, 2010, 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, intangibles, 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
Intangibles	25,000
Equipment and Vehicles	5,000

## Notes to Financial Statements (Continued)

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-65
Building Improvements	20-50
Infrastructure	30-50
Intangibles	5-20
Equipment	2-20
Vehicles	3-10

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, 2010. 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.

## Notes to Financial Statements (Continued)

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

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

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, 2010, disbursements exceeded the amounts budgeted in the capital projects function and disbursements in certain departments exceeded the amounts appropriated.

### Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2010 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, 2010 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue		
Secondary Roads	General Basic	\$80,777
	Special Revenue	
Secondary Roads	Rural Services	886,935
Conservation Land Reserve	General Basic	19,000
		<u>\$986,712</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, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$462,547	\$33,535	\$0	\$496,082
Construction in Process	1,664,173	3,952,046	2,972,723	2,643,496
<b>Total Capital Assets Not Being Depreciated</b>	<b>2,126,720</b>	<b>3,985,581</b>	<b>2,972,723</b>	<b>3,139,578</b>
Capital Assets Being Depreciated:				
Buildings	2,336,578	0	0	2,336,578
Improvements Other than Buildings	386,013	0	0	386,013
Machinery and Equipment	4,330,514	248,135	200,476	4,378,173
Vehicles	382,613	44,118	32,888	393,843
Office Equipment	446,865	0	0	446,865
Infrastructure, Road Network	21,846,580	4,460,579	0	26,307,159
<b>Total Capital Assets Being Depreciated</b>	<b>29,729,163</b>	<b>4,752,832</b>	<b>233,364</b>	<b>34,248,631</b>
Less Accumulated Depreciation For:				
Buildings	689,551	48,865	0	738,416
Improvements Other than Buildings	120,303	15,054	0	135,357
Machinery and Equipment	2,267,887	199,944	193,422	2,274,409
Vehicles	264,328	59,927	32,888	291,367
Office Equipment	311,252	28,062	0	339,314
Infrastructure, Road Network	9,540,857	830,129	0	10,370,986
<b>Total Accumulated Depreciation</b>	<b>13,194,178</b>	<b>1,181,981</b>	<b>226,310</b>	<b>14,149,849</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>16,534,985</b>	<b>3,570,851</b>	<b>7,054</b>	<b>20,098,782</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$18,661,705</b>	<b>\$7,556,432</b>	<b>\$2,979,777</b>	<b>\$23,238,360</b>
Depreciation expense was charged to the following functions:				
Governmental Activities:				
Public Safety and Legal Services				\$50,617
Physical Health and Social Services				8,281
Mental Health				1,824
County Environment and Education				40,470
Roads and Transportation				1,047,036
Government Services to Residents				22,038
Administration				11,715
<b>Total Depreciation Expense – Governmental Activities</b>				<b>\$1,181,981</b>

## 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	\$38,127
Special Revenue		
Mental Health	Services	140,698
Rural Services		672
Secondary Roads		21,846
		163,216
Total For Governmental Funds		\$201,343
Agency:		
Agricultural Extension	Collections	\$179,574
Assessor		287,158
Schools		8,642,228
Community Colleges		409,325
Corporations		5,283,093
Auto Licenses & Use Tax		316,315
All Other		883,038
Total For Agency Funds		\$16,000,731

### Note 6: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	2002 GO Bonds	2004 GO Bonds	2010 GO Bonds	Compensated Absences	Total
Balance Beginning of Year	\$930,000	\$275,000	\$0	\$162,088	\$1,367,088
Increases	0	0	7,690,000	9,017	7,699,017
Decreases	90,000	51,000	0	0	141,000
Balance End of Year	\$840,000	\$224,000	\$7,690,000	\$171,105	\$8,925,105
Due Within One Year	\$90,000	\$53,000	\$0	\$171,105	\$314,105

## Notes to Financial Statements (Continued)

### Note 6: Changes in Long-Term Liabilities (Continued)

#### Bonds Payable

A summary of the County's June 30, 2010 General Obligation Urban Renewal Bonds indebtedness is as follows:

Year Ending June 30	Interest Rates	Principal	Interest	Total
2011	3.20%	\$90,000	\$30,800	\$120,800
2012	3.30%	95,000	27,920	122,920
2013	3.40%	95,000	24,785	119,785
2014	3.60%	100,000	21,555	121,555
2015-2018	3.70%-4.00%	460,000	46,040	506,040
		<u>\$840,000</u>	<u>\$151,100</u>	<u>\$991,100</u>

During the year ended June 30, 2010, the County retired \$90,000 of bonds.

During the year ended June 30, 2010, the County issued \$7,690,000 of General Obligation Urban Renewal County Road Improvement Bonds. The purpose of the bonds was to provide the funds to pay a portion of the costs of carrying out projects in the Floyd County UR-T1 Economic Development Urban Renewal Area consisting of improvements to County roads.

Interest on the Bonds is due semiannually, on June 1 and December 1, commencing December 2010, interest rates range from 3.00% to 5.85% over the life of the bonds. Principal is due annually on June 1, 2010 commencing June 1, 2015.

A summary of the County's June 30, 2010 General Obligation Urban Renewal County Road Improvement Bond indebtedness is as follows:

Year Ending June 30	Interest Rates	Principal	Interest	Total
2011	3.00%	\$0	\$480,861	\$480,861
2012	3.00%	0	379,628	379,628
2013	3.00%	0	379,627	379,627
2014	3.00%	0	379,627	379,627
2015	3.00%	185,000	379,628	564,628
2016-2020	3.00%-4.50%	2,230,000	1,716,285	3,946,285
2021-2025	4.75%-5.35%	2,730,000	1,156,910	3,886,910
2026-2029	5.45%-5.85%	2,545,000	371,913	2,916,913
		<u>\$7,690,000</u>	<u>\$5,244,479</u>	<u>\$12,934,479</u>

The County was in compliance in the issuance of the bonds.

## Notes to Financial Statements (Continued)

### Note 6: Changes in Long-Term Liabilities (Continued)

#### Economic Development Bonds Payable

A summary of the County's June 30, 2010 General Obligation Economic Development Bonds indebtedness is as follows:

Year Ending June 30	Interest Rates	Principal	Interest	Total
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>\$224,000</u>	<u>\$21,887</u>	<u>\$245,887</u>

During the year ended June 30, 2010, the County retired \$51,000 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 4.30% of their annual covered salary and the County is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$305,886, \$279,930, and \$256,811, respectively, equal to the required contributions for each year.

### Note 8: Risk Management

The County carries commercial insurance which provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There 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.

## Notes to Financial Statements (Continued)

### Note 9: Employee Health Insurance Plan (Continued)

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, 2010 was \$876,771.

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

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

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 93 active and 2 retired members in the plan. Employees must be age 55 or older at retirement.

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

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

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

The table shows the components of the County's annual OPEB cost for June 30, 2010, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual required contribution	\$68,585
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	<u>68,585</u>
Contributions made	<u>(1,498)</u>
Increase in net OPEB obligation	67,087
Net OPEB obligation – beginning of year	<u>0</u>
Net OPEB obligation – end of the year	<u>\$67,087</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2010.

For the fiscal year 2010, the County contributed \$1,498 to the medical plan. Plan members receiving benefits contributed \$11,260, or 88.2% of the premium costs.

## Notes to Financial Statements (Continued)

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

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$68,585	2.1%	\$67,087

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$552,191, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$552,191. The covered payroll (annual payroll of active employees covered by the plan) was \$3,921,770, and the ratio of the UAAL to the covered payroll was 14%. As of June 30, 2010, there were no trust fund assets.

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

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

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

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

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

### Note 11: 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, 2010, disbursements exceeded amounts budgeted in the Capital Projects function and disbursements exceeded amounts appropriated in certain departments.

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

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### **Note 12: Related Party Transactions**

The County had business transactions between the County and County officials during the year ended June 30, 2010.

### **Note 13: Subsequent Events**

Management evaluated subsequent events through March 16, 2011, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2010, but prior to March 16, 2011, that provided additional evidence about conditions that existed at June 30, 2010, have been recognized in the financial statements for the year ended June 30, 2010. Events or transactions that provided evidence about conditions that did not exist at June 30, 2010, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2010.

**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, 2010

	Actual	Less Funds Not Required to be Budgeted
<b>RECEIPTS:</b>		
Property and Other County Tax	\$5,726,591	\$0
Interest and Penalty on Property Tax	56,230	0
Intergovernmental	5,872,803	0
Licenses and Permits	28,424	0
Charges for Services	493,576	0
Use of Money and Property	133,515	0
Miscellaneous	386,441	0
Total Receipts	12,697,580	0
<b>DISBURSEMENTS:</b>		
Public Safety and Legal Services	2,163,433	0
Physical Health and Social Services	1,235,648	0
Mental Health	1,764,718	0
County Environment and Education	558,369	0
Roads and Transportation	4,549,295	0
Governmental Services to Residents	542,042	0
Administrative Services	979,008	0
Debt Services	185,041	0
Capital Projects	1,848,563	0
Total Disbursements	13,826,117	0
Excess (Deficiency) of Receipts Under Disbursements	(1,128,537)	0
Other Financing Sources, Net	7,556,678	0
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	6,428,141	0
Balance – Beginning of Year	8,920,132	25,530
Balance – End of Year	\$15,348,273	\$25,530

See Accompanying Independent Auditors' Report

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$5,726,591	\$5,785,996	\$5,785,996	\$(59,405)
56,230	10,500	10,500	45,730
5,872,803	5,745,036	6,105,631	(232,828)
28,424	19,050	19,050	9,374
493,576	455,280	455,280	38,296
133,515	321,600	141,600	(8,085)
386,441	162,864	178,132	208,309
12,697,580	12,500,326	12,696,189	1,391
2,163,433	2,208,720	2,254,259	90,826
1,235,648	1,348,887	1,475,397	239,749
1,764,718	2,081,547	2,081,547	316,829
558,369	737,392	662,608	104,239
4,549,295	4,713,795	6,244,895	1,695,600
542,042	572,934	572,934	30,892
979,008	1,244,656	1,404,656	425,648
185,041	185,041	185,041	0
1,848,563	943,000	943,000	(905,563)
13,826,117	14,035,972	15,824,337	1,998,220
(1,128,537)	(1,535,646)	(3,128,148)	1,999,611
7,556,678	0	7,555,425	1,253
6,428,141	(1,535,646)	4,427,277	2,000,864
8,894,602	7,547,153	7,547,153	1,347,449
\$15,322,743	\$6,011,507	\$11,974,430	\$3,348,313

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

BUDGETARY COMPARISON SCHEDULE –  
 BUDGET TO GAAP RECONCILIATION

Required Supplementary Information  
 Year Ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$12,697,580	\$(197,468)	\$12,500,112
Expenditures	13,826,117	819,361	14,645,478
Net	(1,128,537)	(1,016,829)	(2,145,366)
Other Financing Sources (Net)	7,556,678	5,400	7,562,078
Beginning Fund Balances	8,920,132	196,402	9,116,534
Increase (Decrease) in Reserve for:			
Inventories	0	(5,233)	(5,233)
Ending Fund Balances	\$15,348,273	\$(820,260)	\$14,528,013

See Accompanying Independent Auditors' Report

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

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

June 30, 2010

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Services Fund and the Capital Project 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 \$1,788,365. 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, 2010, disbursements exceeded the amount budgeted in the Capital Projects function and disbursements in certain departments exceeded the amounts appropriated.

Floyd County

Required Supplementary Information

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
July 1, 2009	\$0	\$552	552	0%	\$3,922	14.0%

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

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

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
 June 30, 2010

	Supplemental Environmental Project	Attorney Forfeiture	Attorney Collection Incentive	Resource Enhancement & Protection	Sheriff Forfeiture
<b>ASSETS</b>					
Cash and Pooled Investments	\$12,189	\$2,818	\$39	\$125,921	\$1,150
Receivables:					
Accounts	0	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$12,189</b>	<b>\$2,818</b>	<b>\$39</b>	<b>\$125,921</b>	<b>\$1,150</b>
<b>FUND BALANCES</b>					
Unreserved	\$12,189	\$2,818	\$39	\$125,921	\$1,150
<b>TOTAL FUND BALANCES</b>	<b>\$12,189</b>	<b>\$2,818</b>	<b>\$39</b>	<b>\$125,921</b>	<b>\$1,150</b>

See Accompanying Independent Auditors' Report

**Schedule 1**

Sheriff Reserve	Commissary Profit	Recorders Records Management	Infrastructure Assistance	Drainage	Conservation Land Acquisition	Total
\$4,249	\$6,651	\$12,908	\$146,964	\$25,530	\$67,084	\$405,503
0	92	0	0	0	0	92
\$4,249	\$6,743	\$12,908	\$146,964	\$25,530	\$67,084	\$405,595
\$4,249	\$6,743	\$12,908	\$146,964	\$25,530	\$67,084	\$405,595
\$4,249	\$6,743	\$12,908	\$146,964	\$25,530	\$67,084	\$405,595

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

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

Year Ended June 30, 2010

	Supplemental Environmental Project	Attorney Forfeiture	Attorney Collection Incentive	Resource Enhancement & Protection	Sheriff Forfeiture
<b>REVENUES:</b>					
Intergovernmental	\$0	\$0	\$0	\$16,400	\$0
Charges for Services	0	0	0	0	0
Use of Money and Property	122	0	0	1,208	0
Miscellaneous	0	0	0	0	400
Total Revenues	122	0	0	17,608	400
<b>EXPENDITURES:</b>					
Operating:					
Public Safety and Legal Services	0	0	0	0	305
Governmental Services to Residents	0	0	0	0	0
Capital Projects	0	0	0	0	0
Total Expenditures	0	0	0	0	305
Excess (Deficiency) of Revenues Over (Under) Expenditures	122	0	0	17,608	95
Other Financing Sources:					
Operating Transfers In	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	122	0	0	17,608	95
Fund Balances – Beginning of Year	12,067	2,818	39	108,313	1,055
Fund Balances – End of Year	\$12,189	\$2,818	\$39	\$125,921	\$1,150

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	\$16,400
0	0	3,089	0	0	0	3,089
0	2,146	134	0	0	0	3,610
1,484	0	32	0	0	0	1,916
1,484	2,146	3,255	0	0	0	25,015
472	1,050	0	0	0	0	1,827
0	0	3,645	0	0	0	3,645
0	0	0	0	0	21,529	21,529
472	1,050	3,645	0	0	21,529	27,001
1,012	1,096	(390)	0	0	(21,529)	(1,986)
0	0	0	0	0	19,000	19,000
1,012	1,096	(390)	0	0	(2,529)	17,014
3,237	5,647	13,298	146,964	25,530	69,613	388,581
\$4,249	\$6,743	\$12,908	\$146,964	\$25,530	\$67,084	\$405,595

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

COMBINING SCHEDULE OF FIDUCIARY  
 ASSETS AND LIABILITIES  
**AGENCY FUNDS**  
 June 30, 2010

<b>ASSETS</b>	County Offices	Agricultural Extension Education	County Assessor	Schools
Cash & Pooled Investments:				
County Treasurer	\$0	\$2,791	\$133,946	\$126,215
Other County Officials	36,789	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	30	28	1,478
Succeeding Year	0	176,753	162,324	8,514,535
Accounts	1,279	0	0	0
Assessments	0	0	0	0
Due from Other Governments	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$38,068</b>	<b>\$179,574</b>	<b>\$296,298</b>	<b>\$8,642,228</b>
<b>LIABILITIES</b>				
Accounts Payable	\$0	\$0	\$946	\$0
Salaries and Benefits Payable	0	0	206	0
Due to Other Governments	1,533	179,574	287,158	8,642,228
Trusts Payable	36,535	0	0	0
Compensated Absences	0	0	7,988	0
<b>TOTAL LIABILITIES</b>	<b>\$38,068</b>	<b>\$179,574</b>	<b>\$296,298</b>	<b>\$8,642,228</b>

See Accompanying Independent Auditors' Report

**Schedule 3**

Community Colleges	Corporations	Townships	City Special Assessments	Auto Licenses & Use Tax	Other	Total
\$5,952	\$71,341	\$3,518	\$1,295	\$316,315	\$403,559	\$1,064,932
0	0	0	0	0	0	36,789
69	1,586	15	0	0	21	3,227
403,304	5,210,166	238,420	0	0	127,071	14,832,573
0	0	0	0	0	18,067	19,346
0	0	0	156,866	0	0	156,866
0	0	0	0	0	41,799	41,799
<u>\$409,325</u>	<u>\$5,283,093</u>	<u>\$241,953</u>	<u>\$158,161</u>	<u>\$316,315</u>	<u>\$590,517</u>	<u>\$16,155,532</u>
\$0	\$0	\$0	\$0	\$0	\$7,470	\$8,416
0	0	0	0	0	0	206
409,325	5,283,093	241,953	158,161	316,315	481,391	16,000,731
0	0	0	0	0	99,316	135,851
0	0	0	0	0	2,340	10,328
<u>\$409,325</u>	<u>\$5,283,093</u>	<u>\$241,953</u>	<u>\$158,161</u>	<u>\$316,315</u>	<u>\$590,517</u>	<u>\$16,155,532</u>

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

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

Year Ended June 30, 2010

<b>ASSETS AND LIABILITIES</b>	County Offices	Agricultural Extension Education	County Assessor	Schools
Balances – Beginning of Year	\$36,323	\$171,436	\$288,198	\$7,780,339
Additions:				
Property & Other County Tax	0	183,676	169,097	8,821,600
E911 Surcharge	0	0	0	0
State Tax Credits	0	9,081	8,892	413,177
Driver License Fees	0	0	0	0
Office Fees & Collections	354,898	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	566,081	0	0	0
Miscellaneous	0	0	1,162	0
Total Additions	920,979	192,757	179,151	9,234,777
Deductions:				
Agency Remittances:				
To Other Funds	169,776	0	0	0
To Other Governments	189,329	184,619	171,051	8,372,888
Trusts Paid Out	560,129	0	0	0
Total Deductions	919,234	184,619	171,051	8,372,888
Balances – End of Year	\$38,068	\$179,574	\$296,298	\$8,642,228

See Accompanying Independent Auditors' Report

**Schedule 4**

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$366,719	\$4,873,638	\$233,622	\$163,679	\$336,408	\$588,733	\$14,839,095
417,938	5,438,538	247,742	0	0	131,940	15,410,531
0	0	0	0	0	80,544	80,544
19,400	193,922	12,094	0	0	6,654	663,220
0	0	0	0	70,863	0	70,863
0	0	0	0	0	0	354,898
0	0	0	0	0	8,679	8,679
0	0	0	0	3,951,731	0	3,951,731
0	0	0	20,325	0	0	20,325
0	0	0	0	0	355,660	921,741
0	0	0	0	0	741,244	742,406
437,338	5,632,460	259,836	20,325	4,022,594	1,324,721	22,224,938
0	0	0	0	163,692	0	333,468
394,732	5,223,005	251,505	25,843	3,878,995	996,793	19,688,760
0	0	0	0	0	326,144	886,273
394,732	5,223,005	251,505	25,843	4,042,687	1,322,937	20,908,501
\$409,325	\$5,283,093	\$241,953	\$158,161	\$316,315	\$590,517	\$16,155,532

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

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

For the Last Eight Years

	Modified Accrual Basis			
	2010	2009	2008	2007
<b>Revenues:</b>				
Property & Other County Tax	\$5,729,681	\$5,891,998	\$5,802,047	\$5,498,137
Interest & Penalty on Property Tax	59,957	46,138	47,109	47,364
Intergovernmental	5,737,044	5,459,065	5,408,569	5,252,030
Licenses & Permits	28,024	23,358	47,895	23,118
Charges for Service	427,449	521,231	483,059	472,134
Use of Money & Property	115,531	163,652	413,240	596,876
Miscellaneous	402,426	339,912	395,084	485,157
Total	<u>\$12,500,112</u>	<u>\$12,445,354</u>	<u>\$12,597,003</u>	<u>\$12,374,816</u>
<b>Expenditures:</b>				
Operating:				
Public Safety & Legal Services	\$2,149,363	\$2,089,169	\$1,912,262	\$1,951,304
Physical Health & Social Services	1,243,055	1,118,237	1,193,465	1,124,286
Mental Health	1,754,410	1,777,497	1,968,666	1,902,673
County Environment & Education	560,846	576,430	606,009	649,693
Roads & Transportation	4,236,085	4,844,176	3,861,790	3,851,773
Governmental Services to Residents	542,485	545,506	511,296	564,434
Administrative Services	976,827	957,960	1,017,121	882,157
Non-Program	0	0	1,376	5,319
Debt Services	185,041	177,911	179,439	279,123
Capital Projects	2,997,366	1,680,425	778,282	104,958
Total	<u>\$14,645,478</u>	<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, 2010

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 the Supplemental Nutrition Assistance Program	10.561		<u>\$17,382</u>
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	2-08-HBRRS-003	<u>396,118</u>
National Highway Traffic Safety Administration: Iowa Department of Public Safety: Traffic Safety Bureau: Safety Belt Performance Grant	20.609	PAP 10-406, Task 62	<u>1,635</u>
U.S. Department of Education Department of Transportation ARRA-State Fiscal Stabilization Funds (SFSF)- Government Services, Recovery Act	84.397	S397A090016A	<u>25,859</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>1,260</u>
Iowa Department of Public Health Public Health Emergency Preparedness and Response	93.069	5880BT34	<u>62,522</u>
Immunization Services	93.268	5889I429/5880I429	<u>5,637</u>
ARRA-Immunization Services	93.712	5889I429/5880I429	<u>2,699</u>

**FLOYD COUNTY  
Charles City, Iowa**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
Year Ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (Continued):			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		\$8,608
Refugee	93.566		49
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		4,550
Foster Care -- Title IV-E	93.658		9,256
Adoption Assistance	93.659		2,316
Children's Health Insurance Program	93.767		104
Medical Assistance Program	93.778		19,578
Social Services Block Grant	93.667		9,121
Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Recovery -- Public Assistance (Presidentially Declared Disasters)	97.036	DR 1763	2,814
Emergency Management Performance Grant	97.042		35,877
Total Indirect			\$605,385
Total			\$605,385

**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***

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To the Officials of Floyd County:  
Charles City, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Floyd County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 16, 2011. 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 be designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10, II-B-10 and II-C-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### 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, 2010 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 16, 2011

*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**

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To the Officials of Floyd County:  
Charles City, Iowa

### Compliance

We have audited the compliance of Floyd County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2010. 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, 2010.

### 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 in accordance with OMB Circular A-133, 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.

A deficiency in 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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies as defined above.

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 16, 2011

*Gardiner Thomsen, P.C.*

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

**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2010**

**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 20.205 – Highway Planning and Construction.
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Floyd County did not qualify as a low-risk auditee.

FLOYD COUNTY  
Charles City, Iowa

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

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

INTERNAL CONTROL DEFICIENCIES:

**II-A-10 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-10 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-10 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, 2010

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

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

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

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

**IV-A-10 Certified Budget** – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the Capital Project function. Disbursements in certain departments exceeded the amounts appropriated.

*Recommendation* – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

*Response* – We will amend the budget when required and we will watch department budgets more closely and will award additional appropriations when necessary.

*Conclusion* – Response accepted.

**IV-B-10 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
Mastercard One invoice for Sheriff's Office	Food for Jailers Meeting in Mason City	\$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.

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

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2010**

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

*Recommendation* – We recommend that the Sheriff discontinue the practice of paying for meals with the credit card for employee day travel.

*Response* – The Sheriff responded that they will discontinue the practice of paying for day travel meals of employees.

*Conclusion* – Response accepted.

**IV-C-10 Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

**IV-D-10 Business Transactions** – The following business transactions between the County and County officials or employees were noted.

Name and Title and Business Connection	Description	Amount
<b>Jesse Marzen, County Attorney</b> Marzen's Towing & Recovery Owned by Jesse Marzen's Father	Vehicle Repair/Maintenance	\$33,119
<b>Sandy Hicks, Auditor's Office</b> Kamm Excavating Owned by Sandy Hicks's Brother	Concrete Work	813
<b>Diana Swartzrock, Home Health</b> Swartzrock Implement Owned by Diana Swartzrock's Father-In-Law	Gear Box and Rolling Bearing	91,876

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.

In accordance with Chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Swartzrock Implement do not appear to represent conflicts of interest since Diana Swartzrock appears not to participate in acquiring the above services.

In accordance with Chapter 331.342 of the Code of Iowa, the transaction with Kamm Excavating does 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.

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

*Conclusion* – Response accepted.

FLOYD COUNTY  
Charles City, Iowa

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2010

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

**IV-E-10 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-10 Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed session on September 14, 2009 to discuss matters relating to the County. The minutes record does not document the specific exemption as required by Chapter 21.5 of the Code of Iowa.

*Recommendation* – The Board of Supervisors should ensure that all closed meetings comply with Chapter 21 of the Code of Iowa.

*Response* – This was an oversight. The specific exemption was discussed at the Board meeting, but was not documented in the minutes.

*Conclusion* – Response accepted.

**IV-G-10 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-10 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-10 Economic Development** – During the year ended June 30, 2010, the County paid \$105,583 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-10 County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County Operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2010 for the County Extension Office did not exceed the amount budgeted.