

FLOYD COUNTY
Charles City, Iowa

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

FLOYD COUNTY
Charles City, Iowa

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FLOYD COUNTY
Charles City, Iowa

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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



Independent Auditor's Report

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, 2014, 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, 2014, 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 - 12 and 43 - 47 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 ten years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 to 6 including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and 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 basic 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 9, 2015, 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 and compliance and the results of that testing, and not to provide an opinion on 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 9, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Floyd County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 10.55%, or approximately \$1,323,833, from fiscal 2013 to fiscal 2014. Capital grants and contributions increased \$854,982 while charges for services decreased \$126,765 and operating grants increased \$350,143.
- Program expenses were 1.88%, or approximately \$257,273, more in fiscal 2014 than in fiscal 2013. County Environment and Education expense increased \$391,068 while Roads and Transportation expense decreased \$369,871 and Public Safety and Legal Services expense increased \$125,756.
- The County's net position increased 1.77%, or approximately \$544,113 from June 30, 2013 to June 30, 2014.

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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net 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, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference 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 years.

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 increased from a year ago, increasing from \$30,677,490, to \$31,221,603. 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,	
	2014	2013
Current and Other Assets	\$17,744	\$17,881
Capital Assets	28,580	27,441
Total Assets	46,324	45,322
Long-Term Debt Outstanding	8,442	8,190
Other Liabilities	602	505
Total Liabilities	9,044	8,695
Deferred Inflows of Resources	6,058	5,950
Net Position:		
Net Investment in Capital Assets	20,890	20,306
Restricted	5,553	5,475
Unrestricted	4,779	4,896
Total Net Position	\$31,222	\$30,677

Net position of the Floyd County's governmental activities increased by 1.77% (\$31.222 million compared to \$30.677 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 represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased from approximately \$4,896,000 at June 30, 2013 to approximately \$4,779,000 at the end of this year, a decrease of 2.39%.

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

Revenues:	June 30,	
Program Revenues:	2014	2013
Charges for Service	\$ 1,638	\$ 1,765
Operating Grants, Contributions and Restricted	3,583	3,233
Capital Grants, Contributions and Restricted Interest	1,282	427
General Revenues:		
Property Tax	5,808	5,676
Penalty and Interest on Property Tax	46	51
State Tax Credits	329	295
Local Option Sales Tax	639	763
Tax Increment Financing	477	331
Unrestricted Investment Earning	34	44
Other General Revenues	665	591
Total Revenues	14,501	13,176
Program Expenses:		
Public Safety and Legal Services	2,262	2,137
Physical Health and Social Services	1,509	1,510
Mental Health	752	715
County Environment and Education	997	606
Roads and Transportation	6,071	6,441
Governmental Services to Residents	605	600
Administration	1,149	1,152
Non-Program	231	158
Interest on Long-term Debt	380	380
Total Expenses	13,956	13,699
Increase (Decrease) in Net Position	545	(523)
Net Position Beginning of Year	30,677	31,200
Net Position End of Year	\$31,222	\$30,677

Floyd County's net position of governmental activities increased by approximately \$544,113 during the year. Revenues for governmental activities increased by approximately \$1,323,833 over the prior year, with capital grants revenue increased from the prior year by approximately \$854,982.

Floyd County's taxable valuations payable in fiscal year 2014 increased nearly \$30 million from fiscal year 2013. Urban values increased 3.66% and rural values increased 4.44%. Overall property tax rates for 2014 went down 7.21% for urban (\$6.24953 to \$5.79888 per \$1,000 of taxable value) and down 3.05% for rural (\$9.84953 to \$9.54888 per \$1,000 of taxable value). The General Fund tax levy rate remained at the maximum of \$3.50 per \$1,000 of taxable property valuation. The General Supplemental Fund levy decreased from \$1.9061 to \$1.489. The Mental Health Fund Levy decreased from \$0.84343 to \$0.80988. The Rural Services Fund tax levy rate increased from \$3.60 to \$3.75. Floyd County has no Debt Service Levy. The effect of the increase in valuations, changes to levies, and credits to taxpayers caused a \$41,627 decrease in property tax revenue.

The cost of all governmental activities this year was \$13,956,535 compared to \$13,699,262 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was only \$7,453,405 because some of the cost was paid by those directly benefited from the programs \$1,637,966 or by other governments and organizations that subsidized certain programs with grants and contributions \$4,865,164. Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2014 from approximately \$5,424,770 to \$6,503,130, principally due to receiving more Intergovernmental funds for Secondary Roads. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$5,808,562 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 \$9,335,799, a decrease of \$475,027 from last year's total of \$9,810,826. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues remained constant and expenditures increased when compared to the prior year. This is partially due to the increase in capital project expenditures. The ending fund balance showed an increase of \$18,269 from the prior year to \$4,759,263.
- 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 2014. Butler County was the fiduciary agent and most revenues and expenditures flowed through Butler County. For the year, expenditures totaled approximately \$747,732, an increase of 4.68% from the prior year. The Mental Health Fund balance at year end increased to a balance of \$211,109.
- The Rural Services Fund revenues and expenditures increased when compared to the prior year. The ending fund balance showed an increase of \$90,933 to \$411,418.
- Secondary Roads Fund expenditures increased by approximately \$118,885 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 \$261,006.
- 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 \$220,378 to \$342,546.

- The Capital Projects Fund was established to account for the roadway improvement projects financed by the tax increment financing debt. These projects were completed during this fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Floyd County amended its budget one time. The amendment was made on April 8, 2014. This amendment was made to provide for additional expenditures in certain County functions. It also re-estimated intergovernmental and miscellaneous receipts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, Floyd County had approximately \$48,542,995 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 \$2,748,602 or 6.00% over last year.

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

	June 30,	
	2014	2013
Land	\$ 636	\$ 636
Buildings and Improvements	3,452	3,305
Equipment and Vehicles	5,899	5,602
Infrastructure	38,124	36,251
Construction in Progress	432	0
Total	\$48,543	\$45,794
This year's major additions include (expressed in thousands)		
Capital assets contributed by the Iowa Dept. of Transportation		\$ 989
Secondary Road Equipment		233
Sheriff Vehicles		68
Total		\$ 1,290

The County had depreciation expense of \$1,676,186 for the year ended June 30, 2014 and total accumulated depreciation of \$19,963,222 at June 30, 2014.

The County's fiscal year 2014 capital budget included \$1,266,100 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, 2014 Floyd County has approximately \$8,080,543 in general obligation bonds and other debt outstanding compared to approximately \$7,904,043 at June 30, 2013, as shown below.

Outstanding Debt at Year-End of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2014	2013
General Obligation Bonds and Notes	\$7,690	\$7,690
Compensated Absences	254	171
Drainage Warrants	137	43
Total	\$8,081	\$7,904

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 \$63.8 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 and various county boards and commissions consider many factors when setting the FY15 budget. Several indicators were taken into account such as valuations, tax rates, health care costs, unemployment rates, economic development, and fees charged for various services.

In support of Iowa's Home Base Iowa initiatives to make Iowa more attractive to veterans returning home from military services, Floyd County proclaimed its support to become a Home Base Iowa Community and Home Base Iowa Business. In addition, Floyd County is offering a 0% loan to be used for housing down payment assistance, closing costs and/or home improvements. This initiative is intended to show support of veterans not only returning to Iowa but to Floyd County while also stimulating economic development, increasing property values, and reducing unemployment rates.

Unemployment trends have been favorable in Floyd County. Unemployment as of June 2012 was at 6.1%, June 2013 was 5.3% and June 2014 was 4.6%. In comparison, the June 2014 state unemployment rate was 4.4% and the national rate was 6.1%. Local indicators have decreased reflecting more people finding employment opportunities in the Floyd County area.

Road and bridge funding continues to be problematic. The county is looking at state legislators to help subsidize projects through means such as a fuel tax. The last of the county's bond proceeds were spent on road projects in FY14. The first principal payment to be made on the bonds starts in FY15 and will be paid with tax increment financing revenues. In addition to bonding for road projects, the county also uses 100% of its local option sales and service tax to fund road and bridge projects.

New election equipment is expected to be purchased in FY15. The total cost is estimated around \$75,000. Zero percent lease options may be used to spread the cost of equipment over a two or three year period.

The County continues to levy for the General Basic Supplemental Fund but is working diligently at reducing the fund balance. Certain expenses from the supplemental fund will be transitioned to be paid out of the General Basic Fund. It is the desire to potentially eliminate the supplemental fund, thus reducing property taxes while still sustaining expenditures with existing balances and the \$3.50 levy per \$1,000 of taxable valuations from the General Basic Fund.

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, 2014

	Governmental Activities
ASSETS:	
Cash, Cash Equivalents and Pooled Investments	\$10,152,575
Receivables:	
Property Tax:	
Delinquent	3,459
Succeeding Year	6,058,372
Interest and Penalty on Property Tax	21
Accounts	85,690
Accrued Interest	2
Assessments	6,939
Due From Other Governments	641,344
Inventories	295,357
Deposit on Purchase of Land	500,000
Capital Assets (Net of Accumulated Depreciation/Amortization)	28,579,773
TOTAL ASSETS	46,323,532
LIABILITIES:	
Accounts Payable	439,751
Accrued Interest Payable	31,636
Salaries and Benefits Payable	55,094
Due To Other Governments	75,818
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
General Obligation Bonds	185,000
Compensated Absences	253,813
Portion Due or Payable After One Year:	
General Obligation Bonds	7,505,000
Drainage Warrants	136,730
Net OPEB Liability	360,715
TOTAL LIABILITIES	9,043,557
DEFERRED INFLOWS OF RESOURCES:	
Unavailable Property Tax Revenue	6,058,372
NET POSITION:	
Net Investment in Capital Assets	20,889,773
Restricted For:	
Supplemental Levy Purposes	844,464
Mental Health Purposes	211,563
Rural Services Purposes	411,608
Secondary Roads Purposes	3,428,608
Debt Service	310,910
Other Purposes	345,277
Unrestricted	4,779,400
TOTAL NET POSITION	\$31,221,603

See Notes To Financial Statements

FLOYD COUNTY
Charles City, Iowa

STATEMENT OF ACTIVITIES
 Year Ended June 30, 2014

	Expenses	Program Revenues			Net Position
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	
Functions/Programs:					
Governmental Activities:					
Public Safety and Legal Services	\$ 2,262,365	\$ 86,772	\$ 228	\$ 0	\$(2,175,365)
Physical Health and Social Services	1,509,055	738,098	271,904	0	(499,053)
Mental Health	751,917	171,222	0	0	(580,695)
County Environment and Education	996,675	44,687	226,897	250,000	(475,091)
Roads and Transportation	6,070,939	120,596	3,083,719	1,032,416	(1,834,208)
Governmental Services to Residents	604,408	331,569	0	0	(272,839)
Administration	1,149,357	16,467	0	0	(1,132,890)
Non-Program	231,391	0	0	0	(231,391)
Interest on Long-Term Debt	380,428	128,555	0	0	(251,873)
Total	\$13,956,535	\$1,637,966	\$3,582,748	\$1,282,416	(7,453,405)
General Revenues:					
Property and Other County Tax Levied For:					
General Purposes					5,808,562
Penalty Interest on Property Tax					45,705
State Tax Credits					328,735
Local Option Sales Tax					638,587
Tax Increment Financing					477,503
Unrestricted Investment Earnings					33,664
Miscellaneous					664,762
Total General Revenue					7,997,518
Change in Net Position					544,113
Net Position Beginning of Year					30,677,490
Net Position End of Year					31,221,603
See Notes To Financial Statements					

FLOYD COUNTY
Charles City, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Special Revenue	
		Mental Health	Rural Services
ASSETS			
Cash, Cash Equivalents and Pooled Investments	\$4,674,020	\$211,434	\$ 412,291
Receivables:			
Property Tax:			
Delinquent	2,813	456	190
Succeeding Year	3,372,524	546,012	1,558,895
Interest and Penalty on Property Tax	21	0	0
Accounts	84,412	363	170
Accrued Interest	2	0	0
Drainage Assessments	0	0	0
Due From Other Governments	139,041	20	0
Inventories	0	0	0
TOTAL ASSETS	\$8,272,833	\$758,285	\$1,971,546
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 61,579	\$ 706	\$ 191
Salaries and Benefits Payable	20,252	0	0
Due To Other Governments	40,602	4	852
Total Liabilities	122,433	710	1,043
Deferred Inflows of Resources:			
Unavailable Revenues:			
Succeeding Year Property Tax	3,372,524	546,012	1,558,895
Other	18,613	454	190
Total Deferred Inflows of Resources	3,391,137	546,466	1,559,085
Fund Balances:			
Nonspendable:			
Inventories	0	0	0
Restricted:			
Supplemental Levy Purposes	843,705	0	0
Mental Health Purposes	0	211,109	0
Rural Services Purposes	0	0	411,418
Secondary Roads Purposes	0	0	0
Drainage Warrants	0	0	0
Conservation Land Acquisition	255,990	0	0
Debt Service	0	0	0
Other Purposes	0	0	0
Assigned for Supplemental Environmental Project	2	0	0
Assigned for County Attorney	5,161	0	0
Unassigned	3,654,405	0	0
Total Fund Balances	4,759,263	211,109	411,418
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$8,272,833	\$758,285	\$1,971,546

See Notes To Financial Statements

<u>Special Revenue</u>			
<u>Secondary Roads</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$3,160,181	\$342,546	\$ 99,894	\$ 8,900,366
0	0	0	3,459
0	580,941	0	6,058,372
0	0	0	21
20	0	725	85,690
0	0	0	2
0	0	6,939	6,939
502,283	0	0	641,344
295,357	0	0	295,357
<u>\$3,957,841</u>	<u>\$923,487</u>	<u>\$107,558</u>	<u>\$15,991,550</u>
\$ 362,244	\$ 0	\$ 5,162	\$ 429,882
34,842	0	0	55,094
34,360	0	0	75,818
<u>431,446</u>	<u>0</u>	<u>5,162</u>	<u>560,794</u>
0	580,941	0	6,058,372
10,389	0	6,939	36,585
<u>10,389</u>	<u>580,941</u>	<u>6,939</u>	<u>6,094,957</u>
295,357	0	0	295,357
0	0	0	843,705
0	0	0	211,109
0	0	0	411,418
3,220,649	0	0	3,220,649
0	0	6,170	6,170
0	0	0	255,990
0	342,546	0	342,546
0	0	89,287	89,287
0	0	0	2
0	0	0	5,161
0	0	0	3,654,405
<u>3,516,006</u>	<u>342,546</u>	<u>95,457</u>	<u>9,335,799</u>
<u>\$3,957,841</u>	<u>\$923,487</u>	<u>\$107,558</u>	<u>\$15,991,550</u>

FLOYD COUNTY
Charles City, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2014

Total Governmental Fund Balances (Page 16)	\$ 9,335,799
<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 \$48,542,995 and the accumulated depreciation/amortization is \$19,963,222.	28,579,773
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows in the governmental funds.	36,585
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.	500,000
The Internal Service Fund is used by management to charge the costs of funding 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.	1,242,340
Long-term liabilities, including bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(8,472,894)</u>
Net Position of Governmental Activities (Pages 13)	<u><u>\$31,221,603</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, 2014

	General	Special Revenue	
		Mental Health	Rural Services
REVENUES:			
Property and Other County Tax	\$3,560,586	\$577,907	\$ 1,669,090
Local Option Sales Tax	0	0	0
Interest and Penalty on Property Tax	45,705	0	0
Intergovernmental	1,442,277	204,351	91,526
Licenses and Permits	20,085	0	3,635
Charges for Service	441,257	0	1,350
Use of Money and Property	60,798	0	0
Miscellaneous	417,557	246	113
Total Revenues	<u>5,988,265</u>	<u>782,504</u>	<u>1,765,714</u>
EXPENDITURES:			
Operating:			
Public Safety and Legal Services	1,951,392	0	266,777
Physical Health and Social Services	1,438,932	0	0
Mental Health	0	747,732	0
County Environment and Education	471,163	0	262,420
Roads and Transportation	0	0	91,770
Governmental Services to Residents	568,708	0	0
Administration	1,164,847	0	0
Non-Program	0	0	0
Debt Service	0	0	0
Capital Projects	279,035	0	0
Total Expenditures	<u>5,874,077</u>	<u>747,732</u>	<u>620,967</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	114,188	34,772	1,144,747
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers Out	(95,919)	0	(1,053,814)
Drainage Warrants Issued	0	0	0
Total Other Financing Sources (Uses)	<u>(95,919)</u>	<u>0</u>	<u>(1,053,814)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	18,269	34,772	90,933
Fund Balances Beginning of Year	4,740,994	176,337	320,485
Decrease in Reserve For Inventories	0	0	0
Fund Balances End of Year	<u>\$4,759,263</u>	<u>\$211,109</u>	<u>\$ 411,418</u>

See Notes To Financial Statements

Exhibit E

Special Revenue Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
\$ 0	\$477,503	\$ 0	\$ 0	\$ 6,285,086
638,587	0	0	0	638,587
0	0	0	0	45,705
3,127,151	0	0	15,017	4,880,322
5,725	0	0	0	29,445
29	0	0	46,211	488,847
10,513	0	1,195	13,867	86,373
215,930	123,303	0	3	757,152
3,997,935	600,806	1,195	75,098	13,211,517
0	0	0	2,648	2,220,817
0	0	0	0	1,438,932
0	0	0	0	747,732
0	0	0	44,923	778,506
4,676,698	0	0	0	4,768,468
0	0	0	3,027	571,735
0	0	0	0	1,164,847
0	0	0	171,398	171,398
0	380,428	0	0	380,428
696,043	0	555,778	0	1,530,856
5,372,741	380,428	555,778	221,996	13,773,719
(1,374,806)	220,378	(554,583)	(146,898)	(562,202)
1,149,733	0	0	0	1,149,733
0	0	0	0	(1,149,733)
0	0	0	123,108	123,108
1,149,733	0	0	123,108	123,108
(225,073)	220,378	(554,583)	(23,790)	(439,094)
3,777,012	122,168	554,583	119,247	9,810,826
(35,933)	0	0	0	(35,933)
\$ 3,516,006	\$342,546	\$ 0	\$ 95,457	\$ 9,335,799

**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, 2014**

Net Change in Fund Balances - Total Governmental Funds (Page 19) \$ (439,094)

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. Capital outlay expenditures and contributed capital assets exceeded depreciation/amortization expense in the current year as follows:

Expenditures for Capital Assets	\$ 1,825,839	
Capital Assets Contributed by the Iowa Department of Transportation	988,984	
Capital Assets Contributed by Others - Deposit on Purchase of Land	250,000	
Depreciation/Amortization Expense	<u>(1,676,186)</u>	1,388,637

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 inflows in the governmental funds as follows:

Property Tax	401	
Other	<u>(34,669)</u>	(34,268)

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 issuances exceeded repayments as follows:

Issued	(123,108)	
Repaid	<u>29,018</u>	(94,090)

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	(82,410)	
Other Postemployment Benefits	<u>(74,443)</u>	(156,853)

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.

(84,286)

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.

(35,933)

Change in Net Position of Governmental Activities (Page 14) \$ 544,113

See Notes to Financial Statements

FLOYD COUNTY
Charles City, Iowa

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2014

Internal Service
Employee Group
Health

ASSETS

Cash and Cash Equivalents \$1,252,209

LIABILITIES AND NET POSITION

Liabilities
Accounts Payable 9,869

Net Position
Unrestricted \$1,242,340

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, 2014

	<u>Internal Service Employee Group Health</u>
Operating Revenues:	
Reimbursements from Operating Funds	\$ 650,904
Reimbursements from Employees	187,500
Other Reimbursements	20,600
<hr/> Total Operating Revenues	<hr/> 859,004
Operating Expenses:	
Medical Claims	55,201
Insurance Premiums	886,967
Miscellaneous	4,793
<hr/> Total Operating Expenses	<hr/> 946,961
Operating Loss	(87,957)
Non-Operating Revenues:	
Interest Income	3,671
<hr/> Net Loss	<hr/> (84,286)
Net Position Beginning of Year	1,326,626
<hr/> Net Position End of Year	<hr/> <hr/> \$1,242,340

See Notes To Financial Statements

FLOYD COUNTY
Charles City, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2014

	<u>Internal Service Employee Group Health</u>
Cash Flows From Operating Activities:	
Cash Received From Operating Fund Reimbursements	\$ 650,904
Cash Received From Employees and Others	208,663
Cash Paid to Suppliers for Services	(944,212)
Net Cash Used in Operating Activities	(84,645)
Cash Flows From Investing Activities:	
Interest on Investments	3,671
Net Decrease in Cash and Cash Equivalents	(80,974)
Cash and Cash Equivalents at Beginning of Year	1,333,183
Cash and Cash Equivalents at End of Year	\$1,252,209
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	\$ (87,957)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Decrease in Accounts Receivable	563
Increase in Accounts Payable	2,749
Net Cash Used in Operating Activities	\$ (84,645)

See Notes To Financial Statements

FLOYD COUNTY
Charles City, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2014

ASSETS

Cash, Cash Equivalents and Pooled Investments:	
County Treasurer	\$ 1,477,979
Other County Officials	30,259
Receivables:	
Property Tax:	
Delinquent	67
Succeeding Year	15,618,081
Accounts	14,739
Assessments	11,680
Due From Other Governments	48,169
Total Assets	17,200,974

LIABILITIES

Accounts Payable	9,007
Due To Other Governments	17,049,357
Trusts Payable	128,652
Compensated Absences	13,958
Total Liabilities	17,200,974
Net Position	\$ 0

FLOYD COUNTY
Charles City, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

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

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

A. REPORTING ENTITY

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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.

B. BASIS OF PRESENTATION

Government-Wide Financial Statements - The Statement of Net Position 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, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in the following categories:

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. Enabling legislation did not result in any restricted net position.

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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

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, intellectual disabilities, and developmental disabilities services.

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

The Secondary Roads Fund is used to account for the 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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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 year or soon enough thereafter to pay liabilities of the current year. 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.

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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY

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

Cash, Cash Equivalents and Pooled Investments - 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.

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2013.

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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY (CONTINUED)

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, 2014, 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)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES 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.

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, 2014. 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)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY (CONTINUED)

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year-end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied.

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, 2014, disbursements in the Court House department exceeded the amounts appropriated.

Notes to Financial Statements (Continued)

Note 2: Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

Note 3: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General Basic	\$ 95,919
	Special Revenue:	
Secondary Roads	Rural Services	<u>1,053,814</u>
		<u>\$1,149,733</u>

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

Notes to Financial Statements (Continued)

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 636,084	\$ 0	\$ 0	\$ 636,084
Construction in Progress	0	432,350	0	432,350
Total Capital Assets Not Being Depreciated	636,084	432,350	0	1,068,434
Capital Assets Being Depreciated:				
Buildings	2,452,223	87,220	0	2,539,443
Improvements Other than Buildings	852,949	59,680	0	912,629
Machinery and Equipment	4,699,283	149,520	27,079	4,821,724
Vehicles	439,338	171,692	39,142	571,888
Office Equipment	463,048	41,399	0	504,447
Infrastructure	36,251,468	1,872,962	0	38,124,430
Total Capital Assets Being Depreciated	45,158,309	2,382,473	66,221	47,474,561
Less Accumulated Depreciation For:				
Buildings	894,187	62,403	0	956,590
Improvements Other than Buildings	233,319	41,385	0	274,704
Machinery and Equipment	2,518,321	209,434	27,079	2,700,676
Vehicles	352,276	59,066	39,142	372,200
Office Equipment	429,835	20,508	0	450,343
Infrastructure	13,925,319	1,283,390	0	15,208,709
Total Accumulated Depreciation	18,353,257	1,676,186	66,221	19,963,222
Total Capital Assets Being Depreciated, Net	26,805,052	706,287	0	27,511,339
Governmental Activities Capital Assets, Net	\$27,441,136	\$1,138,637	\$ 0	\$28,579,773

Notes to Financial Statements (Continued)

Note 4: Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:		
Public Safety and Legal Services	\$	43,743
Physical Health and Social Services		19,070
Mental Health		1,825
County Environment and Education		46,937
Roads and Transportation		1,516,449
Government Services to Residents		6,926
Administration		<u>41,236</u>
Total Depreciation Expense - Governmental Activities		<u><u>\$1,676,186</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>\$ 40,602</u>
Special Revenue		
Mental Health	Services	4
Rural Services		852
Secondary Roads		<u>34,360</u>
		<u>35,216</u>
Total For Governmental Funds		<u><u>\$ 75,818</u></u>
Agency:		
Agricultural Extension	Collections	\$ 168,930
Assessor		905,112
Schools		9,135,350
Community Colleges		465,645
Corporations		5,433,391
Auto Licenses and Use Tax		372,068
All Other		<u>568,861</u>
Total For Agency Funds		<u><u>\$17,049,357</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, 2014 is as follows:

	2010 GO Bonds	Drainage Warrants	Compensated Absences	Total
Balance Beginning of Year	\$7,690,000	\$ 42,640	\$171,403	\$7,904,043
Increases	0	123,108	253,813	376,921
Decreases	0	29,018	171,403	200,421
Balance End of Year	<u>\$7,690,000</u>	<u>\$136,730</u>	<u>\$253,813</u>	<u>\$8,080,543</u>
Due Within One Year	<u>\$ 185,000</u>	<u>\$ 0</u>	<u>\$253,813</u>	<u>\$ 438,813</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, 2014 General Obligation Urban Renewal County Road Improvement Bond indebtedness is as follows:

Year Ending June 30	Principal	Interest	Total
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	485,000	326,865	811,865
2020 - 2024	2,640,000	1,287,080	3,927,080
2025 - 2029	3,135,000	547,752	3,682,752
	<u>\$7,690,000</u>	<u>\$3,624,735</u>	<u>\$11,314,735</u>

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

Notes to Financial Statements (Continued)

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

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.

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 5.95% of their annual covered salary and the County is required to contribute 8.93% 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, 2014, 2013 and 2012 were \$431,758, \$416,430, and \$394,411, 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.

Notes to Financial Statements (Continued)

Note 9: Employee Health Insurance Plan (Continued)

Monthly payments of service fees and plan contributions to the Floyd County Employee Health 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, 2014 was \$650,904.

Amounts payable from the Floyd County Employee Health Plan Trust Fund at June 30, 2014 total \$9,869 which is for incurred but not reported (IBNR) and reported but not paid claims \$(9,473) and miscellaneous fees \$(396) not paid. 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 \$1,242,340 at June 30, 2014 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	\$ 7,120
Incurred Claims (Including Claims Incurred but Not Reported at June 30, 2014)	54,690
Payments on Claims During Fiscal Year	<u>52,337</u>
Unpaid Claims - End of Year	<u>\$ 9,473</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 99 active and 3 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.

Notes to Financial Statements (Continued)

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

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, 2014, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual required contribution	\$ 74,772
Interest on net OPEB obligation	7,157
Adjustment to annual required contribution	(7,138)
Annual OPEB cost (expense)	<u>74,791</u>
Contributions made	<u>(348)</u>
Increase in net OPEB obligation	74,443
Net OPEB obligation beginning of year	<u>286,272</u>
Net OPEB obligation end of year	<u><u>\$360,715</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2014.

For the fiscal year 2014, the County contributed \$348 to the medical plan. Plan members receiving benefits contributed \$18,579, or 98.16% 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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$81,126	1.90%	\$212,113
2013	70,023	0.20%	286,272
2014	74,791	0.50%	360,715

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$537,573, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$537,573. The covered payroll (annual payroll of active employees covered by the plan) was \$4,239,023, and the ratio of the UAAL to the covered payroll was 12.70%. As of June 30, 2014, there were no trust fund assets.

Notes to Financial Statements (Continued)

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

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 \$499 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.

Note 11: Related Party Transactions

The County had business transactions between the County and County officials during the year ended June 30, 2014.

Notes to Financial Statements (Continued)

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 256I 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, 2014 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State Grants:			
Early Childhood	\$51,496	\$ 0	\$ 51,496
Family Support and Parent Education	0	203,948	203,948
Preschool Support for Low-Income Families	0	79,710	79,710
Quality Improvements	0	50,357	50,357
Allocation for Administration	0	9,547	9,547
Other Grant Programs	2,710	21,845	24,555
Total Stage Grants	54,206	365,407	419,613
Interest on Investments	47	208	255
Total Revenues	54,253	365,615	419,868
Expenditures			
Program Services:			
Early Childhood	51,496	0	51,496
Family Support and Parent Education	0	203,948	203,948
Preschool Support for Low-Income Families	0	71,821	71,821
Quality Improvements	0	50,357	50,357
Other Program Services	0	21,883	21,883
Total Program Services	51,496	348,009	399,505
Administration	2,710	12,409	15,119
Total Expenditures	54,206	360,418	414,624
Net Change in Fund Balance	47	5,197	5,244
Fund Balance Beginning of Year	550	9,098	9,648
Fund Balance End of Year	\$ 597	\$ 14,295	\$ 14,892

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, 2015 to obtain funding and complete the contract, at which time an installment purchase contract would be initiated. During the fiscal year ended June 30, 2014, the County made deposits totaling \$250,000 toward the purchase of the property. The total deposit on the purchase of the property at June 30, 2014 is \$500,000.

Notes to Financial Statements (Continued)

Note 13: Commitments (Continued)

The County has entered into a contract totaling \$560,306 for bridge construction. As of June 30, 2014, costs of \$432,350 on the project have been incurred. The remaining balance on the contract will be paid as work progresses.

Note 14: Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Note 15: Subsequent Events

Management evaluated subsequent events through March 9, 2015, 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, 2014

	Actual	Less Funds Not Required to be Budgeted
RECEIPTS:		
Property and Other County Tax	\$ 6,876,641	\$ 0
Interest and Penalty on Property Tax	45,877	0
Intergovernmental	4,682,057	0
Licenses and Permits	29,914	0
Charges for Service	493,257	43,505
Use of Money and Property	92,947	0
Miscellaneous	764,928	0
Total Receipts	12,985,621	43,505
DISBURSEMENTS:		
Public Safety and Legal Services	2,210,362	0
Physical Health and Social Services	1,441,364	0
Mental Health	764,375	0
County Environment and Education	770,634	0
Roads and Transportation	4,968,782	0
Governmental Services to Residents	571,006	0
Administration	1,158,778	0
Non-Program	167,731	167,731
Debt Service	380,428	0
Capital Projects	1,244,409	0
Total Disbursements	13,677,869	167,731
Excess (Deficiency) of Receipts Under Disbursements	(692,248)	(124,226)
Other Financing Sources, Net	123,108	123,108
Excess (Deficiency) of Receipts and Other Financing Sources Under Disbursements and Other Financing Uses	(569,140)	(1,118)
Balance Beginning of Year	9,469,506	11,967
Balance End of Year	\$ 8,900,366	\$ 10,849

See Accompanying Independent Auditor's Report

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 6,876,641	\$ 6,727,159	\$ 6,727,159	\$ 149,482
45,877	25,200	25,200	20,677
4,682,057	4,471,698	4,701,650	(19,593)
29,914	25,000	25,000	4,914
449,752	449,060	449,060	692
92,947	89,155	90,508	2,439
764,928	352,520	578,607	186,321
12,942,116	12,139,792	12,597,184	344,932
2,210,362	2,287,215	2,292,700	82,338
1,441,364	1,730,271	1,730,271	288,907
764,375	878,330	878,330	113,955
770,634	692,721	866,885	96,251
4,968,782	4,996,600	4,996,600	27,818
571,006	612,601	615,101	44,095
1,158,778	1,186,920	1,213,736	54,958
0	0	0	0
380,428	381,228	381,228	800
1,244,409	1,217,000	1,266,100	21,691
13,510,138	13,982,886	14,240,951	730,813
(568,022)	(1,843,094)	(1,643,767)	1,075,745
0	0	0	0
(568,022)	(1,843,094)	(1,643,767)	1,075,745
9,457,539	8,159,473	8,159,473	1,298,066
\$ 8,889,517	\$ 6,316,379	\$ 6,515,706	\$2,373,811

FLOYD COUNTY
Charles City, Iowa

BUDGETARY COMPARISON SCHEDULE -
 BUDGET TO GAAP RECONCILIATION

Required Supplementary Information
 Year Ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$12,985,621	\$225,896	\$13,211,517
Expenditures	13,677,869	95,850	13,773,719
Net	(692,248)	130,046	(562,202)
Other Financing Sources, Net	123,108	0	123,108
Beginning Fund Balances	9,469,506	341,320	9,810,826
Decrease in Reserve for: Inventories	0	(35,933)	(35,933)
Ending Fund Balances	<u>\$ 8,900,366</u>	<u>\$435,433</u>	<u>\$ 9,335,799</u>

See Accompanying Independent Auditor's Report

FLOYD COUNTY
Charles City, Iowa

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

June 30, 2014

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, one budget amendment increased budgeted disbursements by \$258,065. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2014, disbursements in the Court House department exceeded the amounts appropriated.

FLOYD COUNTY
Charles City, Iowa

Required Supplementary Information

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

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	14.00%
2011	July 1, 2009	\$0	\$550	\$550	0%	\$4,135	13.30%
2012	July 1, 2009	\$0	\$550	\$550	0%	\$4,227	13.00%
2013	July 1, 2012	\$0	\$567	\$567	0%	\$4,192	13.50%
2014	July 1, 2012	\$0	\$538	\$538	0%	\$4,239	12.70%

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.

See Accompanying Independent Auditor's Report

FLOYD COUNTY
Charles City, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2014

	Resource Enhancement and Protection	Sheriff Forfeiture
ASSETS		
Cash, Cash Equivalents and Pooled Investments	\$33,838	\$3,124
Receivables:		
Accounts	0	0
Drainage Assessments	0	0
	\$33,838	\$3,124
TOTAL ASSETS	\$33,838	\$3,124
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 0	\$ 0
Deferred Inflows of Resources:		
Unavailable Revenues:		
Other	0	0
Fund Balances:		
Restricted for:		
Drainage Warrants/Improvement Certificates	0	0
Other Purposes	33,838	3,124
Total Fund Balances	33,838	3,124
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$33,838	\$3,124

See Accompanying Independent Auditor's Report

Schedule 1

Sheriff Reserve	Commissary Profit	Recorders Records Management	Infrastructure Assistance	Drainage	Total
\$2,776	\$7,719	\$8,588	\$33,000	\$10,849	\$ 99,894
0	49	676	0	0	725
0	0	0	0	6,939	6,939
\$2,776	\$7,768	\$9,264	\$33,000	\$17,788	\$107,558
\$ 483	\$ 0	\$ 0	\$ 0	\$ 4,679	\$ 5,162
0	0	0	0	6,939	6,939
0	0	0	0	6,170	6,170
2,293	7,768	9,264	33,000	0	89,287
2,293	7,768	9,264	33,000	6,170	95,457
\$2,776	\$7,768	\$9,264	\$33,000	\$17,788	\$107,558

FLOYD COUNTY
Charles City, Iowa

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

Year Ended June 30, 2014

	Resource Enhancement and Protection	Sheriff Forfeiture
REVENUES:		
Intergovernmental	\$15,017	\$ 0
Charges for Service	0	0
Use of Money and Property	210	0
Miscellaneous	0	0
Total Revenues	15,227	0
EXPENDITURES:		
Operating:		
Public Safety and Legal Services	0	0
County Environment and Education	44,923	0
Governmental Services to Residents	0	0
Non-Program	0	0
Total Expenditures	44,923	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,696)	0
Other Financing Sources (Uses)		
Drainage Warrants Issued	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(29,696)	0
Fund Balances Beginning of Year	63,534	3,124
Fund Balances End of Year	\$33,838	\$3,124

See Accompanying Independent Auditor's Report

Schedule 2

Sheriff Reserve	Commissary Profit	Recorders Records Management	Infrastructure Assistance	Drainage	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,017
0	0	2,706	0	43,505	46,211
0	2,630	27	11,000	0	13,867
3	0	0	0	0	3
3	2,630	2,733	11,000	43,505	75,098
670	1,978	0	0	0	2,648
0	0	0	0	0	44,923
0	0	3,027	0	0	3,027
0	0	0	0	171,398	171,398
670	1,978	3,027	0	171,398	221,996
(667)	652	(294)	11,000	(127,893)	(146,898)
0	0	0	0	123,108	123,108
(667)	652	(294)	11,000	(4,785)	(23,790)
2,960	7,116	9,558	22,000	10,955	119,247
\$2,293	\$7,768	\$9,264	\$33,000	\$ 6,170	\$ 95,457

FLOYD COUNTY
Charles City, Iowa

COMBINING SCHEDULE OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash, Cash Equivalents and Pooled Investments:				
County Treasurer	\$ 0	\$ 2,467	\$583,204	\$ 124,816
Other County Officials	30,259	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	1	1	32
Succeeding Year	0	166,462	336,655	9,010,502
Accounts	496	0	27	0
Assessments	0	0	0	0
Due From Other Governments	0	0	0	0
TOTAL ASSETS	<u>\$30,755</u>	<u>\$168,930</u>	<u>\$919,887</u>	<u>\$9,135,350</u>
 LIABILITIES				
Accounts Payable	\$ 0	\$ 0	\$ 817	\$ 0
Due To Other Governments	697	168,930	905,112	9,135,350
Trusts Payable	30,058	0	0	0
Compensated Absences	0	0	13,958	0
TOTAL LIABILITIES	<u>\$30,755</u>	<u>\$168,930</u>	<u>\$919,887</u>	<u>\$9,135,350</u>

See Accompanying Independent Auditor's Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto Licenses and Use Tax	Other	Total
\$ 6,703	\$ 78,893	\$ 3,794	\$ 1,491	\$372,068	\$304,543	\$ 1,477,979
0	0	0	0	0	0	30,259
2	30	1	0	0	0	67
458,940	5,354,468	281,681	0	0	9,373	15,618,081
0	0	0	0	0	14,216	14,739
0	0	0	11,680	0	0	11,680
0	0	0	0	0	48,169	48,169
<u>\$465,645</u>	<u>\$5,433,391</u>	<u>\$285,476</u>	<u>\$13,171</u>	<u>\$372,068</u>	<u>\$376,301</u>	<u>\$17,200,974</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,190	\$ 9,007
465,645	5,433,391	285,476	13,171	372,068	269,517	17,049,357
0	0	0	0	0	98,594	128,652
0	0	0	0	0	0	13,958
<u>\$465,645</u>	<u>\$5,433,391</u>	<u>\$285,476</u>	<u>\$13,171</u>	<u>\$372,068</u>	<u>\$376,301</u>	<u>\$17,200,974</u>

FLOYD COUNTY
Charles City, Iowa

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

Year Ended June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
Balances Beginning of Year	\$ 35,055	\$170,080	\$815,098	\$8,678,177
Additions:				
Property and Other County Tax	0	175,387	355,192	9,469,051
E911 Surcharge	0	0	0	0
State Tax Credits	0	10,100	20,984	508,803
Driver License Fees	0	0	0	0
Office Fees and Collections	341,837	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	503,955	0	0	0
Miscellaneous	0	0	145	0
Total Additions	845,792	185,487	376,321	9,977,854
Deductions:				
Agency Remittances:				
To Other Funds	165,550	0	0	0
To Other Governments	179,413	186,637	271,532	9,520,681
Trusts Paid Out	505,129	0	0	0
Total Deductions	850,092	186,637	271,532	9,520,681
Balances End of Year	\$ 30,755	\$168,930	\$919,887	\$9,135,350

See Accompanying Independent Auditor's Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
\$463,621	\$5,334,070	\$282,024	\$16,245	\$ 339,480	\$294,788	\$16,428,638
482,974	5,565,856	297,524	0	0	9,532	16,355,516
0	0	0	0	0	65,268	65,268
27,538	260,593	16,342	0	0	486	844,846
0	0	0	0	103,282	0	103,282
0	0	0	0	0	0	341,837
0	0	0	0	4,753,098	0	4,753,098
0	0	0	4,505	0	0	4,505
0	0	0	0	5,355	175,736	685,046
0	868	0	0	0	725,081	726,094
510,512	5,827,317	313,866	4,505	4,861,735	976,103	23,879,492
0	0	0	0	206,784	0	372,334
508,488	5,727,996	310,414	7,579	4,616,978	727,323	22,057,041
0	0	0	0	5,385	167,267	677,781
508,488	5,727,996	310,414	7,579	4,829,147	894,590	23,107,156
\$465,645	\$5,433,391	\$285,476	\$13,171	\$ 372,068	\$376,301	\$17,200,974

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			
	2014	2013	2012	2011
Revenues:				
Property and Other County Tax	\$ 6,923,673	\$ 6,958,965	\$ 6,322,378	\$ 6,140,843
Interest and Penalty on Property Tax	45,705	51,025	66,710	49,687
Intergovernmental	4,880,322	4,508,721	4,611,640	5,079,287
Licenses and Permits	29,445	39,349	45,492	49,311
Charges for Service	488,847	474,557	438,627	446,794
Use of Money and Property	86,373	75,831	110,520	117,565
Miscellaneous	757,152	621,045	572,365	571,835
Total	\$13,211,517	\$12,729,493	\$12,167,732	\$12,455,322
Expenditures:				
Operating:				
Public Safety and Legal Services	\$ 2,220,817	\$ 2,131,529	\$ 2,187,464	\$ 2,124,575
Physical Health and Social Services	1,438,932	1,517,849	1,434,870	1,531,870
Mental Health	747,732	714,296	1,170,158	382,512
County Environment and Education	778,506	774,164	595,954	552,495
Roads and Transportation	4,768,468	5,175,247	4,217,811	4,438,632
Governmental Services to Residents	571,735	578,993	563,624	542,344
Administration	1,164,847	1,126,869	1,326,651	1,308,071
Non-Program	171,398	142,278	76,749	300
Debt Service	380,428	380,428	557,817	1,415,056
Capital Projects	1,530,856	355,652	3,136,177	1,796,740
Total	\$13,773,719	\$12,897,305	\$15,267,275	\$14,092,595

See Accompanying Independent Auditor's Report

Schedule 5

2010	2009	2008	2007	2006	2005
\$ 5,729,681	\$ 5,891,998	\$ 5,802,047	\$ 5,498,137	\$ 5,295,274	\$ 4,805,283
59,957	46,138	47,109	47,364	43,908	53,750
5,737,044	5,459,065	5,408,569	5,252,030	5,082,450	4,947,891
28,024	23,358	47,895	23,118	29,020	18,104
427,449	521,231	483,059	472,134	470,692	471,754
115,531	163,652	413,240	596,876	453,700	262,671
402,426	339,912	395,084	485,157	1,692,004	611,326
\$12,500,112	\$12,445,354	\$12,597,003	\$12,374,816	\$13,067,048	\$11,170,779
\$ 2,149,363	\$ 2,089,169	\$ 1,912,262	\$ 1,951,304	\$ 1,813,921	\$ 1,654,793
1,243,055	1,118,237	1,193,465	1,124,286	1,087,279	849,469
1,754,410	1,777,497	1,968,666	1,902,673	1,865,675	1,682,439
560,846	576,430	606,009	649,693	462,250	647,333
4,236,085	4,844,176	3,861,790	3,851,773	4,091,732	3,748,897
542,485	545,506	511,296	564,434	637,086	474,520
976,827	957,960	1,017,121	882,157	835,154	939,955
0	0	1,376	5,319	2,412	4,924
185,041	177,911	179,439	279,123	255,615	256,543
2,997,366	1,680,425	778,282	104,958	592,528	494,790
\$14,645,478	\$13,767,311	\$12,029,706	\$11,315,720	\$11,643,652	\$10,753,663

FLOYD COUNTY
Charles City, Iowa

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Direct:			
U.S. Fish and Wildlife Service:			
Sportfish Restoration Program	15.605	F12AC00713	\$ 79,000
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		15,589
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRIFWP-206/08-DRIFWP-212	126,226
National Highway Traffic Safety Administration:			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	BROS-C034(86)--8J-34	43,432
National Highway Traffic Safety Administration:			
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
Safety Belt Performance Grant	20.600	PAP 13-03, Task 154/14-402-MOOP, Task 25-	3,477
U.S. Department of Health and Human Services:			
Iowa Department of Public Health			
Public Health Emergency Preparedness and Response	93.069	5883BT34	5,894
Immunization Cooperative Agreements	93.268	5883I429/5884I429	6,233
Immunization Services	93.539	5883I429/5884I4119/5884I429	11,465
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance	93.566		34
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		4,525
Foster Care - Title IV-E	93.658		5,994
Adoption Assistance	93.659		2,037
Children's Health Insurance Program	93.767		66
Medical Assistance Program	93.778		26,453
Social Services Block Grant	93.667		4,879

FLOYD COUNTY
Charles City, Iowa

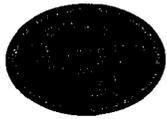
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management			
Division:			
Disaster Grants - Public Assistance	97.036	DR-4126	\$187,270
Emergency Management Performance Grant	97.042	EMPG-13-PT-34/EMPG-14-PT-34	36,095
Total Indirect			479,669
Grand Total			\$558,669

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

See Accompanying Independent Auditor's Report



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*

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, 2014, 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 9, 2015.

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 and Questioned Costs, 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 statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Finding and Questioned costs as items II-A-14 and II-B-14 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 in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-14 to be a significant deficiency.

Compliance and Other Matters

As 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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Floyd County, Iowa's Responses to Findings

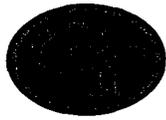
Floyd County, Iowa's responses to findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Floyd County, Iowa's responses was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Gardiner Thomsen, P.C.

Charles City, Iowa
March 9, 2015



Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A- 133

To the Officials of Floyd County
Charles City, Iowa

Report on Compliance for Each Major Federal Program

We have audited Floyd County, Iowa's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Floyd County, Iowa's major federal programs for the year ended June 30, 2014. Floyd County, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Floyd County, Iowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Floyd County, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Floyd County, Iowa's compliance.

Opinion on Each Major Federal Program

In our opinion, Floyd County, Iowa, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Floyd County, Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Floyd County, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Floyd County, Iowa's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operations of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Gardiner Thomsen, P.C.

Charles City, Iowa
March 9, 2015

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Unmodified opinions were issued on compliance with requirements applicable to the major programs.
- (e) The major programs were CFDA Number 14.228 - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii and 97.036 Disaster Grants - Public Assistance.
- (f) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (g) Floyd County did not qualify as a low-risk auditee.

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

II - A - 14 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.

II - B - 14 Financial Reporting:

Finding - During our audit, we identified material amounts of capital assets, 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, accounts receivable and accounts payable.

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

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

II - B - 14 Financial Reporting: (Continued)

Condition - Capital asset additions, including infrastructure and construction in process were not always included in the capital asset listing at the proper acquisition value. 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.

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.

II - C - 14 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.

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

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

II - C - 14 Preparation of Full Disclosure Financial Statements: (Continued)

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.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCE OF NON-COMPLIANCE:

None Noted.

INTERNAL CONTROL DEFICIENCIES:

None Noted.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-14 Certified Budget - Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted. However, disbursements in the Court House department exceeded the amounts appropriated.

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

Response - We will watch the department appropriations more closely.

Conclusion - Response accepted.

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

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

- IV-B-14** **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.
- IV- C-14** **Travel Expense** - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-14** **Business Transactions** -Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Robert Graham, Secondary Roads		
Kaleb Graham, son of Robert Graham	Mowing at Rockford Shed	\$175
Dale Hughes, Secondary Roads		
Brenda Hughes, wife of Dale Hughes	Mowing at Floyd Shed	540
Dale Hughes, Secondary Roads		
Dale Hughes	Mowing at Floyd Shed	180
Diana Swartzrock, Public Health		
Husband owns Swartzrock Implement	Parts for Conservation	44
Tracy Sindt, Auditor Clerk		
Janece Greenzweig, mother of Tracy	Mileage for 2013 Election	19
Sandra Hicks (Deputy Auditor) and Doug Kamm (County Supervisor)		
Norma Kamm, mother	Mileage for 2013 City and School Elections	6
John Howe, Custodian		
Elaine Syhlman, mother-in-law of John Howe	Mileage for Primary Election	5

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Kaleb Graham, Brenda Hughes, Dale Hughes, Swartzrock Implement, Janece Greenzweig, Norma Kamm and Elaine Syhlman do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

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

- IV-E-14** **Bond Coverage** - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-F-14** **Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-14** **Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- IV-H-14** **Resource Enhancement and Protection Certification** - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-14** **Economic Development** - During the year ended June 30, 2014, the County paid \$88,128 for economic development which appears to be an appropriate expenditure of public funds since the public benefits to be derived have been clearly documented.
- IV-J-14** **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, 2014 for the County Extension Office did not exceed the amount budgeted.
- IV-K-14** **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.
- No instances of non-compliance were noted as a result of the audit procedures performed.
- IV-L-14** **Tax Increment Financing** - For the year ended June 30, 2014, the County Auditor prepared reconciliations for each City reconciling TIF receipts with total outstanding TIF debt.

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

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

It was noted that the City of Charles City's reconciliation resulted in a negative TIF indebtedness.

Recommendation - The County should contact the City and TIF counsel to resolve this matter.

Response - We will contact the City and TIF counsel.

Conclusion - Response accepted.