

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

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
June 30, 2013

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

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**FLOYD COUNTY  
Charles City, Iowa**

**OFFICIALS**

**(Before January 2013)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Warren K. Dunkel .....	Board of Supervisors .....	January 2013
Mark Kuhn .....	Board of Supervisors .....	January 2015
Douglas Kamm.....	Board of Supervisors .....	January 2015
Gloria Carr .....	County Auditor.....	January 2013
Frank Rottinghaus .....	County Treasurer .....	January 2015
Deborah K. Roberts.....	County Recorder .....	January 2015
Rick Lynch.....	County Sheriff .....	January 2013
Normand Klemesrud .....	County Attorney.....	January 2015
Bruce C. Hovden.....	County Assessor.....	Appointed

**(After January 2013)**

Mark Kuhn .....	Board of Supervisors .....	January 2015
Douglas Kamm.....	Board of Supervisors .....	January 2015
Roy Schwickerath .....	Board of Supervisors .....	January 2017
Gloria Carr .....	County Auditor.....	January 2017
Frank Rottinghaus .....	County Treasurer .....	January 2015
Deborah K. Roberts.....	County Recorder .....	January 2015
Rick Lynch.....	County Sheriff .....	January 2017
Normand Klemesrud .....	County Attorney.....	January 2015
Bruce C. Hovden.....	County Assessor.....	Appointed



**Gardiner Thomsen**  
Certified Public Accountants

## **Independent Auditor's Report**

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To the Officials of Floyd County  
Charles City, Iowa

### **Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *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, Iowa as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 5 - 11 and 38 - 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Floyd County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 to 5, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2014, on our consideration of Floyd County, Iowa's internal control over financial reporting and on 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Floyd County, Iowa's internal control over financial reporting and compliance.

*Gardiner Thomsen, P.C.*

Charles City, Iowa  
March 26, 2014

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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, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 4.53%, or approximately \$624,815, from fiscal 2012 to fiscal 2013. Capital grants and contributions decreased \$1,484,315 while charges for services increased \$185,578 and operating grants increased \$97,016.
- Program expenses were 5.35%, or approximately \$695,711, more in fiscal 2013 than in fiscal 2012. Mental health expense decreased \$458,325 while Roads & Transportation expense increased \$1,102,909 and Administration increased \$127,633.
- The County's net position decreased 1.67%, or approximately \$522,447 from June 30, 2012 to June 30, 2013.

### **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 Position 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.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES.

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position 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 Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position 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 Position 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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position 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 position may serve over time as a useful indicator of financial position. Floyd County's combined net position decreased from a year ago, decreasing from \$31,199,937, to \$30,677,490. The analysis that follows focuses on the changes in the net position for governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2013	2012
Current and Other Assets	\$17,881	\$17,551
Capital Assets	27,441	28,207
Total Assets	45,322	45,758
Long-Term Debt Outstanding	8,190	8,159
Other Liabilities	6,455	6,399
Total Liabilities	14,645	14,558
Net Position:		
Net Investment in Capital Assets	20,306	21,461
Restricted	5,475	5,901
Unrestricted	4,896	3,838
Total Net Position	\$30,677	\$31,200

Net position of the Floyd County's governmental activities decreased by 1.67% (\$30.677 million compared to \$31.200 million). The largest portion of the County's net position 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 position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2013	2012
Revenues:		
Program Revenues:		
Charges for Service	\$ 1,765	\$ 1,579
Operating Grants, Contributions and Restricted Interest	3,233	3,136
Capital Grants, Contributions and Restricted Interest	427	1,912
General Revenues:		
Property Tax	5,676	5,590
Penalty and Interest on Property Tax	51	67
State Tax Credits	295	235
Local Option Sales Tax	763	568
Tax Increment Financing	331	174
Unrestricted Investment Earning	44	72
Other General Revenues	591	469
Total Revenues	13,176	13,802

Program Expenses:	June 30,	
	2013	2012
Public Safety and Legal Services	\$ 2,137	\$ 2,202
Physical Health and Social Services	1,510	1,463
Mental Health	715	1,174
County Environment and Education	606	645
Roads and Transportation	6,441	5,338
Governmental Services to Residents	600	596
Administration	1,152	1,025
Non-Program	158	175
Interest on Long-term Debt	380	386
<b>Total Expenses</b>	<b>13,699</b>	<b>13,004</b>
Increase (Decrease) in Net Position	(523)	798
<b>Net Position Beginning of Year</b>	<b>31,200</b>	<b>30,402</b>
<b>Net Position End of Year</b>	<b>\$30,677</b>	<b>\$31,200</b>

Floyd County's net position of governmental activities decreased by approximately \$522,447 during the year. Revenues for governmental activities decreased by approximately \$624,815 over the prior year, with capital grants revenue decreased from the prior year by approximately \$1,484,315.

Floyd County's taxable valuations payable in fiscal year 2013 increased \$26.2 million from fiscal year 2012. Urban values increased 3.2% and rural values increased 4.1%. Overall property tax rates for 2013 went up 2.89% for urban (\$6.07407 to \$6.24953 per \$1,000 of taxable value) and up 1.8137% for rural (\$9.67407 to \$9.84953 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 increased from \$1.66671 to \$1.9061. The Mental Health Fund Levy decreased from \$0.86634 to \$0.84343. The Debt Service Levy decreased from \$0.04102 to \$0.00. The Rural Services Fund tax levy rate stayed the same at \$3.60. The effect of the increase in valuations, changes to levies, and credits to taxpayers caused a \$272,473 increase in property tax revenue.

The cost of all governmental activities this year was \$13,699,262 compared to \$13,003,551 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was only \$8.3 million because some of the cost was paid by those directly benefited from the programs \$1,764,731 or by other governments and organizations that subsidized certain programs with grants and contributions \$3,660,039. Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2013 from approximately \$6.6 million to \$5.4 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 \$5.7 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

### **INDIVIDUAL MAJOR FUNDS ANALYSIS**

As Floyd County completed the year, its governmental funds reported a combined fund balance of \$9,810,826, an increase of \$46,718 from last year's total of \$9,764,108. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased significantly and expenditures increased slightly when compared to the prior year. This is partially due to the increase in property tax and intergovernmental revenues and slight increases and decreases in expenditure categories. The ending fund balance showed an increase of \$401,444 from the prior year to \$4,740,994.

- The County has continued to look for ways to effectively manage the cost of mental health services. The County participated in a regionalized mental health department during 2013. Butler County was the fiduciary agent and most revenues and expenditures flowed through Butler County. For the year, expenditures totaled approximately \$714,296, a decrease of 39% from the prior year. The Mental Health Fund balance at year end increased to a balance of \$176,337.
- The Rural Services Fund revenues and expenditures increased when compared to the prior year. The ending fund balance showed an increase of \$10,281 to \$320,485.
- Secondary Roads Fund expenditures increased by approximately \$746,213 over the prior year, due principally to an increase in operating disbursements paid from this fund. With this increase in expenditures, the Secondary Roads Fund ending balance decreased \$367,032.
- The County collected tax increment financing revenues during this fiscal year to finance the debt payments for the 2010 G.O. Bonds. The ending fund balance increased by \$78,071 to \$122,168.
- The Capital Projects Fund was established to account for the roadway improvement projects financed by the tax increment financing debt. There were no expenditures for this fiscal year.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, Floyd County amended its budget two times. The amendments were made on September 11, 2012 and May 28, 2013. These amendments were made to provide for additional expenditures in certain County functions. It also re-estimated intergovernmental miscellaneous receipts.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2013, Floyd County had approximately \$45.794 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 \$685,000 or 2% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2013	2012
Land	\$ 636	\$ 566
Buildings and Improvements	3,305	3,192
Equipment and Vehicles	5,602	5,580
Infrastructure	36,251	35,771
<b>Total</b>	<b>\$45,794</b>	<b>\$45,109</b>
This year's major additions include (expressed in thousands)		
Capital assets contributed by the Iowa Dept. of Transportation		\$ 378
Secondary Road Equipment		205
Sheriff Vehicles		18
<b>Total</b>		<b>\$ 601</b>

The County had depreciation expense of \$1,658,857 for the year ended June 30, 2013 and total accumulated depreciation of \$18,353,257 at June 30, 2013.

The County's fiscal year 2013 capital budget included \$638,000 for capital projects, principally for the continuation of upgrading secondary roads 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, 2013 Floyd County has approximately \$7,904,043 in general obligation bonds and other debt outstanding compared to approximately \$7,946,426 at June 30, 2012, as shown below.

Outstanding Debt at Year-End of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2013	2012
General Obligation Bonds and Notes	\$7,690	\$7,690
Compensated Absences	171	186
Drainage Warrants	43	71
Total	\$7,904	\$7,947

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 \$62.7 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

Floyd County's elected and appointed officials consider many factors when setting the FY14 budget. Various indicators were taken into account including valuations, tax rates, amounts available for appropriation, health care costs, unemployment rates, economic development, services and fees to name a few.

Floyd County's unemployment rate as of June 2012 was 6.1% compared to June 2013 at 5.3%. The Iowa unemployment rate in June 2013 was 5.1% compared to the national rate of 7.5%. All indicators have decreased reflecting more people finding employment opportunities compared to a year ago.

On January 1, 2012, the County transitioned from a self-insured employee health insurance program to a partially self-funded plan. Insurance costs for the County declined in 2012 and 2013 leaving a healthy carry-forward balance in the Employee Health Plan fund. Due to this, the Board of Supervisors budgeted in FY14 to reduce the County's portion of premiums normally allocated from the General Supplemental, Rural Services, Secondary Roads, Mental Health, Emergency Management, Assessor and Early Childhood funds to the Employee Health Plan fund. If feasible, the county will do the same in FY15. The County will closely monitor the costs and exercise caution in spending down the Employee Health Plan fund to assure its preparedness for future mandates with health care reformation.

In FY13, the County entered into an agreement to purchase the Winnebago Scout Reservation property near Marble Rock for \$750,000. Conservation Department staff were successful in writing a REAP grant to cover approximately one third of the cost to purchase the 320 acre property and raised another one third from private donations and smaller grants. The remaining balance will be paid from the General Basic and REAP fund balances. The Conservation Board is working diligently on utilization opportunities such as camping, trail and water access, educational opportunities and preservation and enhancement of the biological assets of the park.

FY13 ended several years of brick replacement projects atop the courthouse necessary to remedy water infiltration issues. The next major repair will be replacing the rubber roof membrane in FY14. The Board of Supervisors believe the courthouse is a sturdy, beautiful building with marble walls and Terrazzo floors worthy of maintaining. Other 5-10 year plans include a window replacement project and updates to the heating/cooling system.

The remaining bond proceeds for road improvement projects will be spent in FY14. Several worthy road projects have been completed since FY10. Tax increment financing revenues will be used to pay the bond debt. Road and bridge funding continues to be problematic. In addition to the bonding for road projects, the county also uses 100% of its local option sales and service tax to fund road and bridge projects. The County is looking at the state legislatures to help subsidize projects through means such as a fuel tax.

In 2013 the Upper Cedar Watershed Management Improvement Authority (UCWMIA) was established between seven counties, eleven cities, and seven Soil and Water Conservation Districts via a 28E agreement. The Iowa Economic Development Authority funded 100% of the cost to create UCWMIA and Floyd County acted as a fiscal agent for the grant. Two subsequent grants have been awarded to cover 100% of the costs to continue watershed initiatives. One grant covers the entire UCWMIA area to procure engineers for professional services, develop a watershed resources inventory, conduct watershed assessments, identify problems, evaluate solutions, prepare and provide implementation plans and narrative reports on deliverables. Another grant targets grade stabilization structures in the Beaver Creek Watershed which lies within the counties of Chickasaw and Floyd. This grant allows for the procurement of professional services to design practices to be installed, confirm participating property owners, easements, and the construction of several structures. Floyd County will be the fiscal agent for these two grants as well. These types of projects foster flood prevention efforts which ultimately will benefit Floyd County as well as the entire UCWMIA area.

Budgeting revenues and expenditures for necessary public needs and services with intentions of optimistic growth of the community can be challenging. Floyd County strives to provide for the needs of its residents while preserving reasonable fund balances and stimulating economic development. We welcome and encourage input from the citizens of Floyd County to help us better serve the needs and growth of the County.

#### **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 POSITION**  
 June 30, 2013

	Governmental Activities
<b>ASSETS:</b>	
Cash and Pooled Investments	\$10,802,689
Receivables:	
Property Tax:	
Delinquent	3,398
Succeeding Year	5,950,171
Interest and Penalty on Property Tax	193
Accounts	68,595
Accrued Interest	7,479
Assessments	2,633
Due From Other Governments	464,092
Inventories	331,290
Deposit on Purchase of Land	250,000
Capital Assets (Net of Accumulated Depreciation/Amortization)	27,441,136
<b>TOTAL ASSETS</b>	<b>45,321,676</b>
<b>LIABILITIES:</b>	
Accounts Payable	283,848
Accrued Interest Payable	31,636
Salaries and Benefits Payable	50,655
Due To Other Governments	137,561
Deferred Revenue:	
Succeeding Year Property Tax	5,950,171
Long Term Liabilities:	
Portion Due or Payable Within One Year:	
Compensated Absences	171,403
Portion Due or Payable After One Year:	
General Obligation Bonds	7,690,000
Drainage Warrants	42,640
Net OPEB Liability	286,272
<b>TOTAL LIABILITIES</b>	<b>14,644,186</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	20,305,719
Restricted For:	
Supplemental Levy Purposes	1,027,366
Mental Health Purposes	219,747
Rural Services Purposes	320,517
Secondary Roads Purposes	3,686,103
Debt Service	90,532
Other Purposes	131,200
Unrestricted	4,896,306
<b>TOTAL NET POSITION</b>	<b>\$30,677,490</b>

See Notes To Financial Statements

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

**STATEMENT OF ACTIVITIES**  
 Year Ended June 30, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	and Restricted Interest	Operating Grants, Contributions, and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental Activities:					
Public Safety and Legal Services	\$ 2,136,639	\$ 107,571	\$ 0	\$ 0	\$ (2,029,068)
Physical Health and Social Services	1,509,936	888,659	272,021	0	(349,256)
Mental Health	715,249	158,182	0	0	(557,067)
County Environment and Education	605,607	30,667	10,424	49,375	(515,141)
Roads and Transportation	6,440,810	101,297	2,821,461	378,059	(3,139,993)
Governmental Services to Residents	599,814	328,391	0	0	(271,423)
Administration	1,152,561	16,388	128,699	0	(1,007,474)
Non-Program	158,218	133,576	0	0	(24,642)
Interest on Long-Term Debt	380,428	0	0	0	(380,428)
<b>Total</b>	<b>\$13,699,262</b>	<b>\$1,764,731</b>	<b>\$3,232,605</b>	<b>\$427,434</b>	<b>(8,274,492)</b>
<b>General Revenues:</b>					
Property and Other County Tax Levied For:					
General Purposes					5,676,142
Penalty Interest on Property Tax					51,025
State Tax Credits					295,056
Local Option Sales Tax					762,992
Tax Increment Financing					331,409
Unrestricted Investment Earnings					43,709
Miscellaneous					518,755
Gain on Disposal of Capital Assets					72,957
<b>Total General Revenue</b>					<b>7,752,045</b>
Change in Net Position					(522,447)
Net Position Beginning of Year					31,199,937
Net Position End of Year					<u>\$30,677,490</u>

See Notes To Financial Statements

**FLOYD COUNTY**  
**Charles City, Iowa**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2013

	General	Special Revenue	
		Mental Health	Rural Services
<b>ASSETS</b>			
Cash and Pooled Investments	\$4,643,831	\$193,421	\$ 327,196
Receivables:			
Property Tax:			
Delinquent	2,843	462	93
Succeeding Year	3,379,682	548,634	1,569,227
Interest and Penalty on Property Tax	193	0	0
Accounts	63,888	228	0
Accrued Interest	7,479	0	0
Assessments	0	0	0
Due From Other Governments	134,472	42,989	0
Inventories	0	0	0
<b>TOTAL ASSETS</b>	<b>\$8,232,388</b>	<b>\$785,734</b>	<b>\$1,896,516</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 38,985	\$ 765	\$ 5,140
Salaries and Benefits Payable	19,591	280	542
Due To Other Governments	37,000	16,308	1,090
Deferred Revenue:			
Succeeding Year Property Tax	3,379,682	548,634	1,569,227
Other	16,136	43,410	32
Total Liabilities	3,491,394	609,397	1,576,031
Fund Balances:			
Nonspendable:			
Inventories	0	0	0
Restricted:			
Supplemental Levy Purposes	1,026,592	0	0
Mental Health Purposes	0	176,337	0
Rural Services Purposes	0	0	320,485
Secondary Roads Purposes	0	0	0
Drainage Warrants/Improvement Certificates	0	0	0
Conservation Land Acquisition	22,908	0	0
Debt Service	0	0	0
Capital Projects	0	0	0
Other Purposes	0	0	0
Assigned	16,428	0	0
Unassigned	3,675,066	0	0
Total Fund Balances	4,740,994	176,337	320,485
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$8,232,388</b>	<b>\$785,734</b>	<b>\$1,896,516</b>

See Notes To Financial Statements

Exhibit C

<u>Special Revenue</u>				
Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
\$3,508,924	\$122,168	\$554,583	\$119,383	\$ 9,469,506
0	0	0	0	3,398
0	452,628	0	0	5,950,171
0	0	0	0	193
3,040	0	0	876	68,032
0	0	0	0	7,479
0	0	0	2,633	2,633
286,631	0	0	0	464,092
331,290	0	0	0	331,290
<hr/>				
\$4,129,885	\$574,796	\$554,583	\$122,892	\$16,296,794
<hr/>				
\$ 230,826	\$ 0	\$ 0	\$ 1,012	\$ 276,728
30,242	0	0	0	50,655
83,163	0	0	0	137,561
0	452,628	0	0	5,950,171
8,642	0	0	2,633	70,853
352,873	452,628	0	3,645	6,485,968
<hr/>				
331,290	0	0	0	331,290
0	0	0	0	1,026,592
0	0	0	0	176,337
0	0	0	0	320,485
3,445,722	0	0	0	3,445,722
0	0	0	10,955	10,955
0	0	0	0	22,908
0	122,168	0	0	122,168
0	0	554,583	0	554,583
0	0	0	108,292	108,292
0	0	0	0	16,428
0	0	0	0	3,675,066
3,777,012	122,168	554,583	119,247	9,810,826
<hr/>				
\$4,129,885	\$574,796	\$554,583	\$122,892	\$16,296,794
<hr/>				

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

**RECONCILIATION OF THE BALANCE SHEET**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
June 30, 2013

<b>Total Governmental Fund Balances (Page 15)</b>	\$ 9,810,826
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$45,794,393 and the accumulated depreciation/amortization is \$18,353,257.	27,441,136
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	70,853
Deposits made towards the purchase of capital assets are recorded as expenditures in the fund financial statements and as an asset in the Statement of Net Position.	250,000
The Internal Service Fund is used by management to charge the costs of partial 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 Position.	1,326,626
Long-term liabilities, including drainage warrants payable, bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(8,221,951)</u>
<b>Net Position of Governmental Activities (Page 12)</b>	<u><u>\$30,677,490</u></u>

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, 2013

	General	Special Revenue	
		Mental Health	Rural Services
<b>REVENUES:</b>			
Property and Other County Tax	\$3,738,573	\$583,183	\$ 1,542,808
Local Option Sales Tax	0	0	0
Interest and Penalty on Property Tax	51,025	0	0
Intergovernmental	1,455,241	144,627	76,968
Licenses and Permits	24,706	0	8,838
Charges for Service	468,652	0	1,950
Use of Money and Property	53,993	0	0
Miscellaneous	206,718	0	8
Total Revenues	5,998,908	727,810	1,630,572
<b>EXPENDITURES:</b>			
Operating:			
Public Safety and Legal Services	1,857,790	0	267,338
Physical Health and Social Services	1,517,849	0	0
Mental Health	0	714,296	0
County Environment and Education	422,834	0	251,330
Roads and Transportation	0	0	92,106
Governmental Services to Residents	574,290	0	0
Administration	1,126,869	0	0
Non-Program	0	0	0
Debt Service	0	0	0
Capital Projects	184,937	0	0
Total Expenditures	5,684,569	714,296	610,774
Excess (Deficiency) of Revenues Over (Under) Expenditures	314,339	13,514	1,019,798
Other Financing Sources (Uses):			
Sale of Capital Assets	87,105	0	0
Transfers In	0	0	0
Transfers Out	0	0	(1,009,517)
Drainage Warrants Issued	0	0	0
Total Other Financing Sources (Uses)	87,105	0	(1,009,517)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	401,444	13,514	10,281
Fund Balances Beginning of Year	4,339,550	162,823	310,204
Increase in Reserve For Inventories	0	0	0
Fund Balances End of Year	\$4,740,994	\$176,337	\$ 320,485

See Notes To Financial Statements

**Exhibit E**

Special Revenue				
Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
\$ 0	\$331,409	\$ 0	\$ 0	\$ 6,195,973
762,992	0	0	0	762,992
0	0	0	0	51,025
2,821,461	0	0	10,424	4,508,721
5,805	0	0	0	39,349
9	0	0	3,946	474,557
5,772	0	1,690	14,376	75,831
192,602	127,090	0	94,627	621,045
3,788,641	458,499	1,690	123,373	12,729,493
0	0	0	6,401	2,131,529
0	0	0	0	1,517,849
0	0	0	0	714,296
0	0	0	100,000	774,164
5,083,141	0	0	0	5,175,247
0	0	0	4,703	578,993
0	0	0	0	1,126,869
0	0	0	142,278	142,278
0	380,428	0	0	380,428
170,715	0	0	0	355,652
5,253,856	380,428	0	253,382	12,897,305
(1,465,215)	78,071	1,690	(130,009)	(167,812)
7,200	0	0	0	94,305
1,009,517	0	0	0	1,009,517
0	0	0	0	(1,009,517)
0	0	0	38,759	38,759
1,016,717	0	0	38,759	133,064
(448,498)	78,071	1,690	(91,250)	(34,748)
4,144,044	44,097	552,893	210,497	9,764,108
81,466	0	0	0	81,466
\$3,777,012	\$122,168	\$554,583	\$ 119,247	\$ 9,810,826

**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, 2013**

**Net Change in Fund Balances - Total Governmental Funds (Page 17-18) \$ (34,748)**

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

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

Expenditures for capital assets	\$ 536,048	
Capital assets contributed by the Iowa Department of Transportation	378,059	
Deposit on Future Purchase	250,000	
Depreciation/amortization expense	<u>(1,658,857)</u>	(494,750)

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (21,348)

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	(188,422)	
Other	<u>37,981</u>	(150,441)

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

Issued	(38,759)	
Repaid	<u>66,816</u>	28,057

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	14,326	
Other Postemployment Benefits	<u>(74,159)</u>	(59,833)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 129,150

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. 81,466

**Change in Net Position of Governmental Activities (Page 13) \$(522,447)**

FLOYD COUNTY  
Charles City, Iowa

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
June 30, 2013

	<u>Internal Service Employee Group Health</u>
<b>ASSETS</b>	
Cash	\$1,333,183
Receivables:	
Accounts	563
<hr/>	
Total Assets	\$1,333,746
<hr/>	
<b>LIABILITIES AND NET POSITION</b>	
Liabilities	
Accounts Payable	\$ 7,120
<hr/>	
Net Position	
Unrestricted	\$1,326,626
<hr/>	

See Notes To Financial Statements

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION  
**PROPRIETARY FUND**  
Year Ended June 30, 2013

	<u>Internal Service Employee Group Health</u>
Operating Revenues:	
Reimbursements from Operating Funds	\$ 897,673
Reimbursements from Employees	174,953
Other Reimbursements	14,041
<u>    Total Operating Revenues</u>	<u>1,086,667</u>
Operating Expenses:	
Medical Claims	65,562
Insurance Premiums	873,378
Miscellaneous	22,405
<u>    Total Operating Expenses</u>	<u>961,345</u>
Operating Income	125,322
Non-Operating Revenues:	
Interest Income	3,828
<u>    Net Income</u>	<u>129,150</u>
<u>Net Position Beginning of Year</u>	<u>1,197,476</u>
<u>Net Position End of Year</u>	<u>\$1,326,626</u>

See Notes To Financial Statements

FLOYD COUNTY  
Charles City, Iowa

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2013

	<u>Internal Service Employee Group Health</u>
Cash Flows From Operating Activities:	
Cash Received From Operating Fund Reimbursements	\$ 897,673
Cash Received From Employees and Others	193,104
Cash Paid to Suppliers for Services	(960,993)
Net Cash Provided by Operating Activities	<u>129,784</u>
Cash Flows From Investing Activities:	
Interest on Investments	<u>3,828</u>
Net Increase in Cash	133,612
Cash Beginning of Year	<u>1,199,571</u>
Cash End of Year	<u>\$1,333,183</u>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income	\$ 125,322
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Decrease in Accounts Receivable	4,110
Increase in Accounts Payable	352
Net Cash Provided by Operating Activities	<u>\$ 129,784</u>

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

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
June 30, 2013

**ASSETS**

Cash and Pooled Investments:	
County Treasurer	\$ 1,284,793
Other County Officials	33,898
Receivables:	
Property Tax:	
Delinquent	1,243
Succeeding Year	15,049,067
Accounts	16,720
Assessments	15,164
Due From Other Governments	27,753
<b>Total Assets</b>	<b>16,428,638</b>

**LIABILITIES**

Accounts Payable	8,200
Due To Other Governments	16,286,192
Trusts Payable	123,852
Compensated Absences	10,394
<b>Total Liabilities</b>	<b>16,428,638</b>
<b>Net Position</b>	<b>\$ 0</b>

**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 Position (previously referred to as 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 Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following.

*Net investment in capital assets* 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 position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 revenues 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.

#### Special Revenue Funds

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

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

## Notes to Financial Statements (Continued)

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

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services funds and other revenues to be used for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used 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 and other capital assets.

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units, and/or other funds.

#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

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

# Notes to Financial Statements (Continued)

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position 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.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for the Internal Services Fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on a cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

### D. ASSETS, LIABILITIES AND FUND EQUITY

The following accounting policies are followed in preparing the financial statements:

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

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

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

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

# Notes to Financial Statements (Continued)

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2012.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable - Drainage assessments receivable represents amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment, with interest on the unpaid balance, is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2013, 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 acquired after July 1, 2003 (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 Position. 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 Position 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, 2013. The compensated absence liability attributable to the governmental activities will be paid primarily by the General 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 Position. 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, fund balances are classified as follows:

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

#### E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the Roads and Transportation function.

### Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2013 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.

## Notes to Financial Statements (Continued)

### Note 3: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2013 is as follows:

Transfer To	Transfer From	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$1,009,517
Agency: Assessor	Agency: Special Appraisal	174,845
		<u>\$1,184,362</u>

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

### Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 566,084	\$ 70,000	\$ 0	\$ 636,084
Construction in Progress	1,268,534	496,841	1,765,375	0
Total Capital Assets Not Being Depreciated	<u>1,834,618</u>	<u>566,841</u>	<u>1,765,375</u>	<u>636,084</u>
Capital Assets Being Depreciated:				
Buildings	2,336,578	115,645	0	2,452,223
Improvements Other than Buildings	854,949	0	2,000	852,949
Machinery and Equipment	4,675,278	230,594	206,589	4,699,283
Vehicles	441,389	18,449	20,500	439,338
Office Equipment	463,048	0	0	463,048
Infrastructure	34,503,515	1,747,953	0	36,251,468
Total Capital Assets Being Depreciated	<u>43,274,757</u>	<u>2,112,641</u>	<u>229,089</u>	<u>45,158,309</u>
Less Accumulated Depreciation For:				
Buildings	836,145	58,042	0	894,187
Improvements Other than Buildings	195,018	38,401	100	233,319
Machinery and Equipment	2,504,867	200,595	187,141	2,518,321
Vehicles	326,462	46,314	20,500	352,276
Office Equipment	399,730	30,105	0	429,835
Infrastructure	12,639,919	1,285,400	0	13,925,319
Total Accumulated Depreciation	<u>16,902,141</u>	<u>1,658,857</u>	<u>207,741</u>	<u>18,353,257</u>
Total Capital Assets Being Depreciated, Net	<u>26,372,616</u>	<u>453,784</u>	<u>21,348</u>	<u>26,805,052</u>
Governmental Activities Capital Assets, Net	<u>\$28,207,234</u>	<u>\$1,020,625</u>	<u>\$1,786,723</u>	<u>\$27,441,136</u>

## Notes to Financial Statements (Continued)

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### Note 4: Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Governmental Activities:		
Public Safety and Legal Services		\$ 41,346
Physical Health and Social Services		12,309
Mental Health		1,824
County Environment and Education		44,179
Roads and Transportation		1,503,130
Government Services to Residents		22,038
Administration		<u>34,031</u>
Total Depreciation Expense – Governmental Activities		<u><u>\$1,658,857</u></u>

### 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	<u>\$ 37,000</u>
Special Revenue		
Mental Health	Services	16,308
Rural Services		1,090
Secondary Roads		<u>83,163</u>
		<u>100,561</u>
Total For Governmental Funds		<u><u>\$ 137,561</u></u>
Agency:		
Agricultural Extension	Collections	\$ 170,080
Assessor		804,053
Schools		8,678,177
Community Colleges		463,621
Corporations		5,334,070
Auto Licenses and Use Tax		339,450
All Other		<u>496,741</u>
Total For Agency Funds		<u><u>\$16,286,192</u></u>

## Notes to Financial Statements (Continued)

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

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	2010 GO Bonds	Drainage Warrants	Compensated Absences	Total
Balance Beginning of Year	\$7,690,000	\$70,697	\$185,729	\$7,946,426
Increases	0	38,759	171,403	210,162
Decreases	0	66,816	185,729	252,545
Balance End of Year	<u>\$7,690,000</u>	<u>\$42,640</u>	<u>\$171,403</u>	<u>\$7,904,043</u>
Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$171,403</u>	<u>\$ 171,403</u>

#### Bonds Payable

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, commencing June 1, 2015.

A summary of the County's June 30, 2013 General Obligation Urban Renewal County Road Improvement Bond indebtedness is as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 0	\$ 379,628	\$ 379,628
2015	185,000	379,628	564,628
2016	320,000	374,077	694,077
2017	455,000	363,198	818,198
2018	470,000	346,135	816,135
2019-2023	2,565,000	1,408,705	3,973,705
2024-2028	3,020,000	713,505	3,733,505
2009	675,000	39,487	714,487
	<u>\$7,690,000</u>	<u>\$4,004,363</u>	<u>\$11,694,363</u>

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

#### Drainage Warrants Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available. Drainage warrants are paid from the Special Revenue, Drainage Districts Fund solely from drainage assessments against benefitted properties.

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

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### **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 5.78% of their annual covered salary and the County is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$416,430, \$394,411, and \$340,568, 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 partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and the fully insured portion is administered through a service agreement with Wellmark Blue Cross and Blue Shield of Iowa and the self-funding of deductibles is administered through a service agreement with Employee Benefit Services.

Monthly payments of service fees and plan contributions to the Floyd County Employee Health Plan Trust are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of administrative fees and claims processed are paid to Employee Benefit Services from the Floyd County Employee Health Plan Trust Fund. The County's contribution to the fund for the year ended June 30, 2013 was \$897,673.

## Notes to Financial Statements (Continued)

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

Amounts payable from the Floyd County Employee Health Plan Trust Fund at June 30, 2013 total \$7,120 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$1,326,626 at June 30, 2013 and is reported as a designation of the Health Plan net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Information on the reconciliation of changes in the aggregate liability for claims in the current year and prior year is as follows:

Unpaid Claims – Beginning of Year	\$ 6,768
Incurred Claims	65,914
Payments on Claims	<u>65,562</u>
Unpaid Claims – End of Year	<u><u>\$ 7,120</u></u>

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

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 100 active and 1 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a partially-funded medical plan, is administered by Blue Cross Blue Shield. 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 (ARC) of the County, 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, 2013, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual required contribution	\$ 70,023
Interest on net OPEB obligation	5,303
Adjustment to annual required contribution	<u>(1,036)</u>
Annual OPEB cost (expense)	74,290
Contributions made	<u>(131)</u>
Increase in net OPEB obligation	74,159
Net OPEB obligation beginning of year	<u>212,113</u>
Net OPEB obligation end of year	<u><u>\$286,272</u></u>

## Notes to Financial Statements (Continued)

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

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, 2013.

For the fiscal year 2013, the County contributed \$131 to the medical plan. Plan members receiving benefits contributed \$12,386, or 98.95% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$74,672	1.60%	\$136,247
2012	81,126	1.90	212,113
2013	70,023	0.20	286,272

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$566,610, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$566,610. The covered payroll (annual payroll of active employees covered by the plan) was \$4,192,092, and the ratio of the UAAL to the covered payroll was 13.5%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 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%. An inflation rate of 0% is assumed for the purpose of this computation.

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, 2010 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$422 per month for retirees. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized on a level dollar basis over 30 years.

## Notes to Financial Statements (Continued)

### Note 11: Related Party Transactions

The County had business transactions between the County and County officials during the year ended June 30, 2013.

### Note 12: Early Childhood Iowa Area Board

Floyd County is the fiscal agent for the Floyd Mitchell Chickasaw Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 2561 of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2013 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State Grants:			
Early Childhood	\$54,311	\$ 0	\$ 54,311
Family Support and Parent Education	0	205,724	205,724
Preschool Support for Low-Income Families	0	90,328	90,328
Quality Improvements	0	44,631	44,631
Allocation for Administration	0	11,207	11,207
Other Grant Programs	2,858	21,934	24,792
Total Stage Grants	57,169	373,824	430,993
Interest on Investments	56	497	553
Total Revenues	57,225	374,321	431,546
Expenditures			
Program Services:			
Early Childhood	58,402	0	58,402
Family Support and Parent Education	0	227,845	227,845
Preschool Support for Low-Income Families	0	156,795	156,795
Quality Improvements	0	44,631	44,631
Other Program Services	0	22,465	22,465
Total Program Services	58,402	451,736	510,138
Administration	5,418	14,143	19,561
Total Expenditures	63,820	465,879	529,699
Net Change in Fund Balance	(6,595)	(91,558)	(98,153)
Fund Balance Beginning of Year	7,145	100,656	107,801
Fund Balance End of Year	\$ 550	\$ 9,098	\$ 9,648

### Note 13: Commitments

On January 13, 2013, the County entered into an agreement with Iowa Natural Heritage Foundation for the acquisition of the Winnebago Scout Reservation Property for \$750,000. The County has until April 1, 2014 to obtain funding and complete the contract, at which time an installment purchase contract would be initiated. During the fiscal year ended June 30, 2013, the County made deposits totaling \$250,000 toward the purchase of the property.

### Note 14: Subsequent Events

Management evaluated subsequent events through March 26, 2014, the date the financial statements were available to be issued.

**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, 2013

	Actual	Less Funds Not Required to be Budgeted
<b>RECEIPTS:</b>		
Property and Other County Tax	\$ 6,955,614	\$ 0
Interest and Penalty on Property Tax	50,879	0
Intergovernmental	4,468,398	0
Licenses and Permits	40,300	0
Charges for Service	464,151	528
Use of Money and Property	73,753	0
Miscellaneous	637,974	92,761
Total Receipts	12,691,069	93,289
<b>DISBURSEMENTS:</b>		
Public Safety and Legal Services	2,121,264	0
Physical Health and Social Services	1,505,970	0
Mental Health	1,033,125	0
County Environment and Education	770,400	0
Roads and Transportation	4,920,060	0
Governmental Services to Residents	578,069	0
Administration	1,127,896	0
Non-Program	143,107	143,107
Debt Service	380,428	0
Capital Projects	358,613	0
Total Disbursements	12,938,932	143,107
Excess (Deficiency) of Receipts Under Disbursements	(247,863)	(49,818)
Other Financing Sources, Net	133,064	38,759
Excess (Deficiency) of Receipts and Other Financing Sources Under Disbursements and Other Financing Uses	(114,799)	(11,059)
Balance Beginning of Year	9,584,305	23,026
Balance End of Year	\$ 9,469,506	\$ 11,967

See Accompanying Independent Auditor's Report

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 6,955,614	\$ 7,252,700	\$ 7,252,700	\$ (297,086)
50,879	25,200	25,200	25,679
4,468,398	4,225,589	4,343,879	124,519
40,300	20,000	25,200	15,100
463,623	450,855	455,855	7,768
73,753	76,680	85,180	(11,427)
545,213	320,174	345,174	200,039
12,597,780	12,371,198	12,533,188	64,592
2,121,264	2,269,897	2,289,897	168,633
1,505,970	1,651,923	1,671,923	165,953
1,033,125	847,443	1,047,443	14,318
770,400	660,602	835,828	65,428
4,920,060	4,854,964	4,854,964	(65,096)
578,069	605,107	608,457	30,388
1,127,896	1,284,445	1,284,445	156,549
0	0	0	0
380,428	381,228	381,228	800
358,613	1,033,000	638,000	279,387
12,795,825	13,588,609	13,612,185	816,360
(198,045)	(1,217,411)	(1,078,997)	880,952
94,305	0	0	94,305
(103,740)	(1,217,411)	(1,078,997)	975,257
9,561,279	7,368,791	7,368,791	2,192,488
\$ 9,457,539	\$ 6,151,380	\$ 6,289,794	\$3,167,745

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

BUDGETARY COMPARISON SCHEDULE –  
 BUDGET TO GAAP RECONCILIATION

Required Supplementary Information  
 Year Ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$12,691,069	\$ 38,424	\$12,729,493
Expenditures	12,938,932	(41,627)	12,897,305
Net	(247,863)	80,051	(167,812)
Other Financing Sources, Net	133,064	0	133,064
Beginning Fund Balances	9,584,305	179,803	9,764,108
Increase in Reserve for: Inventories	0	81,466	81,466
Ending Fund Balances	\$ 9,469,506	\$341,320	\$ 9,810,826

See Accompanying Independent Auditor's Report

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

NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION – BUDGETARY REPORTING

June 30, 2013

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 ten major classes of expenditures known as functions, not by fund. These ten 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, two budget amendments increased budgeted disbursements by \$23,576. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the Roads and Transportation function.

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

Required Supplementary Information

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
2010	July 1, 2009	\$0	\$550	\$550	0%	\$3,922	14.0%
2011	July 1, 2009	0	550	550	0	4,135	13.3
2012	July 1, 2009	0	550	550	0	4,227	13.0
2013	July 1, 2012	0	567	567	0	4,192	13.5

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, 2013

	Resource Enhancement and Protection	Sheriff Forfeiture
<b>ASSETS</b>		
Cash and Pooled Investments	\$63,534	\$3,124
Receivables:		
Accounts	0	0
Drainage Assessments	0	0
<b>TOTAL ASSETS</b>	<b>\$63,534</b>	<b>\$3,124</b>

**LIABILITIES AND FUND BALANCES**

Liabilities:		
Accounts Payable	\$ 0	\$ 0
Deferred Revenue	0	0
Total Liabilities	0	0
Fund Balances:		
Restricted for:		
Drainage Warrants/Improvement Certificates	0	0
Other Purposes	63,534	3,124
Total Fund Balances	63,534	3,124
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$63,534</b>	<b>\$3,124</b>

See Accompanying Independent Auditor's Report

Schedule 1

Sheriff Reserve	Commissary Profit	Recorder's Records Management	Infrastructure Assistance	Drainage	Total
\$2,960	\$7,088	\$8,710	\$22,000	\$11,967	\$119,383
0	28	848	0	0	876
0	0	0	0	2,633	2,633
\$2,960	\$7,116	\$9,558	\$22,000	\$14,600	\$122,892

\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,012	\$ 1,012
0	0	0	0	2,633	2,633
0	0	0	0	3,645	3,645

0	0	0	0	10,955	10,955
2,960	7,116	9,558	22,000	0	108,292
2,960	7,116	9,558	22,000	10,955	119,247
\$2,960	\$7,116	\$9,558	\$22,000	\$14,600	\$122,892

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

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

Year Ended June 30, 2013

	Resource Enhancement and Protection	Sheriff Forfeiture
<b>REVENUES:</b>		
Intergovernmental	\$ 10,424	\$ 0
Charges for Service	0	0
Use of Money and Property	482	0
Miscellaneous	0	1,866
Total Revenues	10,906	1,866
<b>EXPENDITURES:</b>		
Operating:		
Public Safety and Legal Services	0	2,539
County Environment and Education	100,000	0
Governmental Services to Residents	0	0
Non-Program	0	0
Total Expenditures	100,000	2,539
Excess (Deficiency) of Revenues Over (Under) Expenditures	(89,094)	(673)
Other Financing Sources (Uses)		
Drainage Warrants Issued	0	0
	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(89,094)	(673)
Fund Balances Beginning of Year	152,628	3,797
Fund Balances End of Year	\$ 63,534	\$3,124

See Accompanying Independent Auditor's Report

**Schedule 2**

Sheriff Reserve	Commissary Profit	Recorder's Records Management	Infrastructure Assistance	Drainage	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,424
0	0	3,418	0	528	3,946
0	2,863	31	11,000	0	14,376
0	0	0	0	92,761	94,627
0	2,863	3,449	11,000	93,289	123,373
468	3,394	0	0	0	6,401
0	0	0	0	0	100,000
0	0	4,703	0	0	4,703
0	0	0	0	142,278	142,278
468	3,394	4,703	0	142,278	253,382
(468)	(531)	(1,254)	11,000	(48,989)	(130,009)
0	0	0	0	38,759	38,759
0	0	0	0	38,759	38,759
(468)	(531)	(1,254)	11,000	(10,230)	(91,250)
3,428	7,647	10,812	11,000	21,185	210,497
\$2,960	\$7,116	\$ 9,558	\$22,000	\$10,955	\$119,247

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

COMBINING SCHEDULE OF FIDUCIARY  
 ASSETS AND LIABILITIES  
**AGENCY FUNDS**  
 June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS</b>				
Cash and Pooled Investments:				
County Treasurer	\$ 0	\$ 2,797	\$467,572	\$ 148,355
Other County Officials	33,898	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	13	26	634
Succeeding Year	0	167,270	347,500	8,529,188
Accounts	1,157	0	0	0
Assessments	0	0	0	0
Due From Other Governments	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$35,055</b>	<b>\$170,080</b>	<b>\$815,098</b>	<b>\$8,678,177</b>
 <b>LIABILITIES</b>				
Accounts Payable	\$ 0	\$ 0	\$ 651	\$ 0
Due To Other Governments	1,282	170,080	804,053	8,678,177
Trusts Payable	33,773	0	0	0
Compensated Absences	0	0	10,394	0
<b>TOTAL LIABILITIES</b>	<b>\$35,055</b>	<b>\$170,080</b>	<b>\$815,098</b>	<b>\$8,678,177</b>

See Accompanying Independent Auditor's Report

**Schedule 3**

Community Colleges	Corporations	Townships	City Special Assessments	Auto Licenses and Use Tax	Other	Total
\$ 7,564 0	\$ 71,246 0	\$ 4,571 0	\$ 1,081 0	\$339,480 0	\$242,127 0	\$ 1,284,793 33,898
34 456,023 0 0 0	521 5,262,303 0 0 0	15 277,438 0 0 0	0 0 0 15,164 0	0 0 0 0 0	0 9,345 15,563 0 27,753	1,243 15,049,067 16,720 15,164 27,753
<u>\$463,621</u>	<u>\$5,334,070</u>	<u>\$282,024</u>	<u>\$16,245</u>	<u>\$339,480</u>	<u>\$294,788</u>	<u>\$16,428,638</u>
\$ 0 463,621 0 0	\$ 0 5,334,070 0 0	\$ 0 282,024 0 0	\$ 0 16,245 0 0	\$ 0 339,450 30 0	\$ 7,549 197,190 90,049 0	\$ 8,200 16,286,192 123,852 10,394
<u>\$463,621</u>	<u>\$5,334,070</u>	<u>\$282,024</u>	<u>\$16,245</u>	<u>\$339,480</u>	<u>\$294,788</u>	<u>\$16,428,638</u>

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

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY**  
**ASSETS AND LIABILITIES – AGENCY FUNDS**  
Year Ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS AND LIABILITIES</b>				
Balances Beginning of Year	\$ 51,656	\$165,827	\$517,858	\$8,770,757
Additions:				
Property and Other County Tax	0	176,479	366,568	9,004,077
E911 Surcharge	0	0	0	0
State Tax Credits	0	8,684	17,981	457,060
Driver License Fees	0	0	0	0
Office Fees and Collections	442,783	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	467,867	0	0	0
Miscellaneous	0	0	1,090	0
Total Additions	910,650	185,163	385,639	9,461,137
Deductions:				
Agency Remittances:				
To Other Funds	234,097	0	0	0
To Other Governments	211,993	180,910	263,244	9,553,717
Trusts Paid Out	481,161	0	0	0
Total Deductions	927,251	180,910	263,244	9,553,717
Transfers In (Out)	0	0	174,845	0
Balances End of Year	\$ 35,055	\$170,080	\$815,098	\$8,678,177

See Accompanying Independent Auditor's Report

**Schedule 4**

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
\$448,783	\$5,195,138	\$271,040	\$ 7,023	\$ 346,501	\$ 604,872	\$16,379,455
480,648	5,483,421	294,272	0	0	9,438	15,814,903
0	0	0	0	0	69,370	69,370
23,506	214,952	13,994	0	0	491	736,668
0	0	0	0	72,955	0	72,955
0	0	0	0	0	0	442,783
0	0	0	0	4,754,046	0	4,754,046
0	0	0	23,443	0	2,544	25,987
0	0	0	0	3,157	186,050	657,074
0	866	0	0	0	595,461	597,417
504,154	5,699,239	308,266	23,443	4,830,158	863,354	23,171,203
0	0	0	0	180,342	0	414,439
489,316	5,560,307	297,282	14,221	4,653,426	806,219	22,030,635
0	0	0	0	3,411	192,374	676,946
489,316	5,560,307	297,282	14,221	4,837,179	998,593	23,122,020
0	0	0	0	0	(174,845)	0
\$463,621	\$5,334,070	\$282,024	\$16,245	\$ 339,480	\$ 294,788	\$16,428,638

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

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

For the Last Ten Years

	Modified Accrual Basis			
	2013	2012	2011	2010
<b>Revenues:</b>				
Property and Other County Tax	\$ 6,958,965	\$ 6,322,378	\$ 6,140,843	\$ 5,729,681
Interest and Penalty on Property Tax	51,025	66,710	49,687	59,957
Intergovernmental	4,508,721	4,611,640	5,079,287	5,737,044
Licenses and Permits	39,349	45,492	49,311	28,024
Charges for Service	474,557	438,627	446,794	427,449
Use of Money and Property	75,831	110,520	117,565	115,531
Miscellaneous	621,045	572,365	571,835	402,426
<b>Total</b>	<b>\$12,729,493</b>	<b>\$12,167,732</b>	<b>\$12,455,322</b>	<b>\$12,500,112</b>
<b>Expenditures:</b>				
Operating:				
Public Safety and Legal Services	\$ 2,131,529	\$ 2,187,464	\$ 2,124,575	\$ 2,149,363
Physical Health and Social Services	1,517,849	1,434,870	1,531,870	1,243,055
Mental Health	714,296	1,170,158	382,512	1,754,410
County Environment and Education	774,164	595,954	552,495	560,846
Roads and Transportation	5,175,247	4,217,811	4,438,632	4,236,085
Governmental Services to Residents	578,993	563,624	542,344	542,485
Administration	1,126,869	1,326,651	1,308,071	976,827
Non-Program	142,278	76,749	300	0
Debt Service	380,428	557,817	1,415,056	185,041
Capital Projects	355,652	3,136,177	1,796,740	2,997,366
<b>Total</b>	<b>\$12,897,305</b>	<b>\$15,267,275</b>	<b>\$14,092,595</b>	<b>\$14,645,478</b>

**Schedule 5**

2009	2008	2007	2006	2005	2004
\$ 5,891,998	\$ 5,802,047	\$ 5,498,137	\$ 5,295,274	\$ 4,805,283	\$ 4,883,833
46,138	47,109	47,364	43,908	53,750	36,198
5,459,065	5,408,569	5,252,030	5,082,450	4,947,891	5,155,744
23,358	47,895	23,118	29,020	18,104	26,653
521,231	483,059	472,134	470,692	471,754	506,324
163,652	413,240	596,876	453,700	262,671	132,118
339,912	395,084	485,157	1,692,004	611,326	423,514
<b>\$12,445,354</b>	<b>\$12,597,003</b>	<b>\$12,374,816</b>	<b>\$13,067,048</b>	<b>\$11,170,779</b>	<b>\$11,164,384</b>
\$ 2,089,169	\$ 1,912,262	\$ 1,951,304	\$ 1,813,921	\$ 1,654,793	\$ 1,518,894
1,118,237	1,193,465	1,124,286	1,087,279	849,469	993,977
1,777,497	1,968,666	1,902,673	1,865,675	1,682,439	1,759,700
576,430	606,009	649,693	462,250	647,333	1,316,935
4,844,176	3,861,790	3,851,773	4,091,732	3,748,897	3,679,428
545,506	511,296	564,434	637,086	474,520	427,785
957,960	1,017,121	882,157	835,154	939,955	982,806
0	1,376	5,319	2,412	4,924	5,740
177,911	179,439	279,123	255,615	256,543	108,058
1,680,425	778,282	104,958	592,528	494,790	205,505
<b>\$13,767,311</b>	<b>\$12,029,706</b>	<b>\$11,315,720</b>	<b>\$11,643,652</b>	<b>\$10,753,663</b>	<b>\$10,998,828</b>



**Gardiner Thomsen**  
Certified Public Accountants

**Independent Auditor's 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2013, and the related notes to the financial statements, which collectively comprise Floyd County Iowa's basic financial statements and have issued our report thereon dated March 26, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Floyd County, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of Floyd County, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 described as A and B in the accompanying schedule of findings to be material weaknesses.

*A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described as C in the accompanying schedule of findings to be a significant deficiency.

**Compliance and Other Matters**

As a part of obtaining reasonable assurance about whether Floyd County, Iowa's financial statements are free from 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 instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 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.

### **Response to Findings**

Floyd County, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings. Floyd County, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Floyd County, Iowa's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

*Gardiner Thomsen, P.C.*

Charles City, Iowa  
March 26, 2014

FLOYD COUNTY  
Charles City, Iowa

Schedule of Findings  
Year Ended June 30, 2013

Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

A Segregation of Duties:

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

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

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

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

*Cause* – Limited staff available to segregate duties.

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

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

B Financial Reporting:

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

*Criteria* – A good financial reporting system to record capital assets, depreciation, accounts receivable and accounts payable.

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

*Effect* – The capital asset listing was not correct. The accounts receivable and accounts payable listings were understated.

*Cause* – Limited staff.

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

FLOYD COUNTY  
Charles City, Iowa

Schedule of Findings (Continued)  
Year Ended June 30, 2013

Financial Reporting: (Continued)

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

**C** Preparation of Full Disclosure Financial Statements:

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

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

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

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

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

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

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

Other Findings Related to Required Statutory Reporting

- 1 Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the Roads and Transportation function.

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.

Response – We will amend the budget when required.

Conclusion – Response accepted.

FLOYD COUNTY  
Charles City, Iowa

Schedule of Findings (Continued)  
Year Ended June 30, 2013

Other Findings Related to Required Statutory Reporting (Continued)

- 2 **Questionable Expenditures** – No 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.
- 3 **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 4 **Business Transactions** – The following business transactions between the County and County officials or employees were noted.

<u>Name and Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
<b>Robert Graham, Secondary Roads</b>		
Kaleb Graham, son of Robert Graham	Mowing at Rockford shed	\$250
<b>Dale Hughes, Secondary Roads</b>		
Brenda Hughes, wife of Dale Hughes	Mowing at Floyd shed	330

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Kaleb Graham and Brenda Hughes do not appear to represent a conflict of interest as they are less than \$1,500.

- 5 **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- 6 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the County’s publication of Board proceedings includes summaries of resolutions passed rather than the full resolutions. Chapter 349.16 of the Code of Iowa requires publication of the proceedings of the Board of Supervisors. Chapter 331.504 of the Code of Iowa states the minutes of the Board are to include a complete text of the motions, resolutions, amendments and ordinances adopted by the Board. An Attorney General’s opinion dated January 27, 1982 states it is not permissible to publish a summary of resolutions

**Recommendation** – The Board of Supervisors should ensure all publications of minutes include the complete text of resolutions adopted by the Board.

**Response** – We will comply.

**Conclusion** – Response accepted.

- 7 **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

FLOYD COUNTY  
Charles City, Iowa

Schedule of Findings (Continued)  
Year Ended June 30, 2013

Other Findings Related to Required Statutory Reporting (Continued)

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

9 Economic Development – During the year ended June 30, 2013, the County paid \$79,895 for economic development which appears to be an appropriate expenditure of public funds since the public benefits to be derived have been clearly documented.

10 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County Operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2013 for the County Extension Office did not exceed the amount budgeted.

11 Early Childhood Iowa Area Board – Floyd County is the fiscal agent for the Floyd Mitchell Chickasaw Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization.

12 E-911 Service Board Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted.

Recommendation – The budget should have been amended in accordance with Chapter 24 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget when required.

Conclusion – Response accepted.

13 Urban Renewal Report – The urban renewal report was approved but was not certified to the Iowa Department of Management on or before December 1. The report was filed on December 5, 2012.

Recommendation – The County should file the urban renewal report timely.

Response – We will file timely.

Conclusion – Response accepted.