

FLOYD COUNTY
Charles City, Iowa

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

FLOYD COUNTY
Charles City, Iowa

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR’S REPORT	2-4
MANAGEMENT’S DISCUSSION AND ANALYSIS	5-13
BASIC FINANCIAL STATEMENTS:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Position	A 14
Statement of Activities	B 15
Governmental Fund Financial Statements:	
Balance Sheet	C 16-17
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D 18
Statement of Revenues, Expenditures and Changes in Fund Balances	E 19-20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 21
Proprietary Fund Financial Statements:	
Statement of Net Position	G 22
Statement of Revenues, Expenses and Changes in Fund Net Position..	H 23
Statement of Cash Flows	I 24
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	J 25
Notes to Financial Statements.....	26-48
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds.....	49-50
Budget to GAAP Reconciliation.....	51
Notes to Required Supplementary Information – Budgetary Reporting.....	52
Schedule of the County’s Proportionate Share of the Net Pension Liability.....	53
Schedule of County Contributions.....	54-55
Notes to Required Supplementary Information – Pension Liability.....	56-57
Schedule of Funding Progress for the Retiree Health Plan.....	58

TABLE OF CONTENTS (Continued)

SUPPLEMENTARY INFORMATION:	<u>Schedule</u>	<u>Page</u>
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	59-60
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	61-62
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	63-64
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	65-66
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5	67-68
Schedule of Expenditures of Federal Awards	6	69-70
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 <i>GOVERNMENT AUDITING STANDARDS</i>		71-72
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY <i>OMB CIRCULAR A-133</i>		73-74
SCHEDULE OF FINDINGS AND QUESTIONED COSTS		75-82

**FLOYD COUNTY
Charles City, Iowa**

OFFICIALS

(Before January 2015)

<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

(After January 2015)

Roy Schwickerath	Board of Supervisors	January 2017
Mark Kuhn.....	Board of Supervisors	January 2019
Douglas Kamm.....	Board of Supervisors	January 2019
Gloria Carr.....	County Auditor.....	January 2017
Frank Rottinghaus	County Treasurer	January 2019
Deborah K. Roberts.....	County Recorder	January 2019
Rick Lynch.....	County Sheriff	January 2017
Rachel Ginbey.....	County Attorney.....	January 2019
Bruce C. Hovden.....	County Assessor.....	Appointed



Gardiner Thomsen
Certified Public Accountants

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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, Floyd County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

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, the schedule of the County's Proportionate Share of the Net Pension Liability, the schedule of County Contributions and the schedule of funding progress for the retiree health plan on pages 5 - 13 and 49 - 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Floyd County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (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 February 26, 2016, 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
February 26, 2016

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, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 3.25%, or approximately \$471,239, from fiscal 2014 to fiscal 2015. Capital grants and contributions decreased \$608,495 while charges for services increased \$483,358 and operating grants increased \$533,152.
- Program expenses were 3.68%, or approximately \$513,800, more in fiscal 2015 than in fiscal 2014. County Environment and Education expense increased \$427,847 while Roads and Transportation expense increased \$52,412 and Public Safety and Legal Services expense increased \$216,515.
- The County's net position increased 1.80%, or approximately \$501,552 from June 30, 2014 to June 30, 2015.

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, the County's proportionate share of the net pension liability and related contributions, 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, deferred outflows of resources, liabilities and deferred inflows of resources 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 governmental fund financial statements follow the governmental 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 \$27,936,435 to \$28,437,987. The analysis that follows focuses on the changes in the net position for governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	2015	June 30, 2014 (Not Restated)
Current and Other Assets	\$18,110	\$17,744
Capital Assets	28,433	28,580
Total Assets	46,543	46,324
Deferred Outflows of Resources	554	0
Long-Term Debt Outstanding	10,673	8,442
Other Liabilities	476	602
Total Liabilities	11,149	9,044
Deferred Inflows of Resources	7,510	6,058
Net Position:		
Net Investment in Capital Assets	20,928	20,890
Restricted	5,901	5,553
Unrestricted	1,609	4,779
Total Net Position	\$28,438	\$31,222

Net position of the Floyd County's governmental activities increased by 1.80% (\$27,936,435 compared to \$28,437,987). 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 \$4,779,400 at June 30, 2014 to approximately \$1,609,305 at the end of this year, a decrease of 66.33%.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$3,285,168 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Revenues:	Year Ended June 30,	
	2014	
	2015	(Not Restated)
Program Revenues:		
Charges for Service	\$ 2,121	\$ 1,638
Operating Grants, Contributions and Restricted	4,116	3,583
Capital Grants, Contributions and Restricted Interest	674	1,282
General Revenues:		
Property Tax	5,779	5,808
Penalty and Interest on Property Tax	53	46
State Tax Credits	436	329
Local Option Sales Tax	567	639
Tax Increment Financing	612	477
Unrestricted Investment Earning	63	34
Other General Revenues	551	665
Total Revenues	14,972	14,501

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

	Year Ended June 30, 2015	Year Ended June 30, 2014 (Not Restated)
Program Expenses:		
Public Safety and Legal Services	\$ 2,479	\$ 2,262
Physical Health and Social Services	1,479	1,509
Mental Health	713	752
County Environment and Education	1,425	997
Roads and Transportation	6,123	6,071
Governmental Services to Residents	581	605
Administration	1,174	1,149
Non-Program	115	231
Interest on Long-term Debt	381	380
<u> Total Expenses</u>	<u>14,470</u>	<u>13,956</u>
 Increase in Net Position	 502	 545
 Net Position Beginning of Year, as Restated	 27,936	 30,677
 Net Position End of Year	 \$28,438	 \$31,222

Floyd County's net position of governmental activities increased by approximately \$501,552 during the year. Revenues for governmental activities increased by approximately \$471,239 over the prior year, with operating grants revenue increased from the prior year by approximately \$533,152.

Floyd County's taxable valuations payable in fiscal year 2015 increased \$31.7 million from fiscal year 2014. Urban values increased 4.37% and rural values increased 4.12%. Overall property tax rates for 2015 went down 3.82% for urban (\$5.79888 to \$5.57712 per \$1,000 of taxable value) and down 3.89% for rural (\$9.54888 to \$9.17712 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 \$1.489 to \$1.3. The Mental Health Fund Levy decreased from \$0.80988 to \$0.77712. The Rural Services Fund tax levy rate decreased from \$3.75 to \$3.60. Floyd County has no Debt Service Levy. The effect of the increase in valuations, changes to levies, and credits to taxpayers caused a decrease in overall property tax revenue collections compared to the previous year.

The cost of all governmental activities this year was \$14,470,335 compared to \$13,956,535 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was only \$7,559,190 because some of the cost was paid by those directly benefited from the programs \$2,121,324 or by other governments and organizations that subsidized certain programs with grants and contributions \$4,789,821. Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2015 from approximately \$6,503,130 to \$6,911,145, principally due to receiving more Intergovernmental funds and charges for services. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$5,779,124 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUNDS ANALYSIS

As Floyd County completed the year, its governmental funds reported a combined fund balance of \$10,203,706, an increase of \$867,907 from last year's total of \$9,335,799. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures increased when compared to the prior year. This is partially due to increases in public safety and legal services and capital project expenditures. The ending fund balance showed an increase of \$73,933 from the prior year to \$4,833,196.
- 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 2015. Butler County was the fiduciary agent and most revenues and expenditures flowed through Butler County. For the year, expenditures totaled approximately \$712,051, a decrease of 4.77% from the prior year. The Mental Health Fund balance at year end increased to a balance of \$275,496.
- The Rural Services Fund revenues and expenditures decreased when compared to the prior year. The ending fund balance showed an increase of \$108,196 to \$519,614.
- Secondary Roads Fund expenditures decreased by approximately \$229,017 over the prior year, due principally to a decrease in capital projects disbursements paid from this fund. With this decrease in expenditures, the Secondary Roads Fund ending balance increased to \$3,949,120.
- 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 \$90,115 to \$432,661.

BUDGETARY HIGHLIGHTS

Over the course of the year, Floyd County amended its budget two times. The amendments were made on December 23, 2014 and May 26, 2015. These amendments were 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, 2015, Floyd County had approximately \$49,962,763 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,419,768 or 2.93% over last year.

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

	June 30,	
	2015	2014
Land	\$ 1,404	\$ 636
Buildings and Improvements	3,452	3,452
Equipment and Vehicles	6,174	5,899
Infrastructure	38,933	38,124
Construction in Progress	0	432
Total	\$49,963	\$48,543

This year's major additions include (expressed in thousands)

Infrastructure	\$ 809
Conservation - Tosanak Property	767
Secondary Road Equipment	207
Sheriff Vehicles	75
Total	\$ 1,858

The County had depreciation expense of \$1,691,809 for the year ended June 30, 2015 and total accumulated depreciation of \$21,530,224 at June 30, 2015.

The County's fiscal year 2015 capital budget included \$952,000 for capital projects, principally for the continuation of upgrading secondary roads and bridges and the purchase of the Tosanak property. 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, 2015 Floyd County has approximately \$7,895,843 in general obligation bonds and other debt outstanding compared to approximately \$8,080,543 at June 30, 2014, as shown below.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long-Term Debt (Continued)

Outstanding Debt at Year-End of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2015	2014
General Obligation Bonds and Notes	\$7,505	\$7,690
Compensated Absences	248	254
Drainage Warrants	143	137
Total	\$7,896	\$8,081

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 \$75.4 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 FY16 budget, tax rates and the fees that will be charged for various county activities. Several indicators were taken into account such as valuations, unemployment rates, health care costs, economic development, and the impact of new and existing tax credits and exemptions.

Floyd County continues to support expansion projects with local industry in effort to reduce unemployment. National unemployment rates for July 2014 were at 6.2% compared to July 2015 at 5.3%. Statewide unemployment rates for July 2014 were at 4.3% compared to July 2015 at 3.8%. Floyd County's rates fell under national and state rates coming in at 4.2% in July 2014 and lowered to 3.3% in July 2015. Floyd County's rates are a vast improvement compared to July 2010 at 6.1%.

The county considers the state's passing of the 2015 Senate File 257 to impose an increase in motor fuel tax in Iowa a necessary remedy to deteriorating roads and bridges across the state. The \$0.10 increase along with Floyd County's \$7.6 million road improvement projects completed in FY14 and 100% of its local option sales and service tax revenue supporting road and bridge projects affords the county the ability to accelerate necessary improvements. The county expects to undertake two to three additional projects each year with the fuel tax increase. By no means will this remedy all road/bridge projects in the county's five year construction program plan but it is a welcomed revenue to local road users and those projects will spur economic development throughout the county.

The county replaced its voting equipment at the end of FY15. Spreading the payments over two fiscal years in June and July 2015 saved the county \$1,500 rather than entering into a two or three year payment plan. A \$7,625 trade in allowance for the old equipment originally purchased in 2005 also reduced the total purchase price on the new equipment to slightly under \$82,000.

Other projects planned for FY16 include: 1) Replacing the failing courthouse analog camera surveillance system to an internet protocol (IP) infrastructure and extending surveillance to the nearby Public Health building. The estimated cost of the project is \$85,000. 2) Replacing the courthouse telephone system with a Voice Over Internet Protocol (VoIP) system. This project will encompass a joint venture with the State Judicial System at the courthouse and utilize the city's fiber network loop to also integrate connections with county and state offices at the Department of Human Services building and the Public Health building. The estimated \$60,000 total cost of this project will be shared with all entities included in the project. County and state agencies should immediately see monthly savings due to a reduction in the number of telephone line charges. 3) Implementing an information technology (IT) cable management plan and upgrading IT switches to improve existing networking functions, incorporate the new telephone and camera projects with the network and allowing for future WiFi expansion if needed. These projects lend themselves to better communication and security throughout the government agencies and buildings.

Floyd County strives to provide for the needs of its residents. 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, 2015

	<u>Governmental Activities</u>
ASSETS:	
Cash, Cash Equivalents and Pooled Investments	\$10,257,157
Receivables:	
Property Tax:	
Delinquent	22,439
Succeeding Year	6,295,550
Interest and Penalty on Property Tax	3,369
Accounts	102,566
Accrued Interest	22,053
Assessments	6,135
Due From Other Governments	1,060,382
Inventories	340,310
Capital Assets (Net of Accumulated Depreciation)	<u>28,432,539</u>
TOTAL ASSETS	<u>46,542,500</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Deferred Outflows	<u>554,436</u>
LIABILITIES:	
Accounts Payable	291,896
Accrued Interest Payable	31,173
Salaries and Benefits Payable	74,520
Due To Other Governments	77,896
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
General Obligation Bonds	320,000
Compensated Absences	247,852
Portion Due or Payable After One Year:	
General Obligation Bonds	7,185,000
Drainage Warrants	142,991
Net Pension Liability	2,335,706
Net OPEB Liability	<u>441,728</u>
TOTAL LIABILITIES	<u>11,148,762</u>
DEFERRED INFLOWS OF RESOURCES:	
Unavailable Property Tax Revenue	6,295,550
Pension Related Deferred Inflows	<u>1,214,637</u>
	<u>7,510,187</u>
NET POSITION:	
Net Investment in Capital Assets	20,927,539
Restricted For:	
Supplemental Levy Purposes	479,204
Mental Health Purposes	344,512
Rural Services Purposes	519,900
Secondary Roads Purposes	3,848,739
Debt Service	401,488
Other Purposes	307,300
Unrestricted	<u>1,609,305</u>
TOTAL NET POSITION	<u>\$28,437,987</u>

See Notes To Financial Statements

**FLOYD COUNTY
Charles City, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2015**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in 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	\$ 2,478,880	\$ 451,580	\$ 4,000	\$ 0	\$(2,023,300)
Physical Health and Social Services	1,479,019	728,814	305,517	0	(444,688)
Mental Health	712,883	228,780	0	0	(484,103)
County Environment and Education	1,424,522	36,147	713,659	260,395	(414,321)
Roads and Transportation	6,123,351	124,296	3,092,724	413,526	(2,492,805)
Governmental Services to Residents	581,382	322,596	0	0	(258,786)
Administration	1,174,690	16,937	0	0	(1,157,753)
Non-Program	114,843	0	0	0	(114,843)
Interest on Long-Term Debt	380,765	212,174	0	0	(168,591)
Total	\$14,470,335	\$2,121,324	\$4,115,900	\$673,921	(7,559,190)
General Revenues:					
Property and Other County Tax Levied For:					
General Purposes					5,779,124
Penalty Interest on Property Tax					52,655
State Tax Credits					436,145
Local Option Sales Tax					567,528
Tax Increment Financing					612,095
Unrestricted Investment Earnings					62,956
Miscellaneous					551,281
Loss on Disposal of Capital Assets					(1,042)
Total General Revenue					8,060,742
Change in Net Position					501,552
Net Position Beginning of Year, as Restated					27,936,435
Net Position End of Year					<u>\$28,437,987</u>

See Notes To Financial Statements

FLOYD COUNTY
Charles City, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

		Special Revenue	
	General	Mental Health	Rural Services
ASSETS			
Cash, Cash Equivalents and Pooled Investments	\$4,274,903	\$274,896	\$ 516,002
Receivables:			
Property Tax:			
Delinquent	13,534	2,076	6,829
Succeeding Year	3,481,568	534,152	1,587,595
Interest and Penalty on Property Tax	3,369	0	0
Accounts	99,845	0	108
Accrued Interest	22,053	0	0
Drainage Assessments	0	0	0
Due From Other Governments	587,194	68,560	0
Inventories	0	0	0
TOTAL ASSETS	\$8,482,466	\$879,684	\$2,110,534
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 80,108	\$ 1,016	\$ 2,010
Salaries and Benefits Payable	32,874	0	0
Due To Other Governments	51,411	4	1,029
Compensated Absences	334	0	0
Total Liabilities	164,727	1,020	3,039
Deferred Inflows of Resources:			
Unavailable Revenues:			
Succeeding Year Property Tax	3,481,568	534,152	1,587,595
Other	2,975	69,016	286
Total Deferred Inflows of Resources	3,484,543	603,168	1,587,881
Fund Balances:			
Nonspendable:			
Inventories	0	0	0
Restricted:			
Supplemental Levy Purposes	478,398	0	0
Mental Health Purposes	0	275,496	0
Rural Services Purposes	0	0	519,614
Secondary Roads Purposes	0	0	0
Drainage Warrants/Improvement Certificates	0	0	0
Conservation Land Acquisition	237,832	0	0
Debt Service	0	0	0
Other Purposes	0	0	0
Assigned for County Attorney	3,188	0	0
Unassigned	4,113,778	0	0
Total Fund Balances	4,833,196	275,496	519,614
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$8,482,466	\$879,684	\$2,110,534

See Notes To Financial Statements

<u>Special Revenue</u>			
<u>Secondary Roads</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$3,458,328	\$ 432,661	\$205,078	\$ 9,161,868
0	0	0	22,439
0	692,235	0	6,295,550
0	0	0	3,369
2,056	0	557	102,566
0	0	0	22,053
0	0	6,135	6,135
404,628	0	0	1,060,382
340,310	0	0	340,310
<u>\$4,205,322</u>	<u>\$1,124,896</u>	<u>\$211,770</u>	<u>\$17,014,672</u>
\$ 189,104	\$ 0	\$ 12,016	\$ 284,254
41,646	0	0	74,520
25,452	0	0	77,896
0	0	0	334
<u>256,202</u>	<u>0</u>	<u>12,016</u>	<u>437,004</u>
0	692,235	0	6,295,550
0	0	6,135	78,412
0	692,235	6,135	6,373,962
340,310	0	0	340,310
0	0	0	478,398
0	0	0	275,496
0	0	0	519,614
3,608,810	0	0	3,608,810
0	0	124,151	124,151
0	0	0	237,832
0	432,661	0	432,661
0	0	69,468	69,468
0	0	0	3,188
0	0	0	4,113,778
<u>3,949,120</u>	<u>432,661</u>	<u>193,619</u>	<u>10,203,706</u>
<u>\$4,205,322</u>	<u>\$1,124,896</u>	<u>\$211,770</u>	<u>\$17,014,672</u>

FLOYD COUNTY
Charles City, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2015

Total Governmental Fund Balances (Page 17) \$ 10,203,706

Amounts reported for governmental activities in the Statement of Net Position are different because:

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 \$49,962,763 and the accumulated depreciation is \$21,530,224. 28,432,539

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 78,412

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. 1,087,647

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:

Deferred Outflows of Resources	\$ 554,436	
Deferred Inflows of Resources	<u>(1,214,637)</u>	(660,201)

Long-term liabilities, including bonds payable, compensated absences payable, other postemployment benefits payable, net pension liability, and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (10,704,116)

Net Position of Governmental Activities (Pages 14) \$ 28,437,987

FLOYD COUNTY
Charles City, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	Special Revenue		
	General	Mental Health	Rural Services
REVENUES:			
Property and Other County Tax	\$3,542,605	\$573,360	\$ 1,663,473
Local Option Sales Tax	0	0	0
Interest and Penalty on Property Tax	52,655	0	0
Intergovernmental	2,625,642	203,078	90,490
Licenses and Permits	25,745	0	2,261
Charges for Service	451,944	0	1,200
Use of Money and Property	83,933	0	0
Miscellaneous	257,327	0	0
Total Revenues	7,039,851	776,438	1,757,424
EXPENDITURES:			
Operating:			
Public Safety and Legal Services	2,351,752	0	211,564
Physical Health and Social Services	1,461,268	0	0
Mental Health	0	712,051	0
County Environment and Education	1,051,915	0	247,414
Roads and Transportation	0	0	92,420
Governmental Services to Residents	652,171	0	0
Administration	1,152,925	0	0
Non-Program	0	0	0
Debt Service	0	0	0
Capital Projects	313,531	0	0
Total Expenditures	6,983,562	712,051	551,398
Excess (Deficiency) of Revenues Over (Under) Expenditures	56,289	64,387	1,206,026
Other Financing Sources (Uses):			
Transfers In	117,000	0	0
Transfers Out	(99,356)	0	(1,097,830)
Drainage Warrants Issued	0	0	0
Total Other Financing Sources (Uses)	17,644	0	(1,097,830)
Change in Fund Balances	73,933	64,387	108,196
Fund Balances Beginning of Year	4,759,263	211,109	411,418
Increase in Reserve For Inventories	0	0	0
Fund Balances End of Year	\$4,833,196	\$275,496	\$ 519,614

See Notes To Financial Statements

<u>Special Revenue</u> Secondary Roads	Debt Service	Nonmajor	Total
\$ 0	\$ 612,095	\$ 0	\$ 6,391,533
567,528	0	0	567,528
0	0	0	52,655
3,506,251	38,078	14,724	6,478,263
4,950	0	0	32,956
0	0	3,363	456,507
2,989	0	14,292	101,214
252,981	123,170	136,725	770,203
4,334,699	773,343	169,104	14,850,859
0	0	6,825	2,570,141
0	0	0	1,461,268
0	0	0	712,051
0	0	40,097	1,339,426
4,804,120	0	0	4,896,540
0	0	5,883	658,054
0	0	0	1,152,925
0	0	28,590	28,590
0	566,228	0	566,228
339,604	0	0	653,135
5,143,724	566,228	81,395	14,038,358
(809,025)	207,115	87,709	812,501
1,197,186	0	0	1,314,186
0	(117,000)	0	(1,314,186)
0	0	10,453	10,453
1,197,186	(117,000)	10,453	10,453
388,161	90,115	98,162	822,954
3,516,006	342,546	95,457	9,335,799
44,953	0	0	44,953
\$3,949,120	\$ 432,661	\$193,619	\$10,203,706

**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, 2015**

Change in Fund Balances - Total Governmental Funds (Page 20) \$ 822,954

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

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

Expenditures for Capital Assets	\$ 1,045,617	
Depreciation Expense	<u>(1,691,809)</u>	(646,192)

In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (1,042)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows in the governmental funds as follows:

Property Tax	271	
Other	<u>41,556</u>	41,827

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

Issued	(10,453)	
Repaid	<u>189,192</u>	178,739

The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are not reported as a deferred outflow of resources in the Statement of Net Position. 457,575

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	6,295	
Other Postemployment Benefits	(81,013)	
Pension Expense	(168,314)	
Interest on Long Term Debt	<u>463</u>	(242,569)

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. (154,693)

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. 44,953

Change in Net Position of Governmental Activities (Page 15) \$ 501,552

See Notes to Financial Statements

FLOYD COUNTY
Charles City, Iowa

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2015

	<u>Internal Service Employee Group Health</u>
ASSETS	
Cash, Cash Equivalents and Pooled Investments	<u>\$1,095,289</u>
LIABILITIES AND NET POSITION	
Liabilities	
Accounts Payable	<u>7,642</u>
Net Position	
Unrestricted	<u>\$1,087,647</u>

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, 2015

	<u>Internal Service Employee Group Health</u>
Operating Revenues:	
Reimbursements from Operating Funds	\$ 680,770
Reimbursements from Employees	204,188
Other Reimbursements	9,388
Total Operating Revenues	<u>894,346</u>
Operating Expenses:	
Medical Claims	72,088
Insurance Premiums	963,814
Miscellaneous	16,520
Total Operating Expenses	<u>1,052,422</u>
Operating Loss	(158,076)
Non-Operating Revenues:	
Interest Income	<u>3,383</u>
Net Loss	(154,693)
Net Position Beginning of Year	<u>1,242,340</u>
Net Position End of Year	<u><u>\$1,087,647</u></u>

FLOYD COUNTY
Charles City, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2015

	<u>Internal Service Employee Group Health</u>
Cash Flows From Operating Activities:	
Cash Received From Operating Fund Reimbursements	\$ 680,770
Cash Received From Employees and Others	213,576
Cash Paid to Suppliers for Services	<u>(1,054,649)</u>
Net Cash Used in Operating Activities	<u>(160,303)</u>
Cash Flows From Investing Activities:	
Interest on Investments	<u>3,383</u>
Net Decrease in Cash, Cash Equivalents and Pooled Investments	(156,920)
Cash, Cash Equivalents and Pooled Investments at Beginning of Year	<u>1,252,209</u>
Cash, Cash Equivalents and Pooled Investments at End of Year	<u><u>\$ 1,095,289</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	\$ (158,076)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Decrease in Accounts Payable	<u>(2,227)</u>
Net Cash Used in Operating Activities	<u><u>\$ (160,303)</u></u>

See Notes To Financial Statements

**FLOYD COUNTY
Charles City, Iowa**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2015**

ASSETS

Cash, Cash Equivalents and Pooled Investments:	
County Treasurer	\$ 1,741,274
Other County Officials	58,279
Receivables:	
Property Tax:	
Delinquent	34,770
Succeeding Year	15,557,196
Accounts	13,970
Assessments	11,121
Due From Other Governments	102,627
Total Assets	<u>17,519,237</u>

LIABILITIES

Accounts Payable	35,442
Due To Other Governments	17,317,389
Trusts Payable	154,152
Compensated Absences	12,254
Total Liabilities	<u>17,519,237</u>
Net Position	<u>\$ 0</u>

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.

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, DEFERRED OUTFLOWS OF RESOURCES, 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2014.

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, DEFERRED OUTFLOWS OF RESOURCES, 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, 2015, 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, DEFERRED OUTFLOWS OF RESOURCES, 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</u>
Buildings	40-65
Building Improvements	20-50
Infrastructure	30-50
Intangibles	5-20
Equipment	2-20
Vehicles	3-10

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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, 2015. 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, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY (CONTINUED)

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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

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, 2015, disbursements did not exceed the amounts budgeted.

Note 2: Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2015 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, 2015 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Basic	Debt Service	\$ 117,000
Special Revenue:		
Secondary Roads	General Basic	99,356
	Special Revenue:	
Secondary Roads	Rural Services	<u>1,097,830</u>
		<u>\$1,314,186</u>

Notes to Financial Statements (Continued)

Note 3: Inter-fund Transfers (Continued)

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

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 636,084	\$ 767,492	\$ 0	\$ 1,403,576
Construction in Progress	432,350	0	432,350	0
Total Capital Assets Not Being Depreciated	1,068,434	767,492	432,350	1,403,576
Capital Assets Being Depreciated:				
Buildings	2,539,443	0	0	2,539,443
Improvements Other than Buildings	912,629	0	0	912,629
Machinery and Equipment	4,821,724	198,353	58,555	4,961,522
Vehicles	571,888	102,389	56,871	617,406
Office Equipment	504,447	100,709	10,423	594,733
Infrastructure	38,124,430	809,024	0	38,933,454
Total Capital Assets Being Depreciated	47,474,561	1,210,475	125,849	48,559,187
Less Accumulated Depreciation For:				
Buildings	956,590	62,403	0	1,018,993
Improvements Other than Buildings	274,704	41,385	0	316,089
Machinery and Equipment	2,700,676	225,318	58,555	2,867,439
Vehicles	372,200	60,481	56,871	375,810
Office Equipment	450,343	29,536	9,381	470,498
Infrastructure	15,208,709	1,272,686	0	16,481,395
Total Accumulated Depreciation	19,963,222	1,691,809	124,807	21,530,224
Total Capital Assets Being Depreciated, Net	27,511,339	(481,334)	1,042	27,028,963
Governmental Activities Capital Assets, Net	\$28,579,773	\$ 286,158	\$433,392	\$28,432,539

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	\$ 42,453
Physical Health and Social Services	14,166
Mental Health	1,824
County Environment and Education	53,184
Roads and Transportation	1,523,276
Government Services to Residents	14,617
Administration	42,289
	<hr/>

Total Depreciation Expense - Governmental Activities	<u>\$1,691,809</u>
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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>\$ 51,411</u>
Special Revenue		
Mental Health	Services	4
Rural Services		1,029
Secondary Roads		25,452
		<hr/>
		26,485
		<hr/>
Total For Governmental Funds		<u>\$ 77,896</u>
Agency:		
Agricultural Extension	Collections	\$ 172,623
Assessor		1,025,666
Schools		9,478,558
Community Colleges		533,983
Corporations		4,989,791
Auto Licenses and Use Tax		411,405
All Other		705,363
		<hr/>
Total For Agency Funds		<u>\$17,317,389</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, 2015 is as follows:

	2010 GO Bonds	Drainage Warrants	Compensated Absences	Net Pension Liability	Net OEPB Liability	Total
Balance Beginning of Year, as Restated	\$7,690,000	\$136,730	\$253,813	\$3,716,952	\$360,715	\$12,158,210
Increases	0	10,453	247,852	0	81,610	339,915
Decreases	185,000	4,192	253,813	1,381,246	597	1,824,848
Balance End of Year	\$7,505,000	\$142,991	\$247,852	\$2,335,706	\$441,728	\$10,673,277
Due Within One Year	\$ 320,000	\$ 0	\$247,852	\$ 0	\$ 0	\$ 567,852

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, 2015 General Obligation Urban Renewal County Road Improvement Bond indebtedness is as follows:

Year Ending June 30	Principal	Interest	Total
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	500,000	306,010	806,010
2021 - 2025	2,730,000	1,156,910	3,886,910
2026 - 2029	2,545,000	371,913	2,916,913
	<u>\$7,505,000</u>	<u>\$3,245,108</u>	<u>\$10,750,108</u>

During the year ended June 30, 2015, the County issued no general obligation bonds and retired \$185,000 of 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 Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits). Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service)
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary).

Sheriff and deputy and protection occupation members may retire at normal retirement age which is generally 55. Sheriff and deputy and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff and deputy and protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

Notes to Financial Statements (Continued)

Note 7: Pension Plan (Continued)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the members' beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal costs plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the County contributed 8.93% for a total rate of 14.88%. Sheriff and deputy members and the County both contributed 9.88% of pay for a total rate of 19.76%. Protection occupation members contributed 6.76% of pay and the County contributed 10.14% for a total rate of 16.90%.

The County's contributions to IPERS for the year ended June 30, 2015 were \$457,575.

Notes to Financial Statements (Continued)

Note 7: Pension Plan (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the County reported a liability of \$2,335,706 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was 0.0588946, which was a decrease of 0.005842 from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$168,314. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences Between Expected and Actual Experience	\$ 26,121	\$ 26,652
Changes of Assumptions	106,071	27,353
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,160,632
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	(35,331)	0
County Contributions Subsequent to the Measurement Date	457,575	0
Total	<u>\$554,436</u>	<u>\$1,214,637</u>

\$457,575 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Total
2016	\$ (280,145)
2017	(280,145)
2018	(280,145)
2019	(280,145)
2020	2,804
	<u><u>\$(1,117,776)</u></u>

Notes to Financial Statements (Continued)

Note 7: Pension Plan (Continued)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (Effective June 30, 2014)	3.00 Percent annum.
Rates of Salary Increase (Effective June 30, 2010)	4.00 to 17.00 Percent, Average, Including Inflation. Rates Vary by Membership Group.
Long-term Investment Rate of Return (Effective June 30, 1996)	7.50 Percent, Compounded Annually, Net of Investment Expense, Including Inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(.69)
	100%	

Notes to Financial Statements (Continued)

Note 7: Pension Plan (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County’s Proportionate Share of Net Pension Liability to Changes in the Discount Rate – The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5%) or 1 percentage-point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
County’s Proportionate Share of The Net Pension Liability	\$4,998,737	\$2,335,706	\$89,812

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the County reported no payables to the defined benefit pension plan for legally required employer contributions or for legally employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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 \$100,000, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Notes to Financial Statements (Continued)

Note 9: Employee Health Insurance Plan

The Floyd County Employee Health Plan Trust Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and the fully insured portion is administered through a service agreement with Wellmark Blue Cross and Blue Shield of Iowa and the self-funding of deductibles is administered through a service agreement with Employee Benefit Services.

Monthly payments of service fees and plan contributions to the Floyd County Employee Health Plan Trust are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of administrative fees and claims processed are paid to Employee Benefit Services from the Floyd County Employee Health Plan Trust Fund. The County's contribution to the fund for the year ended June 30, 2015 was \$680,770.

Amounts payable from the Floyd County Employee Health Plan Trust Fund at June 30, 2015 total \$7,642 which is for incurred but not reported (IBNR) and reported but not paid claims \$(7,592) and miscellaneous fees \$(50) 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 \$1,087,647 at June 30, 2015 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	\$ 9,473
Incurred Claims (Including Claims Incurred but Not Reported at June 30, 2015)	72,088
Payments on Claims During Fiscal Year	<u>73,969</u>
Unpaid Claims - End of Year	<u>\$ 7,592</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 109 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, 2015, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual required contribution	\$ 80,882
Interest on net OPEB obligation	9,018
Adjustment to annual required contribution	(8,290)
Annual OPEB cost (expense)	81,610
Contributions made	(597)
Increase in net OPEB obligation	81,013
Net OPEB obligation beginning of year	360,715
Net OPEB obligation end of year	\$441,728

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, 2015.

For the fiscal year 2015, the County contributed \$597 to the medical plan. Plan members receiving benefits contributed \$24,772, or 97.65% 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, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	70,023	0.20%	286,272
2014	74,791	0.50%	360,715
2015	81,610	0.70%	411,728

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, 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 \$4,522,333, and the ratio of the UAAL to the covered payroll was 11.90%. As of June 30, 2015, 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, 2015.

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, 2015 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State Grants:			
Early Childhood	\$51,761	\$ 0	\$ 51,761
Family Support and Parent Education	0	207,413	207,413
Preschool Support for Low-Income Families	0	91,069	91,069
Quality Improvements	0	50,162	50,162
Allocation for Administration	2,724	11,454	14,178
Other Grant Programs	0	22,132	22,132
Total Stage Grants	54,485	382,230	436,715
Interest on Investments	43	287	330
Total Revenues	54,528	382,517	437,045
Expenditures			
Program Services:			
Early Childhood	51,808	0	51,808
Family Support and Parent Education	0	207,413	207,413
Preschool Support for Low-Income Families	0	89,553	89,553
Quality Improvements	0	50,162	50,162
Other Program Services	0	22,340	22,340
Total Program Services	51,808	369,468	421,276
Administration	2,424	10,466	12,890
Total Expenditures	54,232	379,934	434,166
Net Change in Fund Balance	296	2,583	2,879
Fund Balance Beginning of Year	597	14,295	14,892
Fund Balance End of Year	\$ 893	\$ 16,878	\$ 17,771

Notes to Financial Statements (Continued)

Note 13: Floyd County Financial Information Included in the County Social Services Mental Health Region

County Social Services, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Allamakee County, Black Hawk County, Butler County, Cerro Gordo County, Chickasaw County, Clayton County, Emmet County, Fayette County, Floyd County, Grundy County, Hancock County, Howard County, Humboldt County, Kossuth County, Mitchell County, Pocahontas County, Tama County, Webster County, Winnebago County, Winneshiek County, Worth County and Wright County. The financial activity of Floyd County's Special Revenue, Mental Health Fund is included in the County Social Services Mental Health Region for the year ended June 30, 2015 as follows:

Revenues:

Property and Other County Tax		\$573,360
Intergovernmental Revenues:		
State Tax Credits	\$ 42,858	
Other Intergovernmental Revenues	160,220	203,078
Total Revenues		<u>776,438</u>

Expenditures:

Services to Persons With:		
Mental Illness	10,299	
Chronic Mental Illness	<u>1,574</u>	11,873
General Administration		
Direct Administration	150,178	
Distribution to Regional Fiscal Agent	<u>550,000</u>	700,178
Total Expenditures		<u>712,051</u>
Excess of Revenues Over Expenditures		64,387
Fund Balance Beginning of the Year		<u>211,109</u>
Fund Balance End of the Year		<u><u>\$275,496</u></u>

Notes to Financial Statements (Continued)

Note 14: Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements established new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by the Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities
	<hr/>
Net Position June 30, 2014, as Previously Reported	\$31,221,603
Net Pension Liability at June 30, 2014	(3,716,952)
Deferred Outflows of Resources Related to Prior Year Contributions Made After the June 30, 2013 Measurement Date	<hr/> 431,784
Net Position July 1, 2014, as Restated	<hr/> <hr/> \$27,936,435

Note 15: Subsequent Events

Management evaluated subsequent events through February 26, 2016, 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, 2015

	Actual	Less Funds Not Required to be Budgeted
RECEIPTS:		
Property and Other County Tax	\$ 6,932,822	\$ 0
Interest and Penalty on Property Tax	49,307	0
Intergovernmental	6,120,082	0
Licenses and Permits	32,888	0
Charges for Service	465,175	433
Use of Money and Property	79,534	0
Miscellaneous	733,389	135,685
Total Receipts	14,413,197	136,118
DISBURSEMENTS:		
Public Safety and Legal Services	2,566,367	0
Physical Health and Social Services	1,439,813	0
Mental Health	711,741	0
County Environment and Education	1,343,027	0
Roads and Transportation	4,784,065	0
Governmental Services to Residents	629,764	0
Administration	1,158,697	0
Non-Program	22,012	22,012
Debt Service	566,228	0
Capital Projects	940,434	0
Total Disbursements	14,162,148	22,012
Excess (Deficiency) of Receipts Under Disbursements	251,049	114,106
Other Financing Sources, Net	10,453	10,453
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	261,502	124,559
Balance Beginning of Year	8,900,366	10,849
Balance End of Year	\$ 9,161,868	\$135,408

See Accompanying Independent Auditor's Report

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 6,932,822	\$ 6,834,469	\$ 6,834,469	\$ 98,353
49,307	26,200	26,200	23,107
6,120,082	6,815,706	7,101,901	(981,819)
32,888	25,000	25,000	7,888
464,742	436,010	436,010	28,732
79,534	64,055	74,055	5,479
597,704	282,830	351,796	245,908
14,277,079	14,484,270	14,849,431	(572,352)
2,566,367	2,574,909	2,704,157	137,790
1,439,813	1,617,064	1,677,638	237,825
711,741	887,831	887,831	176,090
1,343,027	2,306,745	2,622,237	1,279,210
4,784,065	5,332,550	5,332,550	548,485
629,764	665,009	651,779	22,015
1,158,697	1,224,556	1,257,998	99,301
0	0	0	0
566,228	566,228	566,228	0
940,434	952,000	952,000	11,566
14,140,136	16,126,892	16,652,418	2,512,282
136,943	(1,642,622)	(1,802,987)	1,939,930
0	0	0	0
136,943	(1,642,622)	(1,802,987)	1,939,930
8,889,517	7,842,591	7,842,591	1,046,926
\$ 9,026,460	\$ 6,199,969	\$ 6,039,604	\$2,986,856

FLOYD COUNTY
Charles City, Iowa

BUDGETARY COMPARISON SCHEDULE -
 BUDGET TO GAAP RECONCILIATION

Required Supplementary Information
 Year Ended June 30, 2015

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$14,413,197	\$ 437,662	\$14,850,859
Expenditures	14,162,148	(123,790)	14,038,358
Net	251,049	561,452	812,501
Other Financing Sources, Net	10,453	0	10,453
Beginning Fund Balances	8,900,366	435,433	9,335,799
Increase in Reserve for: Inventories	0	44,953	44,953
Ending Fund Balances	<u>\$ 9,161,868</u>	<u>\$1,041,838</u>	<u>\$10,203,706</u>

See Accompanying Independent Auditor's Report

FLOYD COUNTY
Charles City, Iowa

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

June 30, 2015

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, Internal Service Funds, and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Services Fund and the Capital Project Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$525,526. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.

FLOYD COUNTY
Charles City, Iowa

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR*
(In Thousands)

Required Supplementary Information

	2015
County's Collective Proportion of the Net Pension Liability (Asset)	0.0588946%
County's Collective Proportionate Share of the Net Pension Liability (Asset)	\$2,336
County's Covered-Employee Payroll	\$4,896
County's Collective Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	47.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See Accompanying Independent Auditor's Report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the County will present information for those years for which information is available.

FLOYD COUNTY
Charles City, Iowa

SCHEDULE OF COUNTY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS
 (In Thousands)

Required Supplementary Information

	2015	2014	2013	2012
Statutorily Required Contribution	\$ 458	\$ 432	\$ 417	\$ 394
Contributions in Related to the Statutorily Required Contribution	(458)	(432)	(417)	(394)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0
County's Covered-Employee Payroll	\$5,040	\$4,896	\$4,704	\$4,624
Contributions as a Percentage of Covered-Employee Payroll	9.08%	8.82%	8.86%	8.52%

See Accompanying Independent Auditor's Report

2011	2010	2009	2008	2007	2006
\$ 337	\$ 306	\$ 280	\$ 257	\$ 244	\$ 234
(337)	(306)	(280)	(257)	(244)	(234)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$4,576	\$4,525	\$4,540	\$4,152	\$4,138	\$3,934
7.37%	6.75%	6.17%	6.19%	5.89%	5.94%

Floyd COUNTY
Charles City, Iowa

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

Year Ended June 30, 2015

Changes of Benefit Terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Floyd COUNTY
Charles City, Iowa

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
(CONTINUED)

Year Ended June 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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%
2015	July 1, 2012	\$0	\$538	\$538	0%	\$4,522	11.89%

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

FLOYD COUNTY
Charles City, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2015

	Resource Enhancement and Protection	Sheriff Forfeiture
ASSETS		
Cash, Cash Equivalents and Pooled Investments	\$41,588	\$2,669
Receivables:		
Accounts	0	0
Drainage Assessments	0	0
TOTAL ASSETS	\$41,588	\$2,669
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	41,588	2,669
Total Fund Balances	41,588	2,669
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$41,588	\$2,669

See Accompanying Independent Auditor's Report

Schedule 1

Sheriff Reserve	Commissary Profit	Recorders Records Management	Infrastructure Assistance	Drainage	Total
\$996	\$7,303	\$6,114	\$11,000	\$135,408	\$205,078
0	335	222	0	0	557
0	0	0	0	6,135	6,135
\$996	\$7,638	\$6,336	\$11,000	\$141,543	\$211,770
\$ 0	\$ 759	\$ 0	\$ 0	\$ 11,257	\$ 12,016
0	0	0	0	6,135	6,135
0	0	0	0	124,151	124,151
996	6,879	6,336	11,000	0	69,468
996	6,879	6,336	11,000	124,151	193,619
\$996	\$7,638	\$6,336	\$11,000	\$141,543	\$211,770

FLOYD COUNTY
Charles City, Iowa

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

Year Ended June 30, 2015

	Resource Enhancement and Protection	Sheriff Forfeiture
REVENUES:		
Intergovernmental	\$14,724	\$ 0
Charges for Service	0	0
Use of Money and Property	123	0
Miscellaneous	0	1,040
Total Revenues	14,847	1,040
EXPENDITURES:		
Operating:		
Public Safety and Legal Services	0	1,495
County Environment and Education	7,097	0
Governmental Services to Residents	0	0
Non-Program	0	0
Total Expenditures	7,097	1,495
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,750	(455)
Other Financing Sources (Uses)		
Drainage Warrants Issued	0	0
Change in Fund Balances	7,750	(455)
Fund Balances Beginning of Year	33,838	3,124
Fund Balances End of Year	\$41,588	\$2,669

See Accompanying Independent Auditor's Report

Schedule 2

Sheriff Reserve	Commissary Profit	Recorders Records Management	Infrastructure Assistance	Drainage	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,724
0	0	2,930	0	433	3,363
0	3,144	25	11,000	0	14,292
0	0	0	0	135,685	136,725
0	3,144	2,955	11,000	136,118	169,104
1,297	4,033	0	0	0	6,825
0	0	0	33,000	0	40,097
0	0	5,883	0	0	5,883
0	0	0	0	28,590	28,590
1,297	4,033	5,883	33,000	28,590	81,395
(1,297)	(889)	(2,928)	(22,000)	107,528	87,709
0	0	0	0	10,453	10,453
(1,297)	(889)	(2,928)	(22,000)	117,981	98,162
2,293	7,768	9,264	33,000	6,170	95,457
\$ 996	\$6,879	\$ 6,336	\$ 11,000	\$124,151	\$193,619

FLOYD COUNTY
Charles City, Iowa

COMBINING SCHEDULE OF FIDUCIARY
 ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2015

ASSETS	County Offices	Agricultural Extension Education	County Assessor	Schools
Cash, Cash Equivalents and Pooled Investments:				
County Treasurer	\$ 0	\$ 2,484	\$ 695,026	\$ 132,924
Other County Officials	58,279	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	514	1,039	25,363
Succeeding Year	0	169,625	342,492	9,320,271
Accounts	475	0	0	0
Assessments	0	0	0	0
Due From Other Governments	0	0	0	0
TOTAL ASSETS	\$58,754	\$172,623	\$1,038,557	\$9,478,558
LIABILITIES				
Accounts Payable	\$ 0	\$ 0	\$ 1,319	\$ 0
Due To Other Governments	5,867	172,623	1,025,666	9,478,558
Trusts Payable	52,887	0	0	0
Compensated Absences	0	0	11,572	0
TOTAL LIABILITIES	\$58,754	\$172,623	\$1,038,557	\$9,478,558

See Accompanying Independent Auditor's Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto Licenses and Use Tax	Other	Total
\$ 6,833	\$ 73,772	\$ 3,807	\$ 1,107	\$411,405	\$413,916	\$ 1,741,274
0	0	0	0	0	0	58,279
1,573	5,142	1,132	0	0	7	34,770
525,577	4,910,877	278,494	0	0	9,860	15,557,196
0	0	0	0	0	13,495	13,970
0	0	0	11,121	0	0	11,121
0	0	0	0	0	102,627	102,627
<u>\$533,983</u>	<u>\$4,989,791</u>	<u>\$283,433</u>	<u>\$12,228</u>	<u>\$411,405</u>	<u>\$539,905</u>	<u>\$17,519,237</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 34,123	\$ 35,442
533,983	4,989,791	283,433	12,228	411,405	403,835	17,317,389
0	0	0	0	0	101,265	154,152
0	0	0	0	0	682	12,254
<u>\$533,983</u>	<u>\$4,989,791</u>	<u>\$283,433</u>	<u>\$12,228</u>	<u>\$411,405</u>	<u>\$539,905</u>	<u>\$17,519,237</u>

FLOYD COUNTY
Charles City, Iowa

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES - AGENCY FUNDS
Year Ended June 30, 2015

ASSETS AND LIABILITIES	County Offices	Agricultural Extension Education	County Assessor	Schools
Balances Beginning of Year	\$ 30,755	\$168,930	\$ 919,887	\$ 9,135,350
Additions:				
Property and Other County Tax	0	177,981	359,396	9,786,741
E911 Surcharge	0	0	0	0
State Tax Credits	0	13,066	26,425	706,690
Driver License Fees	0	0	0	0
Office Fees and Collections	372,573	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	558,872	0	0	0
Miscellaneous	0	0	103	0
Total Additions	931,445	191,047	385,924	10,493,431
Deductions:				
Agency Remittances:				
To Other Funds	172,821	0	0	0
To Other Governments	196,497	187,354	267,254	10,150,223
Trusts Paid Out	534,128	0	0	0
Total Deductions	903,446	187,354	267,254	10,150,223
Balances End of Year	\$ 58,754	\$172,623	\$1,038,557	\$ 9,478,558

See Accompanying Independent Auditor's Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
\$465,645	\$5,433,391	\$285,476	\$13,171	\$ 372,068	\$ 376,301	\$17,200,974
548,599	5,062,598	295,175	0	0	10,067	16,240,557
0	0	0	0	0	62,119	62,119
35,830	477,130	17,929	0	0	542	1,277,612
0	0	0	0	89,419	0	89,419
0	0	0	0	0	0	372,573
0	0	0	0	4,940,439	0	4,940,439
0	0	0	8,402	0	0	8,402
0	0	0	0	0	236,264	795,136
0	868	0	0	0	829,892	830,863
584,429	5,540,596	313,104	8,402	5,029,858	1,138,884	24,617,120
0	0	0	0	178,352	0	351,173
516,091	5,984,196	315,147	9,345	4,812,169	742,641	23,180,917
0	0	0	0	0	232,639	766,767
516,091	5,984,196	315,147	9,345	4,990,521	975,280	24,298,857
\$533,983	\$4,989,791	\$283,433	\$12,228	\$ 411,405	\$ 539,905	\$17,519,237

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			
	2015	2014	2013	2012
Revenues:				
Property and Other County Tax	\$ 6,959,061	\$ 6,923,673	\$ 6,958,965	\$ 6,322,378
Interest and Penalty on Property Tax	52,655	45,705	51,025	66,710
Intergovernmental	6,478,263	4,880,322	4,508,721	4,611,640
Licenses and Permits	32,956	29,445	39,349	45,492
Charges for Service	456,507	488,847	474,557	438,627
Use of Money and Property	101,214	86,373	75,831	110,520
Miscellaneous	770,203	757,152	621,045	572,365
Total	\$14,850,859	\$13,211,517	\$12,729,493	\$12,167,732
Expenditures:				
Operating:				
Public Safety and Legal Services	\$ 2,570,141	\$ 2,220,817	\$ 2,131,529	\$ 2,187,464
Physical Health and Social Services	1,461,268	1,438,932	1,517,849	1,434,870
Mental Health	712,051	747,732	714,296	1,170,158
County Environment and Education	1,339,426	778,506	774,164	595,954
Roads and Transportation	4,896,540	4,768,468	5,175,247	4,217,811
Governmental Services to Residents	658,054	571,735	578,993	563,624
Administration	1,152,925	1,164,847	1,126,869	1,326,651
Non-Program	28,590	171,398	142,278	76,749
Debt Service	566,228	380,428	380,428	557,817
Capital Projects	653,135	1,530,856	355,652	3,136,177
Total	\$14,038,358	\$13,773,719	\$12,897,305	\$15,267,275

See Accompanying Independent Auditor's Report

Schedule 5

2011	2010	2009	2008	2007	2006
\$ 6,140,843	\$ 5,729,681	\$ 5,891,998	\$ 5,802,047	\$ 5,498,137	\$ 5,295,274
49,687	59,957	46,138	47,109	47,364	43,908
5,079,287	5,737,044	5,459,065	5,408,569	5,252,030	5,082,450
49,311	28,024	23,358	47,895	23,118	29,020
446,794	427,449	521,231	483,059	472,134	470,692
117,565	115,531	163,652	413,240	596,876	453,700
571,835	402,426	339,912	395,084	485,157	1,692,004
<u>\$12,455,322</u>	<u>\$12,500,112</u>	<u>\$12,445,354</u>	<u>\$12,597,003</u>	<u>\$12,374,816</u>	<u>\$13,067,048</u>
\$ 2,124,575	\$ 2,149,363	\$ 2,089,169	\$ 1,912,262	\$ 1,951,304	\$ 1,813,921
1,531,870	1,243,055	1,118,237	1,193,465	1,124,286	1,087,279
382,512	1,754,410	1,777,497	1,968,666	1,902,673	1,865,675
552,495	560,846	576,430	606,009	649,693	462,250
4,438,632	4,236,085	4,844,176	3,861,790	3,851,773	4,091,732
542,344	542,485	545,506	511,296	564,434	637,086
1,308,071	976,827	957,960	1,017,121	882,157	835,154
300	0	0	1,376	5,319	2,412
1,415,056	185,041	177,911	179,439	279,123	255,615
1,796,740	2,997,366	1,680,425	778,282	104,958	592,528
<u>\$14,092,595</u>	<u>\$14,645,478</u>	<u>\$13,767,311</u>	<u>\$12,029,706</u>	<u>\$11,315,720</u>	<u>\$11,643,652</u>

FLOYD COUNTY
Charles City, Iowa

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Bureau of Justice Assistance:			
Bulletproof Vest Partnership Program	16.607	UG2F06	\$ 807
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		14,461
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			
CDBG Flood Relief	14.228	08-DRIFWP-206	111,613
CDBG Flood Relief	14.228	08-DRIFWP-212	568,976
			680,589
National Highway Traffic Safety Administration:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C034(89)--8J-34	413,526
National Highway Traffic Safety Administration:			
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau			
Safety Belt Performance Grant	20.600	14-402-M00P/15-402-M00P	3,722
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Immunization Cooperative Agreements	93.268	5884I429/5885I429	7,160
Immunization Services	93.539	5884I429/5884I4119/5885I429	1,762

FLOYD COUNTY
Charles City, Iowa

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance	93.566		\$ 31
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		3,738
Foster Care - Title IV-E	93.658		5,540
Adoption Assistance	93.659		1,748
Social Services Block Grant	93.667		4,447
Children's Health Insurance Program	93.767		89
Medical Assistance Program	93.778		27,265
Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Emergency Management Performance Grant	97.042	EMPG-14-PT-34/EMPG-15-PT-34	18,647
Total Indirect			1,182,725
Grand Total			\$1,183,532

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



Gardiner Thomsen
Certified Public Accountants

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

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, 2015, 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 February 26, 2016.

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 Findings and Questioned Costs as items II-A-15 and II-B-15 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-15 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, 2015 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.

Garlines Thomson, P.C.

Charles City, Iowa
February 26, 2016



Gardiner Thomsen
Certified Public Accountants

Independent Auditor's Report on Compliance for Each Major Federal 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, 2015. 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, 2015.

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.

Garthman Thomsen, P.C.

Charles City, Iowa
February 26, 2016

FLOYD COUNTY
Charles City, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

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 20.205 Highway Planning and Construction.
- (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, 2015

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

II - A - 15 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 - 15 Financial Reporting:

Finding - During our audit, we identified material amounts of revenues, expenditures, deferred inflows of resources and capital assets, not recorded or incorrectly recorded in the County's financial statements.

Criteria - A good financial reporting system to record revenues, expenditures, deferred inflows of resources and capital assets.

FLOYD COUNTY
Charles City, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2015

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

II - B - 15 Financial Reporting: (Continued)

Condition – Drainage transfers were recorded as revenues and expenditures. Capital asset additions were not always included in the capital asset listing at the proper acquisition value. Receipts following year end were not always coded as a receipt for goods or services provided prior to June 30 to be included in the deferred inflows of resources.

Effect – Revenues and expenditures were overstated. The capital asset listing was not correct. The deferred inflows of resources were understated.

Cause - Limited staff.

Recommendation - The County should implement procedures to ensure all revenues, expenditures, deferred inflows of resources and capital assets, are recorded correctly 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 - 15 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, 2015

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

II - C - 15 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-15 Certified Budget - Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.

IV-B-15 Questionable Expenditures - Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2015

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

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Chips Rotisserie	Meal while traveling – no detailed receipt provided	\$12
Dublin Bay	Meal while traveling – no detailed receipt provided	15
Hickory Park	Meal while traveling – no detailed receipt provided	14
Calypso's	Meal while traveling – no detailed receipt provided	16
Bandit Burrito	Meal while traveling – no detailed receipt provided	9
Olive Garden	Meal while traveling – no detailed receipt provided	22
Casey's	Fuel – no receipt provided	42
Myrt's Handi-Mart	Fuel – no detailed receipt provided	33
Saigon Pho	Meals while traveling – no detailed receipt provided	31
Sedona	Meals while traveling – no detailed receipt provided	35
Wild Garlic Grill	Meal while traveling – no detailed receipt provided	47

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

Recommendation - The Board of Supervisors should determine and document the public purpose served by these expenditures, and require detailed receipts from employees and elected officials, before authorizing any further payments.

Response - We will monitor our policy of requiring detailed receipts for all credit card purchases and reimbursements more closely in the future.

Conclusion – Response accepted.

IV- C-15 **Travel Expense** - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-15 **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	\$300
Dale Hughes, Secondary Roads		
Brenda Hughes, wife of Dale Hughes	Mowing at Floyd Shed	420
Dale Hughes, Secondary Roads		
Dale Hughes	Mowing at Floyd Shed	330

FLOYD COUNTY
Charles City, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2015

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

IV-D-15 Business Transactions (Continued)

<u>Name, Title, and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Diana Swartzrock, Public Health		
Husband owns Swartzrock Implement	Parts for Conservation	\$ 44
Tracy Sindt, Auditor Clerk		
Janece Greenzweig, mother of Tracy	Mileage for Election	18
Sandra Hicks (Deputy Auditor) and Doug Kamm (County Supervisor)		
Kamm Excavating, owned by Doug, brother of Sandra		3,475

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

In accordance with Chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Kamm Excavating do not appear to represent conflicts of interest since neither Doug Kamm nor Sandra Hicks participated in the acquisition of services.

IV-E-15 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-15 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-15 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-15 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-15 Economic Development - During the year ended June 30, 2015, the County paid \$133,888 for economic development which appears to be an appropriate expenditure of public funds since the public benefits to be derived have been clearly documented.

FLOYD COUNTY
Charles City, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2015

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

IV-J-15 **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, 2015 for the County Extension Office did not exceed the amount budgeted.

IV-K-15 **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-15 **Tax Increment Financing** - For the year ended June 30, 2015, the County Auditor prepared reconciliations for each City reconciling TIF receipts with total outstanding TIF debt.

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.

IV-M-15 **Credit Cards** - During the year ended June 30, 2015, we noted payments to credit card companies for which no detailed receipt was provided by the employee or elected official who incurred the charge on the account.

Recommendation - The County should require detailed receipts for all purchases with credit cards to ensure that expenditures are being made for allowable purposes only.

Response - This procedure is a part of the Credit Card Policy agreed to by all employees and elected officials who use County credit cards. We will monitor the receipts received for credit card purchases more closely in the future.

FLOYD COUNTY
Charles City, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2015

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

IV-M-15 **Conclusion** - Response accepted.

IV-N-15 **E-911 Service Board Budget Amendment** - Publication of the notice of public hearing regarding the amendment to the E-911 Service Board budget was not made.

Recommendation - Chapter 24 of the Code of Iowa requires publishing the notice of public hearing for proposed amendments to the budget not less than ten nor more than twenty days preceding the hearing.

Response - This was an oversight on the part of the publisher. A copy of the notice was provided to the publisher in advance of the public hearing and assurances were given by the publisher that the notice would be published within the statutorily required timeframe. Subsequent to the public hearing, discussions with the publisher revealed they overlooked the amendment when they assembled the newspaper for the day the notice was to be published. We will monitor publications more closely in the future to ensure notices are published within statutory timeframes.

Conclusion - Response accepted.