

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

INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
June 30, 2007

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

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

**OFFICIALS**

(Before January 2007)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Warren K. Dunkel .....	Board of Supervisors .....	January 2009
Leo Staudt .....	Board of Supervisors .....	January 2007
Arlin Enabnit.....	Board of Supervisors .....	January 2007
Gloria Carr .....	County Auditor.....	January 2009
Frank Rottinghaus .....	County Treasurer .....	January 2007
Deborah K. Roberts.....	County Recorder.....	January 2007
Rick Lynch.....	County Sheriff .....	January 2009
Marilyn Dettmer.....	County Attorney.....	January 2007
Bruce C. Hovden.....	County Assessor.....	Appointed

(After January 2007)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Warren K. Dunkel .....	Board of Supervisors .....	January 2009
Leo Staudt .....	Board of Supervisors .....	January 2011
Arlin Enabnit.....	Board of Supervisors .....	January 2011
Gloria Carr .....	County Auditor.....	January 2009
Frank Rottinghaus .....	County Treasurer .....	January 2011
Deborah K. Roberts.....	County Recorder.....	January 2011
Rick Lynch.....	County Sheriff .....	January 2009
Jesse Marzen .....	County Attorney.....	January 2011
Bruce C. Hovden.....	County Assessor.....	Appointed



## **Independent Auditors' Report**

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To the Officials of Floyd County  
Charles City, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Floyd County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Floyd County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Floyd County at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2008 on our consideration of Floyd County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 – 9 and 33 – 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Floyd County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

March 19, 2008

*Gardiner Thomsen, P.C.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Floyd County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 3%, or approximately \$390,000, from fiscal 2006 to fiscal 2007. Property tax increased \$147,000, operating grants, capital grants and contributions totaled \$5.4 million.
- Program expenses were 5%, or approximately \$549,000, more in fiscal 2007 than in fiscal 2006. Physical Health and Social Services expense increased \$37,000, Mental Health expense increased \$48,000 and Public Safety & Legal Service expense increased \$87,000.
- The County's net assets increased 10%, or approximately \$1.9 million from June 30, 2006 to June 30, 2007.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Floyd County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Floyd County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

### **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

#### ***Government-wide Financial Statements***

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

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

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

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

### ***Fund Financial Statements***

The County has three kinds of funds:

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

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

- 2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Floyd County's combined net assets increased slightly from a year ago, increasing from \$20.8 million to \$22.8 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities  
(Expressed in Thousands)

	June 30,	
	2007	2006
Current and Other Assets	\$16,158	\$14,740
Capital Assets	14,204	13,661
<b>Total Assets</b>	<b>30,362</b>	<b>28,401</b>
Long-Term Debt Outstanding	1,598	1,685
Other Liabilities	5,968	5,901
<b>Total Liabilities</b>	<b>7,566</b>	<b>7,586</b>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	14,204	13,661
Restricted	6,083	5,880
Unrestricted	2,509	1,274
<b>Total Net Assets</b>	<b>\$22,796</b>	<b>\$20,815</b>

Net assets of the Floyd County's governmental activities increased by 10% (\$20.8 million compared to \$22.8 million). The largest portion of the County's net assets is the invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

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

	June 30,	
	2007	2006
Revenues:		
Program Revenues:		
Charges for Service	\$1,465	\$1,263
Operating Grants, Contributions and Restricted Interest	4,145	3,950
Capital Grants, Contributions and Restricted Interest	1,228	364
General Revenues:		
Property Tax	4,970	4,823
Penalty and Interest on Property Tax	47	44
State Tax Credits	307	305
Local Option Sales Tax	508	459
Tax Increment Financing	0	194
Unrestricted Investment Earning	575	423
Other General Revenues	417	1,447
<b>Total Revenues</b>	<b>13,662</b>	<b>13,272</b>
Program Expenses:		
Public Safety and Legal Services	1,900	1,813
Physical Health and Social Services	1,111	1,074
Mental Health	1,902	1,854
County Environment and Education	679	480
Roads and Transportation	4,517	4,354
Governmental Services to Residents	552	539
Administration	881	862
Non-Program	82	90
Interest on Long-term Debt	57	66
<b>Total Expenses</b>	<b>11,681</b>	<b>11,132</b>
Increase in Net Assets	1,981	2,140
Net Assets Beginning of Year	20,815	18,675
<b>Net Assets End of Year</b>	<b>\$22,796</b>	<b>\$20,815</b>

Floyd County's net assets of governmental activities increased by approximately \$1.9 million during the year. Revenues for governmental activities increased by approximately \$390,000 over the prior year, with property tax revenue up from the prior year by approximately \$147,000.

Floyd County's taxable valuations payable in fiscal year 2007 increased approximately 4.6% from fiscal year 2006. Property tax rates for 2007 went up approximately 1.9% for urban (\$7.23624 per \$1,000 of taxable value). The General Fund tax levy rate stayed at \$3.50 per \$1,000 of taxable property valuation. The General Supplemental Fund levy increased by approximately \$0.15 to \$2.52 per \$1,000. The Mental Health Fund decreased by approximately \$0.01 to \$1.12 per \$1,000. A Debt Service Levy decreased by approximately \$0.01 to \$0.10 per \$1,000. The Rural Services Fund Levy stayed the same at \$3.95 per \$1,000. The effect of the increase in levies and valuations raised the county's property tax revenue by approximately \$127,757.

The cost of all governmental activities this year was \$11.68 million compared to \$11.13 million last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was only \$4.97 million because some of the cost was paid by those directly benefited from the programs (\$1.46 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5.37 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2007 from approximately \$5.58 million to \$6.83 million, principally due to receiving additional Intergovernmental funds for Mental Health & Secondary Roads. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$4.97 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

### **INDIVIDUAL MAJOR FUNDS ANALYSIS**

As Floyd County completed the year, its governmental funds reported a combined fund balance of \$9.71 million, an increase of more than \$1,060,146 above last year's total of \$8.76 million. The increase in fund balance is primarily attributable to a general obligation economic development bond. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures increased when compared to the prior year. The ending fund balance showed an increase of \$827,315 from the prior year to \$3,637,497.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,902,673, an increase of 2% from the prior year. The Mental Health Fund balance at year end decreased to a balance of \$15,637.
- Secondary Roads Fund expenditures decreased by approximately \$239,959 over the prior year, due principally to a decrease in roadway maintenance. Even with this decrease in expenditures, the Secondary Roads Fund ending balance increased \$268,466 or 5%.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Floyd County amended its budget one time. The amendment was made in May 2007. This amendment was made to provide for additional expenditures in certain County departments. It also re-estimated receipt categories.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2007, Floyd County had approximately \$25.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1.02 million or 4% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2007	2006
Land	\$291	\$344
Buildings and Improvements	2,677	2,577
Equipment and Vehicles	4,707	4,662
Infrastructure	18,569	17,349
Total	\$26,244	\$24,932
This year's major additions include (expressed in thousands)		
Capital assets contributed by the Iowa Dept. of Transportation	\$1,221	
Replacement Secondary Roads Equipment	155	
County Sheriff Vehicles	53	
Total	\$1,429	

The County had depreciation expense of \$830,298 for the year ended June 30, 2007 and total accumulated depreciation of \$12,040,245 at June 30, 2007.

The County's fiscal year 2007 capital budget included \$273,000 for capital projects, principally for the continuation of upgrading secondary road and bridges. The County has no plans to issue additional debt to finance these projects. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### **Long-Term Debt**

At June 30, 2007 Floyd County has approximately \$1,463,000 in general obligation bonds and other debt outstanding compared to approximately \$1,685,000 at June 30, 2006, as shown below.

Outstanding Debt at Year-End of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2007	2006
General Obligation Bonds and Notes	\$1,463	\$1,685
Compensated Absences	135	165
Total	\$1,598	\$1,850

The County continues to carry a general obligation bond rating as Aa3 assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Floyd County's outstanding general obligation debt is significantly below its constitutional debt limit of \$42 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Floyd County's elected and appointed officials considered many factors when setting the fiscal year 2008 budget, tax rates, and fees that will be charged for various County activities. Economic factors such as inflation, unemployment, agriculture and commercial growth were taken into account. The cost of living (CPI-U) was 2.7% in June 2007. Unemployment in the County decreased from 4.4% in June of 2006 to 3.8% in 2007.

The County is committed to economic development growth opportunities as reflected in participation in various boards and committees throughout the area. Charles City continues development in a county-supported housing project that started in 2004 with 24 housing structures erected thus far. After implementing a wind energy ordinance in February 2007, construction of a wind farm consisting of 50 turbine towers for MidAmerican Energy began in the late summer of 2007.

Repairs and replacements of bridges and roads are ongoing projects throughout the county. The viaduct replacement project west of Charles City that was to start in FY07 was postponed until January 2008 with completion in late spring of 2008. A seven-mile road construction project on Highway 147 east of Rockford is scheduled for FY08. Letting on a major bridge replacement project on 300<sup>th</sup> Street in the south part of the county will be in FY08. A major purchase of three dump trucks with 8500 Chassis, 304 stainless steel boxes and snow equipment will cost approximately \$400,000.

Budgeting revenues and expenditures is a challenging task with 2008 being no exception. Anticipated revenues are expected to decrease by \$471,000 and expenditures are expected to increase \$3,016,000. At the close of fiscal year 2007, the overall expenditures came in approximately \$752,000 below budget and revenues came in \$562,000 over budget, netting \$914,000 in greater operating balances in most funds. The County's budgetary operating balance is expected to decrease by the close fiscal year 2008.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Floyd County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Floyd County Auditor's Office, 101 S. Main Street, Charles City, Iowa.

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

**STATEMENT OF NET ASSETS**  
June 30, 2007

	Governmental Activities
<hr/>	
<b>ASSETS</b>	
Cash & Pooled Investments	\$10,265,437
Receivables:	
Property Tax:	
Delinquent	42,539
Succeeding Year	5,041,118
Interest & Penalty On Property Tax	119
Accounts	218,950
Accrued Interest	311
Assessments	4,162
Due From Other Governments	333,117
Inventories	252,147
Capital Assets (Net of Accumulated Depreciation)	14,204,115
<b>TOTAL ASSETS</b>	<b>30,362,015</b>
<b>LIABILITIES</b>	
Accounts Payable	526,697
Accrued Interest Payable	4,261
Salaries & Benefits Payable	89,924
Due To Other Governments	305,623
Deferred Revenue:	
Succeeding Year Property Tax	5,041,118
Long Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Bonds	128,000
Compensated Absences	135,174
Portion Due Or Payable After One Year:	
General Obligation Bonds	1,335,000
<b>TOTAL LIABILITIES</b>	<b>7,565,797</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	14,204,115
Restricted For:	
Mental Health Purposes	20,672
Secondary Roads Purposes	5,449,092
Debt Service	42,317
Other Purposes	570,115
Unrestricted	2,509,907
<b>TOTAL NET ASSETS</b>	<b>\$22,796,218</b>

See Notes To Financial Statements

**FLOYD COUNTY  
Charles City, Iowa**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007**

	Expenses	Program Revenues				Net (Expense) Revenue & Changes in Net Assets
		Charges for Service	& Restricted Interest	Contributions, & Restricted Interest	Capital Grants, & Restricted Interest	
<b>Functions/Programs:</b>						
Governmental Activities:						
Public Safety & Legal Services	\$1,900,035	\$174,882	\$4,065	\$0		\$(1,721,088)
Physical Health & Social Services	1,111,460	518,843	410,357	0		(182,260)
Mental Health	1,902,285	267,347	1,101,398	0		(533,540)
County Environment & Education	678,844	31,913	8,505	0		(638,426)
Roads & Transportation	4,517,277	73,270	2,402,938	1,220,683		(820,386)
Governmental Services to Residents Administration	552,152	278,913	0	0		(273,239)
	881,184	21,345	217,905	5,039		(636,895)
Non-Program	81,380	98,240	0	0		16,860
Interest on Long-Term Debt	56,649	0	0	0		(56,649)
<b>Total</b>	<b>\$11,681,266</b>	<b>\$1,464,753</b>	<b>\$4,145,168</b>	<b>\$1,225,722</b>		<b>(4,845,623)</b>
<b>General Revenues:</b>						
Property and Other County Tax Levied For:						
General Purposes						4,909,564
Debt Service						58,391
Penalty Interest on Property Tax						47,364
State Tax Credits						307,298
Local Option Sales Tax						507,817
Unrestricted Investment Earnings						575,993
Miscellaneous						421,616
Loss on Disposal of Capital Assets						(1,150)
<b>Total General Revenue</b>						<b>6,826,893</b>
Changes in Net Assets						1,981,270
Net Assets Beginning of Year						20,814,948
Net Assets End of Year						<b>\$22,796,218</b>

See Notes To Financial Statements

**FLOYD COUNTY  
Charles City, Iowa**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2007

	General	Special Revenue	
		Mental Health	Rural Services
<b>ASSETS</b>			
Cash and Pooled Investments	\$3,619,028	\$224,067	\$147,760
Receivables:			
Property Tax:			
Delinquent	24,800	4,393	12,537
Succeeding Year	3,140,364	556,292	1,232,586
Interest & Penalty on Property Tax	119	0	0
Accounts	131,667	32,080	0
Accrued Interest	311	0	0
Assessments	0	0	0
Due From Other Funds	10,517	0	0
Due From Other Governments	81,748	0	98
Inventories	0	0	0
<b>TOTAL ASSETS</b>	<b>\$7,008,554</b>	<b>\$816,832</b>	<b>\$1,392,981</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$51,928	\$45,399	\$4,716
Salaries & Benefits Payable	35,493	16	1,222
Due To Other Governments	74,082	194,453	1,221
Deferred Revenue:			
Succeeding Year Property Tax	3,140,364	556,292	1,232,586
Other	69,190	5,035	12,132
<b>Total Liabilities</b>	<b>3,371,057</b>	<b>801,195</b>	<b>1,251,877</b>
Fund Balances:			
Reserved For:			
Inventories	0	0	0
Debt Service	0	0	0
Road Purposes	0	0	0
Unreserved, Reported In:			
General Fund	3,637,497	0	0
Special Revenue Funds	0	15,637	141,104
<b>Total Fund Balances</b>	<b>3,637,497</b>	<b>15,637</b>	<b>141,104</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$7,008,554</b>	<b>\$816,832</b>	<b>\$1,392,981</b>

See Notes To Financial Statements

**Exhibit C**

<u>Special Revenue</u>			
<u>Secondary Roads</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$5,325,586	\$45,769	\$412,996	\$9,775,206
0	809	0	42,539
0	111,876	0	5,041,118
0	0	0	119
55,175	0	28	218,950
0	0	0	311
3,860	0	302	4,162
0	0	0	10,517
247,500	0	3,771	333,117
252,147	0	0	252,147
<u>\$5,884,268</u>	<u>\$158,454</u>	<u>\$417,097</u>	<u>\$15,678,186</u>
\$282,378	\$0	\$218	\$384,639
53,193	0	0	89,924
35,867	0	0	305,623
0	111,876	0	5,041,118
55,009	781	302	142,449
<u>426,447</u>	<u>112,657</u>	<u>520</u>	<u>5,963,753</u>
252,147	0	0	252,147
0	45,797	0	45,797
2,584,434	0	0	2,584,434
0	0	0	3,637,497
2,621,240	0	416,577	3,194,558
<u>5,457,821</u>	<u>45,797</u>	<u>416,577</u>	<u>9,714,433</u>
<u>\$5,884,268</u>	<u>\$158,454</u>	<u>\$417,097</u>	<u>\$15,678,186</u>

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

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

June 30, 2007

**Total Governmental Fund Balances (page 13)** \$9,714,433

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$26,244,360 and the accumulated depreciation is \$12,040,245. 14,204,115

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 142,449

The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 337,656

Long-term liabilities, including, bonds payable, accrued interest payable and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds. (1,602,435)

**Net Assets of Governmental Activities (page 10)** \$22,796,218

See Notes to Financial Statements.

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

**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year Ended June 30, 2007

	General	Special Revenue	
		Mental Health	Rural Services
<b>REVENUES:</b>			
Property & Other County Tax	\$3,121,015	\$578,328	\$1,232,737
Interest & Penalty on Property Tax	47,364	0	0
Intergovernmental	1,132,608	1,403,440	73,990
Licenses & Permits	21,478	0	0
Charges for Services	463,883	0	0
Use of Money & Property	446,168	0	0
Miscellaneous	174,274	13,530	548
<b>Total Revenues</b>	<b>5,406,790</b>	<b>1,995,298</b>	<b>1,307,275</b>
<b>EXPENDITURES:</b>			
Operating:			
Public Safety & Legal Services	1,720,791	0	221,725
Physical Health & Social Services	1,123,011	0	0
Mental Health	0	1,902,673	0
County Environment & Education	306,237	0	201,318
Roads & Transportation	0	0	89,628
Governmental Services to Residents	561,125	0	0
Administrative Services	882,157	0	0
Non-program	0	0	0
Debt Service	0	0	0
Capital Projects	0	0	0
<b>Total Expenditures</b>	<b>4,593,321</b>	<b>1,902,673</b>	<b>512,671</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	813,469	92,625	794,604
Other Financing Sources (Uses):			
Sale of Capital Assets	1,050	0	0
Operating Transfers In	105,341	0	0
Operating Transfers Out	(92,545)	(105,341)	(820,559)
<b>Total Other Financing Sources (Uses)</b>	<b>13,846</b>	<b>(105,341)</b>	<b>(820,559)</b>
Net Change in Fund Balances	827,315	(12,716)	(25,955)
Fund Balances – Beginning of Year	2,810,182	28,353	167,059
Decrease in Reserve For Inventories	0	0	0
<b>Fund Balances – End of Year</b>	<b>\$3,637,497</b>	<b>\$15,637</b>	<b>\$141,104</b>

See Notes To Financial Statements

**Exhibit E**

Special Revenue Secondary Roads	Debt Service	Nonmajor	Total
\$507,817	\$58,240	\$0	\$5,498,137
0	0	0	47,364
2,404,743	221,260	15,989	5,252,030
1,640	0	0	23,118
5,061	0	3,190	472,134
143,319	0	7,389	596,876
284,911	0	11,894	485,157
3,347,491	279,500	38,462	12,374,816
0	0	8,788	1,951,304
0	0	1,275	1,124,286
0	0	0	1,902,673
0	0	142,138	649,693
3,762,145	0	0	3,851,773
0	0	3,309	564,434
0	0	0	882,157
0	0	5,319	5,319
0	279,123	0	279,123
104,958	0	0	104,958
3,867,103	279,123	160,829	11,315,720
(519,612)	377	(122,367)	1,059,096
0	0	0	1,050
894,313	0	18,791	1,018,445
0	0	0	(1,018,445)
894,313	0	18,791	1,050
374,701	377	(103,576)	1,060,146
5,189,355	45,420	520,153	8,760,522
(106,235)	0	0	(106,235)
\$5,457,821	\$45,797	\$416,577	\$9,714,433

**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, 2007**

**Net Change in Fund Balances - Total Governmental Funds (page 15-16)** **\$953,911**

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

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

Expenditures for capital assets	\$207,621	
Capital assets contributed by the Iowa Department of Transportation	1,167,729	
Depreciation Expense	(830,298)	545,052

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. (2,200)

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

Property tax	(21,815)	
Other	32,661	10,846

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

Repaid		222,000
--------	--	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds as follows:

Compensated absences	23,999	
Interest on long-term debt	474	24,473

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 227,188

**Change in Net Assets of Governmental Activities (page 11)** **\$1,981,270**

See Notes to Financial Statements

**FLOYD COUNTY  
Charles City, Iowa**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2007**

Internal Service  
Employee Group  
Health

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**ASSETS**

Cash & Cash Equivalents \$479,714

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**LIABILITIES AND NET ASSETS**

Liabilities  
Accounts Payable \$142,058

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Net Assets  
Unrestricted \$337,656

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See Notes To Financial Statements

**FLOYD COUNTY  
Charles City, Iowa**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2007**

	<u>Internal Service Employee Group Health</u>
Operating Revenues:	
Reimbursements from Operating Funds	\$871,647
Reimbursements from Employees	162,141
Other Reimbursements	67,837
<hr/> Total Operating Revenue	<hr/> 1,101,625
Operating Expenses:	
Medical Claims	667,632
Insurance Premiums	182,426
Administrative Fees	2,881
Miscellaneous	37,715
<hr/> Total Operating Expenses	<hr/> 890,654
Operating Income	210,971
Non-Operating Revenues:	
Interest Income	16,217
Net Income	227,188
Net Assets Beginning of Year	110,468
<hr/> Net Assets End of Year	<hr/> <hr/> \$337,656

See Notes To Financial Statements

**FLOYD COUNTY**  
**Charles City, Iowa****STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
Year Ended June 30, 2007

	<u>Internal Service Employee Group Health</u>
Cash Flows From Operating Activities:	
Cash Received From Operating Fund Reimbursements	\$871,647
Cash Received From Employees and Others	229,978
Cash Payments to Suppliers for Services	(853,146)
<hr/> Net Cash Provided by Operating Activities	<hr/> 248,479
Cash Flows From Investing Activities:	
Interest on Investments	16,217
<hr/> Net Increase in Cash and Cash Equivalents	<hr/> 264,696
Cash and Cash Equivalents at Beginning of Year	215,018
<hr/> Cash and Cash Equivalents at End of Year	<hr/> <hr/> \$479,714
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income	\$210,971
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase in Accounts Payable	37,508
<hr/> Net Cash Provided by Operating Activities	<hr/> <hr/> \$248,479

See Notes To Financial Statements

**FLOYD COUNTY  
Charles City, Iowa**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2007**

**ASSETS**

Cash & Pooled Investments:	
County Treasurer	\$1,165,595
Other County Officials	42,136
Receivables:	
Property Tax:	
Delinquent	3,085
Succeeding Year	13,057,587
Accounts	45,273
Assessments	167,124
<hr/> Total Assets	<hr/> 14,480,800

**LIABILITIES**

Accounts Payable	11,179
Salaries & Benefits Payable	1,628
Due to Other Governments	14,337,701
Trusts Payable	121,115
Compensated Absences	9,177
<hr/> Total Liabilities	<hr/> 14,480,800
<hr/> Net Assets	<hr/> \$0

See Notes To Financial Statements

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

**Notes to Financial Statements**

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

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

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

A. REPORTING ENTITY

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

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

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

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

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

## Notes to Financial Statements (Continued)

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

#### B. BASIS OF PRESENTATION

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

## Notes to Financial Statements (Continued)

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

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

##### Special Revenue Funds

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

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

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

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

Additionally, the County reports the following funds:

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

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

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

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

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

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

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

## Notes to Financial Statements (Continued)

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

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

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

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures.

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

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

#### D. ASSETS, LIABILITIES AND FUND EQUITY

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

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

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

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

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

## Notes to Financial Statements (Continued)

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

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

Property Tax Receivable (Continued) – Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2006.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2007, balances of inter-fund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in-first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they are not available to liquidate current obligations.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, Buildings and Improvements	25,000
Equipment and Vehicles	5,000

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

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

## Notes to Financial Statements (Continued)

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

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

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

Long-Term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets - The net assets of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

#### E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements in certain departments exceeded the amounts appropriated.

## Notes to Financial Statements (Continued)

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### Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 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.

### Note 3: Due from and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency	
	Auto License and Use Tax	\$10,517

These balances result from the time lag between the dates inter-fund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

### Note 4: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue	
	Mental Health	\$105,341
Special Revenue		
Secondary Roads	General Basic	73,754
	Special Revenue	
Secondary Roads	Rural Services	820,559
Conservation Reserve	General Basic	18,791
Agency	Agency	
County Assessor	Special Appraiser	85,000
		<u>\$1,103,445</u>

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

## Notes to Financial Statements (Continued)

### Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Balance End of Year
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$291,187	\$0	\$0	\$291,187
Construction in Process	52,877	0	52,877	0
Total Capital Assets Not Being Depreciated	344,064	0	52,877	291,187
Capital Assets Being Depreciated:				
Buildings	2,336,578	0	0	2,336,578
Improvements Other than Buildings	340,314	0	0	340,314
Machinery and Equipment	3,810,741	154,706	0	3,965,447
Vehicles	332,239	52,915	55,798	329,356
Office Equipment	419,044	0	7,000	412,044
Infrastructure, Road Network	17,348,828	1,220,606	0	18,569,434
Total Capital Assets Being Depreciated	24,587,744	1,428,227	62,798	25,953,173
Less Accumulated Depreciation For:				
Buildings	542,956	48,865	0	591,821
Improvements Other than Buildings	78,797	13,226	0	92,023
Machinery and Equipment	2,209,215	170,169	0	2,379,384
Vehicles	224,435	47,326	53,598	218,163
Office Equipment	285,385	24,959	7,000	303,344
Infrastructure, Road Network	7,929,757	525,753	0	8,455,510
Total Accumulated Depreciation	11,270,545	830,298	60,598	12,040,245
Total Capital Assets Being Depreciated, Net	13,317,199	597,929	2,200	13,912,928
Governmental Activities Capital Assets, Net	\$13,661,263	\$597,929	\$55,077	\$14,204,115

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public Safety and Legal Services	\$29,118
Physical Health and Social Services	11,819
County Environment and Education	37,668
Roads and Transportation	723,299
Governmental Services to Residents	11,243
Administration	17,151
Total Depreciation Expense – Governmental Activities	\$830,298

## Notes to Financial Statements (Continued)

### Note 6: 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	\$74,082
Special Revenue		
Mental Health	Services	194,453
Rural Services		1,221
Secondary Roads		35,867
		231,541
Total For Governmental Funds		\$305,623
Agency:		
Agricultural Extension	Collections	\$151,014
Assessor		237,892
Schools		7,437,402
Community Colleges		354,166
Corporations		4,834,325
Auto Licenses & Use Tax		311,771
All Other		1,011,131
Total For Agency Funds		\$14,337,701

### Note 7: Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	2002 GO Bonds	2003 GO Notes	2004 GO Bonds	Compensated Absences	Total
Balance Beginning of Year	\$1,170,000	\$95,000	\$420,000	\$165,275	\$1,850,275
Reductions	80,000	95,000	47,000	30,101	252,101
Balance End of Year	\$1,090,000	\$0	\$373,000	\$135,174	\$1,598,174
Due Within One Year	\$80,000	\$0	\$48,000	\$135,174	\$263,174

## Notes to Financial Statements (Continued)

### Note 7: Changes in Long-Term Debt (Continued)

#### Bond Payable

A summary of the County's June 30, 2007 General Obligation UR Bonds is as follows:

Year Ending June 30	Interest Rates	Principal	Interest	Total
2008	2.70	\$80,000	\$38,070	\$118,070
2009	2.90	80,000	35,910	115,910
2010	3.10	90,000	33,590	123,590
2011	3.20	90,000	30,800	120,800
2012	3.30	95,000	27,920	122,920
2013-2017	3.4-4.0	535,000	87,580	622,580
2018	4.00	120,000	4,800	124,800
		<u>\$1,090,000</u>	<u>\$258,670</u>	<u>\$1,348,670</u>

During the year ended June 30, 2007, the County retired \$80,000 of bonds.

#### Notes Payable

During the year ended June 30, 2007 the County retired \$95,000 of notes, paying the notes in full.

#### Economic Development Bonds Payable

A summary of the County's June 30, 2007 General Obligation Economic Development Bonds is as follows:

Year Ending June 30	Interest Rates	Principal	Interest	Total
2008	2.85	\$48,000	\$13,069	\$61,069
2009	3.10	50,000	11,701	61,701
2010	3.35	51,000	10,151	61,151
2011	3.50	53,000	8,442	61,442
2012	3.75	55,000	6,588	61,588
2013-2014	3.85-3.95	116,000	6,856	122,856
		<u>\$373,000</u>	<u>\$56,807</u>	<u>\$429,807</u>

During the year ended June 30, 2007, the County retired \$47,000 of bonds.

### Note 8: Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$243,907, \$234,152, and \$212,729, respectively, equal to the required contributions for each year.

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

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### **Note 9: 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 other 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.

### **Note 10: Employee Health Insurance Plan**

The Floyd County Employee Health Plan Trust Fund was established to account for the self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Auxiant. The agreement is subject to automatic renewal provision. The County assumes liability for claims up to the individual stop loss limitation of \$50,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Floyd County Employee Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Floyd County Employee Health Insurance Fund. The County records the plan assets and related liabilities of the Floyd County Health Insurance Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2007 was \$871,647.

### **Note 11: Budget Over Expenditure**

Per the Code of Iowa, disbursements may not legally exceed amount budgeted by function or amounts appropriated by department. During the year ended June 30, 2007, disbursements exceeded amounts appropriated in certain departments.

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

**BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES  
BUDGET AND ACTUAL (CASH BASIS)  
ALL GOVERNMENTAL FUNDS**

Required Supplementary Information  
Year Ended June 30, 2007

	Actual	Less Funds Not Required to be Budgeted
<b>RECEIPTS:</b>		
Property and Other County Tax	\$5,487,550	\$0
Interest and Penalty on Property Tax	47,914	0
Intergovernmental	5,231,377	0
Licenses and Permits	22,893	0
Charges for Services	444,007	0
Use of Money and Property	609,364	0
Miscellaneous	473,005	701
Total Receipts	12,316,110	701
<b>DISBURSEMENTS:</b>		
Public Safety and Legal Services	1,891,517	0
Physical Health and Social Services	1,117,735	0
Mental Health	2,017,061	0
County Environment and Education	652,797	0
Roads and Transportation	3,891,952	0
Governmental Services to Residents	561,343	0
Administrative Services	885,739	0
Non-program	5,319	5,319
Debt Services	279,123	0
Capital Projects	104,958	0
Total Disbursements	11,407,544	5,319
Excess (Deficiency) of Receipts Under Disbursements	908,566	(4,618)
Other Financing Sources, Net	1,050	0
Excess (Deficiency) of Receipts and Other Financing Sources Under Disbursements and Other Financing Uses	909,616	(4,618)
Balance – Beginning of Year	8,865,590	28,781
Balance – End of Year	\$9,775,206	\$24,163

See Accompanying Independent Auditors' Report

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$5,487,550	\$5,391,596	\$5,421,349	\$66,201
47,914	0	20,130	27,784
5,231,377	4,793,237	5,036,983	194,394
22,893	18,000	20,282	2,611
444,007	413,360	461,669	(17,662)
609,364	320,560	437,263	172,101
472,304	50,350	334,913	137,391
12,315,409	10,987,103	11,732,589	582,820
1,891,517	1,910,345	2,005,217	113,700
1,117,735	1,262,359	1,266,634	148,899
2,017,061	1,888,125	2,062,784	45,723
652,797	787,438	787,438	134,641
3,891,952	3,924,150	3,924,150	32,198
561,343	582,307	582,307	20,964
885,739	971,889	973,389	87,650
0	0	0	0
279,123	279,123	279,123	0
104,958	273,000	273,000	168,042
11,402,225	11,878,736	12,154,042	751,817
913,184	(891,633)	(421,453)	1,334,637
1,050	0	21,940	(20,890)
914,234	(891,633)	(399,513)	1,313,747
8,836,809	7,101,669	7,101,669	1,735,140
\$9,751,043	\$6,210,036	\$6,702,156	\$3,048,887

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

**BUDGETARY COMPARISON SCHEDULE –**  
**BUDGET TO GAAP RECONCILIATION**

Required Supplementary Information  
Year Ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$12,316,110	\$58,706	\$12,374,816
Expenditures	11,407,544	(91,824)	11,315,720
Net	908,566	150,530	1,059,096
Other Financing Sources (Net)	1,050	0	1,050
Beginning Fund Balances	8,865,590	(105,068)	8,760,522
Decrease in Reserve for: Inventories	0	(106,235)	(106,235)
Ending Fund Balances	<u>\$9,775,206</u>	<u>\$(60,773)</u>	<u>\$9,714,433</u>

See Accompanying Independent Auditors' Report

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

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

June 30, 2007

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds and Debt Services Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$275,306. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2007, disbursements in certain departments exceeded the amounts appropriated.

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

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
 June 30, 2007

	Supplemental Environmental Project	Attorney Forfeiture	Attorney Collection Incentive	Resource Enhancement & Protection	Sheriff Reserve
<b>ASSETS</b>					
Cash and Pooled Investments	\$11,568	\$2,741	\$0	\$70,508	\$3,577
Receivables:					
Accounts	0	0	28	0	0
Drainage Assessments	0	0	0	0	0
Due from Other Governments	0	0	0	2,981	0
<b>TOTAL ASSETS</b>	<b>\$11,568</b>	<b>\$2,741</b>	<b>\$28</b>	<b>\$73,489</b>	<b>\$3,577</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$0	\$0	\$0	\$0	\$0
Deferred Revenue	0	0	0	0	0
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Fund Balances:					
Unreserved	11,568	2,741	28	73,489	3,577
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$11,568</b>	<b>\$2,741</b>	<b>\$28</b>	<b>\$73,489</b>	<b>\$3,577</b>

See Accompanying Independent Auditors' Report

**Schedule 1**

Commissary Profit	Recorders Records Management	Infrastructure Assistance	Drainage	Conservation Land Acquisition	Total
\$2,142	\$11,340	\$213,180	\$24,163	\$73,777	\$412,996
0	0	0	0	0	28
0	0	0	302	0	302
0	790	0	0	0	3,771
<b>\$2,142</b>	<b>\$12,130</b>	<b>\$213,180</b>	<b>\$24,465</b>	<b>\$73,777</b>	<b>\$417,097</b>
\$218	\$0	\$0	\$0	\$0	\$218
0	0	0	302	0	302
218	0	0	302	0	520
1,924	12,130	213,180	24,163	73,777	416,577
<b>\$2,142</b>	<b>\$12,130</b>	<b>\$213,180</b>	<b>\$24,465</b>	<b>\$73,777</b>	<b>\$417,097</b>

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

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

Year Ended June 30, 2007

	Supplemental Environmental Project	Attorney Forfeiture	Attorney Collection Incentive	Resource Enhancement & Protection	Sheriff Forfeiture
<b>REVENUES:</b>					
Intergovernmental	\$0	\$0	\$28	\$15,961	\$0
Charges for Services	0	0	0	0	0
Use of Money and Property	566	0	0	3,169	0
Miscellaneous	0	0	0	0	3,362
Total Revenues	566	0	28	19,130	3,362
<b>EXPENDITURES:</b>					
Operating:					
Public Safety and Legal Services	0	0	0	0	3,427
Physical Health and Social Services	0	0	0	0	0
County Environment and Education	0	0	0	0	0
Governmental Services to Residents	0	0	0	0	0
Non-program	0	0	0	0	0
Total Expenditures	0	0	0	0	3,427
Excess (Deficiency) of Revenues Over (Under) Expenditures	566	0	28	19,130	(65)
Other Financing Sources:					
Operating Transfers In	0	0	0	0	0
	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	566	0	28	19,130	(65)
Fund Balances – Beginning of Year	11,002	2,741	0	54,359	65
Fund Balances – End of Year	\$11,568	\$2,741	\$28	\$73,489	\$0

See Accompanying Independent Auditors' Report

**Schedule 2**

Sheriff Reserve	Commissary Profit	Recorders Records Management	Infrastructure Assistance	Fiduciary Grant Fund	Scholarship Fund	Recorder's Electronic Transaction	Drainage	Conservation Land Acquisition	Total
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$15,989
0	0	3,190	0	0	0	0	0	0	3,190
0	3,081	562	0	0	0	11	0	0	7,389
7,781	0	50	0	0	0	0	701	0	11,894
7,781	3,081	3,802	0	0	0	11	701	0	38,462
4,204	1,157	0	0	0	0	0	0	0	8,788
0	0	0	0	0	1,275	0	0	0	1,275
0	0	0	142,127	11	0	0	0	0	142,138
0	0	2,600	0	0	0	709	0	0	3,309
0	0	0	0	0	0	0	5,319	0	5,319
4,204	1,157	2,600	142,127	11	1,275	709	5,319	0	160,829
3,577	1,924	1,202	(142,127)	(11)	(1,275)	(698)	(4,618)	0	(122,367)
0	0	0	0	0	0	0	0	18,791	18,791
0	0	0	0	0	0	0	0	18,791	18,791
3,577	1,924	1,202	(142,127)	(11)	(1,275)	(698)	(4,618)	18,791	(103,576)
0	0	10,928	355,307	11	1,275	698	28,781	54,986	520,153
\$3,577	\$1,924	\$12,130	\$213,180	\$0	\$0	\$0	\$24,163	\$73,777	\$416,577

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

COMBINING SCHEDULE OF FIDUCIARY  
 ASSETS AND LIABILITIES  
**AGENCY FUNDS**  
 June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS</b>				
Cash & Pooled Investments:				
County Treasurer	\$0	\$2,805	\$77,944	\$132,833
Other County Officials	42,136	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	41	44	2,289
Succeeding Year	0	148,168	169,719	7,302,280
Accounts	1,550	0	0	0
Assessments	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$43,686</b>	<b>\$151,014</b>	<b>\$247,707</b>	<b>\$7,437,402</b>
<b>LIABILITIES</b>				
Accounts Payable	\$0	\$0	\$679	\$0
Salaries & Benefits Payable	0	0	0	0
Due to Other Governments	1,887	151,014	237,892	7,437,402
Trusts Payable	41,799	0	0	0
Compensated Absences	0	0	9,136	0
<b>TOTAL LIABILITIES</b>	<b>\$43,686</b>	<b>\$151,014</b>	<b>\$247,707</b>	<b>\$7,437,402</b>

See Accompanying Independent Auditors' Report

**Schedule 3**

Community Colleges	Corporations	Townships	City Special Assessments	Auto Licenses & Use Tax	Other	Total
\$6,032 0	\$118,293 0	\$3,065 0	\$1,991 0	\$311,771 0	\$510,861 0	\$1,165,595 42,136
95 348,039 0 0	520 4,715,512 0 0	63 244,996 0 0	0 0 0 167,124	0 0 0 0	33 128,873 43,723 0	3,085 13,057,587 45,273 167,124
<u>\$354,166</u>	<u>\$4,834,325</u>	<u>\$248,124</u>	<u>\$169,115</u>	<u>\$311,771</u>	<u>\$683,490</u>	<u>\$14,480,800</u>
\$0 0 354,166 0 0	\$0 0 4,834,325 0 0	\$0 0 248,124 0 0	\$0 0 169,115 0 0	\$0 0 311,771 0 0	\$10,500 1,628 592,005 79,316 41	\$11,179 1,628 14,337,701 121,115 9,177
<u>\$354,166</u>	<u>\$4,834,325</u>	<u>\$248,124</u>	<u>\$169,115</u>	<u>\$311,771</u>	<u>\$683,490</u>	<u>\$14,480,800</u>

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

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

Year Ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS AND LIABILITIES</b>				
Balances – Beginning of Year	\$54,073	\$148,975	\$219,707	\$7,006,840
Additions:				
Property & Other County Tax	0	155,644	177,458	7,642,310
E911 Surcharge	0	0	0	0
State Tax Credits	0	9,577	9,950	450,779
Driver License Fees	0	0	0	0
Office Fees & Collections	356,208	0	0	0
Electronic Transaction Fees	0	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	376,364	0	0	0
Miscellaneous	0	0	1,214	0
<b>Total Additions</b>	<b>732,572</b>	<b>165,221</b>	<b>188,622</b>	<b>8,093,089</b>
Deductions:				
Agency Remittances:				
To County Funds	178,180	0	0	0
To Other Governments	180,949	163,182	245,622	7,662,527
Trusts Paid Out	383,830	0	0	0
<b>Total Deductions</b>	<b>742,959</b>	<b>163,182</b>	<b>245,622</b>	<b>7,662,527</b>
Other Financing Sources (Uses):				
Operating Transfers In (Out)	0	0	85,000	0
Balances – End of Year	\$43,686	\$151,014	\$247,707	\$7,437,402

See Accompanying Independent Auditors' Report

**Schedule 4**

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$321,833	\$4,488,463	\$182,898	\$167,546	\$269,121	\$524,134	\$13,383,590
363,922	4,887,433	254,395	0	0	133,331	13,614,493
0	0	0	0	0	94,277	94,277
20,683	205,370	11,468	0	0	8,119	715,946
0	0	0	0	27,082	0	27,082
0	0	0	0	0	0	356,208
0	0	0	0	0	3,228	3,228
0	0	0	0	3,561,668	0	3,561,668
0	0	0	6,834	0	0	6,834
0	0	0	0	0	190,204	566,568
0	0	0	0	0	914,645	915,859
384,605	5,092,803	265,863	6,834	3,588,750	1,343,804	19,862,163
0	0	0	0	164,769	0	342,949
352,272	4,746,941	200,637	5,265	3,381,331	983,464	17,922,190
0	0	0	0	0	115,984	499,814
352,272	4,746,941	200,637	5,265	3,546,100	1,099,448	18,764,953
0	0	0	0	0	(85,000)	0
\$354,166	\$4,834,325	\$248,124	\$169,115	\$311,771	\$683,490	\$14,480,800

**Schedule 5**

**FLOYD COUNTY  
Charles City, Iowa**

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

For the Last Five Years

	Modified Accrual Basis				
	2007	2006	2005	2004	2003
<b>Revenues:</b>					
Property & Other County Tax	\$5,498,137	\$5,295,274	\$4,805,283	\$4,883,833	\$4,634,842
Interest & Penalty On Property Tax	47,364	43,908	53,750	36,198	36,326
Intergovernmental	5,252,030	5,082,450	4,947,891	5,155,744	4,132,497
Licenses & Permits	23,118	29,020	18,104	26,653	18,571
Charges For Service	472,134	470,692	471,754	506,324	513,607
Use of Money & Property	596,876	453,700	262,671	132,118	174,136
Miscellaneous	485,157	1,692,004	611,326	423,514	411,297
Total	<u>\$12,374,816</u>	<u>\$13,067,048</u>	<u>\$11,170,779</u>	<u>\$11,164,384</u>	<u>\$9,921,276</u>
<b>Expenditures:</b>					
Operating:					
Public Safety & Legal Services	\$1,951,304	\$1,813,921	\$1,654,793	\$1,518,894	\$1,473,373
Physical Health & Social Services	1,124,286	1,087,279	849,469	993,977	1,148,652
Mental Health	1,902,673	1,865,675	1,682,439	1,759,700	1,632,493
County Environment & Education	649,693	462,250	647,333	1,316,935	1,110,704
Roads & Transportation	3,851,773	4,091,732	3,748,897	3,679,428	3,308,841
Governmental Services To Residents	564,434	637,086	474,520	427,785	408,856
Administrative Services	882,157	835,154	939,955	982,806	1,407,412
Non-program	5,319	2,412	4,924	5,740	638
Debt Services	279,123	255,615	256,543	108,058	39,877
Capital Projects	104,958	592,528	494,790	205,505	408,848
Total	<u>\$11,315,720</u>	<u>\$11,643,652</u>	<u>\$10,753,663</u>	<u>\$10,998,828</u>	<u>\$10,939,694</u>

See Accompanying Independent Auditors' Report



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

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To the Officials of Floyd County:  
Charles City, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Floyd County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Floyd County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Floyd County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Floyd County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Floyd County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Floyd County's financial statements that is more than inconsequential will not be prevented or detected by Floyd County's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Floyd County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items A, B, and C are material weaknesses.

### Compliance and Other Matters

As a part of obtaining reasonable assurance about whether Floyd County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, 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 test 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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 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 test and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Floyd County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Floyd County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Floyd County and other parties to whom Floyd County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

March 19, 2008

*Gardiner Thomsen, P.C.*

FLOYD COUNTY  
Charles City, Iowa

Schedule of Findings  
Year Ended June 30, 2007

**Findings Related to the Financial Statements**

SIGNIFICANT DEFICIENCIES:

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

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

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

**Conclusion** – Response accepted.

- B**     **Financial Reporting** – During the audit, we identified material amounts of receivables, payables, inventory, succeeding year property tax and capital assets not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

**Recommendation** – The County should implement procedures to ensure all receivables, payables, inventory, succeeding year property tax and capital assets are identified and included in the County's financial statements.

**Response** – We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

**Conclusion** – Response accepted.

- C**     **Preparation of Full Disclosure Financial Statements** – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Floyd County does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

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

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

**Conclusion** – Response acknowledged.

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

**Schedule of Findings (Continued)**  
**Year Ended June 30, 2007**

**Findings Related to the Financial Statements (Continued)**

**D**     **Information Systems** – During our review of internal control, the existing control activities in the County’s computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the County’s computer based systems were noted:

The County does not have written policies for:

- Required password changes because software does not require the user to change log-ins/passwords periodically.
- Requiring user profiles to help limit access to programs to those who have a legitimate need.
- Personal use of computer equipment and software.

***Recommendation*** – The County should develop written policies addressing the above items in order to improve the County’s control over computer based systems.

***Response*** – The County will comply in the future with these recommendations. County officials have discussed and agree that these policies are needed.

***Conclusion*** – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**Other Findings Related to Required Statutory Reporting**

**1.**     **Certified Budget** – Disbursements in certain departments exceeded the amounts appropriated during the year ended June 30, 2007. Notice for the Emergency Management budget was not published in accordance with Chapter 331.434 of the Code of Iowa.

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

Chapter 331.434 of the Code of Iowa requires notice of a budget hearing to be published not less than ten nor more than twenty days before the hearing. Such notices should be published before all budget hearings.

***Response*** – We will watch appropriations more closely. Notice of budget hearings will be published as required.

***Conclusion*** – Response accepted.

FLOYD COUNTY  
Charles City, Iowa

Schedule of Findings (Continued)  
Year Ended June 30, 2007

**Other Findings Related to Required Statutory Reporting (Continued)**

2. **Questionable Expenditures** – We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
3. **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
4. **Business Transactions** – The following business transactions between the County and officials, employees or their relatives were noted.

Name and Title	Description	Amount
Marzen’s Towing and Recovery County Attorney, Jesse Marzen Owned by Jesse Marzen’s Step-Father	Vehicle Repair/Maintenance	\$21,710

In accordance with Chapter 331.342 of the Code of Iowa, transactions totaling \$20,210 appear to represent conflicts since transactions in excess of \$1,500 were not publicly bid.

***Recommendation*** – The County should refrain from conducting business with related parties. Transactions in excess of \$1,500 should be competitively bid.

***Response*** – The County is in the process of establishing a policy requiring annual competitive bids with local garages.

***Conclusion*** – Response accepted.

5. **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
6. **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, it was noted that the board minutes did not show information sufficient to indicate the vote of each member present in two separate votes held on March 27, 2007.

***Recommendation*** – Minutes should show information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa.

***Response*** – We will document sufficient information in the minutes.

***Conclusion*** – Response accepted.

7. **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
8. **Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

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

**Schedule of Findings (Continued)**  
**Year Ended June 30, 2007**

**Other Findings Related to Required Statutory Reporting (Continued)**

9.     **Economic Development** – During the year ended June 30, 2007, the County paid \$263,516 for economic development which appears to be an appropriate expenditure of public funds since the public benefits to be derived have been clearly documented.
  
10.    **County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County Operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2007 for the County Extension Office did not exceed the amount budgeted.

## **News Release**

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

The County had local tax revenue of \$20,160,873 for the year ended June 30, 2007, which included \$1,023,244 in tax credits from the state. The County forwarded \$13,465,386 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,830,434 of the local tax revenue to finance County operations, a 7% increase from the prior year. Other revenues included charges for service of \$1,464,753, operating grants, contributions and restricted interest of \$4,145,168, unrestricted investment earnings of \$575,993 and other general revenues of \$421,616.

Expenses for County operations totaled \$11,681,266, a 4% increase from the prior year. Expenses included \$4,517,277 for Roads and Transportation, \$1,902,285 for Mental Health and \$1,900,035 for Public Safety and Legal Services.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

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