

FLOYD COUNTY
Charles City, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2011

FLOYD COUNTY, IOWA
Charles City, Iowa

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITORS' REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-10
BASIC FINANCIAL STATEMENTS:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 11
Statement of Activities	B 12
Governmental Fund Financial Statements:	
Balance Sheet	C 13-14
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D 15
Statement of Revenues, Expenditures and Changes in Fund Balances	E..... 16-17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F..... 18
Proprietary Fund Financial Statements:	
Statement of Net Assets.....	G 19
Statement of Revenues, Expenses and Changes in Fund Net Assets... H	20
Statement of Cash Flows	I 21
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	J..... 22
Notes to Financial Statements.....	23-36
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	37-38
Budget to GAAP Reconciliation	39
Notes to Required Supplementary Information – Budgetary Reporting ..	40
Schedule of Funding Progress for the Retiree Health Plan	41

TABLE OF CONTENTS (Continued)

OTHER SUPPLEMENTARY INFORMATION:	<u>Schedule</u>	<u>Page</u>
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	42-43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	44-45
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities.....	3	46-47
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	48-49
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5	50-51
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 <i>GOVERNMENT AUDITING STANDARDS</i>		52-53
SCHEDULE OF FINDINGS		54-56

FLOYD COUNTY
Charles City, Iowa

OFFICIALS

(Before January 2011)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Leo Staudt.....	Board of Supervisors	January 2011
Arlin Enabnit	Board of Supervisors	January 2011
Warren K. Dunkel	Board of Supervisors	January 2013
Gloria Carr	County Auditor.....	January 2013
Frank Rottinghaus	County Treasurer	January 2011
Deborah K. Roberts.....	County Recorder	January 2011
Rick Lynch.....	County Sheriff	January 2013
Normand Klemesrud	County Attorney.....	January 2011
Bruce C. Hovden.....	County Assessor.....	Appointed

(After January 2011)

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



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report

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, 2011, 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, 2011, 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 15, 2012 on our consideration of Floyd County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 – 10 and 37 – 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Floyd County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2010 (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 15, 2012

Caroline Thomsen, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Floyd County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 10.90%, or approximately \$1,620,879, from fiscal 2010 to fiscal 2011. Capital grants and contributions decreased \$2,615,871 while charges for services increased \$302,093 and operating grants increased \$251,804.
- Program expenses were less than 1%, or approximately \$66,892, less in fiscal 2011 than in fiscal 2010. Mental health expense decreased \$1,399,206 while Roads & Transportation expense increased \$821,822 and interest on Long Term Debt increased \$410,287.
- The County's net assets increased 1.55%, or approximately \$463,368 from June 30, 2010 to June 30, 2011.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Floyd County's combined net assets increased from a year ago, increasing from \$29,830,859 to \$30,294,227. 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,	
	2011	2010
Current and Other Assets	\$20,205	\$22,620
Capital Assets	24,239	23,238
Total Assets	44,444	45,858
Long-Term Debt Outstanding	8,194	8,992
Other Liabilities	5,956	7,036
Total Liabilities	14,150	16,028
Net Assets:		
Invested in Capital Assets, Net of Related Debt	20,218	20,571
Restricted	6,140	5,080
Unrestricted	3,936	4,179
Total Net Assets	\$30,294	\$29,830

Net assets of the Floyd County's governmental activities increased by 1.55% (\$29.830 million compared to \$30.294 million). The largest portion of the County's net assets is invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2011	2010
Revenues:		
Program Revenues:		
Charges for Service	\$1,546	\$1,244
Operating Grants, Contributions and Restricted Interest	4,022	3,771
Capital Grants, Contributions and Restricted Interest	663	3,279
General Revenues:		
Property Tax	5,558	5,290
Penalty and Interest on Property Tax	50	60
State Tax Credits	245	267
Local Option Sales Tax	579	539
Unrestricted Investment Earning	108	112
Other General Revenues	477	306
Total Revenues	13,248	14,868

Program Expenses:	June 30,	
	2011	2010
Public Safety and Legal Services	\$2,090	\$2,146
Physical Health and Social Services	1,507	1,259
Mental Health	361	1,760
County Environment and Education	474	615
Roads and Transportation	5,919	5,098
Governmental Services to Residents	552	557
Administration	1,305	1,118
Non-Program	73	73
Interest on Long-term Debt	503	92
Total Expenses	12,784	12,718
Increase in Net Assets	464	2,150
Net Assets Beginning of Year	29,830	27,680
Net Assets End of Year	\$30,294	\$29,830

Floyd County's net assets of governmental activities increased by approximately \$463,368 during the year. Revenues for governmental activities decreased by approximately \$1,620,879 over the prior year, with capital grants revenue down from the prior year by approximately \$2,615,871.

Floyd County's taxable valuations payable in fiscal year 2011 increased slightly more than \$25 million from fiscal year 2010. Urban values increased 3.21% and rural values increased 4.36%. Overall property tax rates for 2011 went down 0.967% for urban (\$6.570 to \$6.507 per \$1,000 of taxable value) and down 0.566% for rural (\$10.164 to \$10.107 per \$1,000 of taxable value). The General Fund tax levy rate remained at the maximum of \$3.50 per \$1,000 of taxable property valuation. The General supplemental Fund levy decreased from \$2.025 to \$2.000. The Mental Health Fund decreased from \$0.956 to \$0.92. The Debt Service Levy decreased from \$0.089 to \$0.087. The Rural Services Fund tax levy rate increased from \$3.594 to \$3.600. The effect of the increase in valuation and the overall decrease in levies raised the county's property tax revenue by more than \$200,000.

The cost of all governmental activities this year was \$12,784,527 compared to \$12,717,635 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was only \$6.6 million because some of the cost was paid by those directly benefited from the programs \$1,545,864 or by other governments and organizations that subsidized certain programs with grants and contributions \$4,685,182. Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2011 from approximately \$8.29 million to \$6.23 million, principally due to receiving less Intergovernmental funds for Secondary Roads. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$5.6 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 \$12,831,119, a decrease of \$1,696,894 from last year's total of \$14,528,013. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures increased when compared to the prior year. This is partially due to the implementation of GASB 54. The ending fund balance showed a decrease of \$124,035 from the prior year to \$4,776,524.
- The County has continued to look for ways to effectively manage the cost of mental health services. The County participated in a regionalized mental health department during 2011. Butler County was the fiduciary agent and most revenues and expenditures flowed through Butler County. For the year, expenditures totaled approximately \$382,512, a decrease of 78% from the prior year. The Mental Health Fund balance at year end increased to a balance of \$506,841.

- The Rural Services Fund revenues and expenditures increased when compared to the prior year. The ending fund balance showed an increase of \$60,187 to \$310,822.
- Secondary Roads Fund expenditures increased by approximately \$298,136 over the prior year, due principally to an increase in roadway construction paid from this fund. With this increase in expenditures, the Secondary Roads Fund ending balance decreased \$302,580 or 7%.
- The County retired the outstanding balance of the General Obligation Urban Renewal Bonds, Series 2002 during the fiscal year. Per the debt agreement, the City of Charles City remitted its portion and the debt was retired. The ending fund balance decreased by \$418,530 to \$349.
- The Capital Projects Fund was established during prior the fiscal year to account for the roadway improvement projects financed by the tax increment financing debt. Expenditures totaled \$1,342,333 for this fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Floyd County amended its budget two times. The amendments were made on July 27, 2010 and May 24, 2011. This amendment was made to provide for additional expenditures in certain County functions. It also re-estimated intergovernmental receipts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, Floyd County had approximately \$39.7 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 \$2.4 million or 6% over last year.

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

	June 30,	
	2011	2010
Land	\$566	\$496
Buildings and Improvements	2,722	2,722
Equipment and Vehicles	5,292	5,219
Infrastructure	31,148	28,951
Total	\$39,728	\$37,388
This year's major additions include (expressed in thousands)		
Capital assets contributed by the Iowa Dept. of Transportation	\$662	
Land	70	
Infrastructure	2,197	
Sheriff Vehicles	38	
Total	\$2,967	

The County had depreciation expense of \$1,376,800 for the year ended June 30, 2011 and total accumulated depreciation of \$15,488,661 at June 30, 2011.

The County's fiscal year 2011 capital budget included \$3,708,000 for capital projects, principally for the continuation of upgrading secondary roads and bridges. The County issued urban renewal roadway improvement debt to finance these projects. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2011 Floyd County has approximately \$8,057,284 in general obligation bonds and other debt outstanding compared to approximately \$8,925,000 at June 30, 2010, as shown below.

Outstanding Debt at Year-End of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2011	2010
General Obligation Bonds and Notes	\$7,861	\$8,754
Compensated Absences	196	171
Total	<u>\$8,057</u>	<u>\$8,925</u>

The County continues to carry a general obligation bond rating as AA- assigned by national rating agencies to the County's debt since 2009. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Floyd County's outstanding general obligation debt is significantly below its constitutional debt limit of \$56 million. Other obligations include accrued vacation pay. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Floyd County's unemployment rate as of June 2011 is 6.3% compared to the statewide rate of 6.0% and the national rate of 9.2%. On a positive note, the County's unemployment rate decreased considerably from 7.5% in June 2010. Nationally, the consumer price index (CPI-U) increased 3.2% from June 2010 to June 2011. Federal and state stimulus funding opportunities are expected to dwindle. According to the 2010 Census data, Floyd County's population declined from 16,900 in 2000 to 16,303 in 2010, a reduction of 597 people. Diminution in population brings with it a drop in funding to local agencies that rely on federal programs such as Community Development Block Grants, Workforce Development Programs, Section 8 Housing, Community Action Programs, Title I grants to local school districts and Head Start programs.

The volume of residential sales continues to be stagnating although market prices are holding. There continues to be activity with agricultural related buildings throughout the farming community. We are seeing more frequency in industrial building permits for new construction, retrofit or remodel projects. A new tire company and the reopening of a chicken processing plant hopes to bring jobs and interest in property sales to the county.

Although health insurance costs are expected to be the same for FY12 as in FY11, employee benefits will rise slightly due to an increase in the required employer's contributions in all classifications of IPERS. Excluding pre-negotiated union/bargaining unit contracts, most employees had a wage/salary freeze in FY11. For FY12, the Board of Supervisors set a 2.5% increase for non-union/non bargaining unit employees.

The Urban Renewal Plan/Build America Bond proceeds continue to be used on road improvement projects. FY 12 road projects including midway Road, 300th St, Gilbert St, T64 (south of Charles City), B33 and a shouldering project on T38. Any unused bond proceeds will be carried into FY13.

The Secondary Roads Department held off on purchasing a rubber-tired excavator in FY11 and intends to follow through with that purchase in FY12. Other equipment expenses expected for FY12 include the purchase of three trucks, one single axle and two tandems. Equipment like this is expected to be used for projects such as the T18/Dancer Ave bridge project scheduled for FY12.

The County continues to invest in the maintenance of the courthouse building. The courthouse is a sturdy, beautiful building with marble walls and Terrazzo floors. Brick replacement projects around the top exterior walls of the building have been necessary due to water infiltration causing the deterioration of interior layers of brick. The Board hopes to finish this type of maintenance in FY13. A brick replacement project on the Main St side of the building in FY11 caused the temporary removal of the bronze "COUNTY COURT HOUSE" letters on the building and consideration is being made to put "FLOYD", which was once on the parapet section of the building prior to 1965, back on the building. Future maintenance plans include a new roof, window replacement, and updates to the heating/cooling system.

Budgeting revenues and expenditures for necessary public needs and services with intentions of optimistic growth of the community can be challenging. Floyd County's elected and appointed officials considered all of the above mentioned factors when setting the FY12 budget, tax rates, and fees that will be charged for various County activities. With increased valuations for taxes payable in FY12 and frugal budgeting efforts, property tax revenues are expected to remain constant and tax rates are expected to reduce slightly.

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, 2011**

	Governmental Activities
ASSETS:	
Cash & Pooled Investments	\$13,676,192
Receivables:	
Property Tax:	
Delinquent	182,020
Succeeding Year	5,341,379
Interest and Penalty on Property Tax	97
Accounts	59,439
Accrued Interest	11,425
Due From Other Governments	512,848
Notes Receivable	11,000
Inventories	291,240
Prepaid Insurance	119,511
Capital Assets (Net of Accumulated Depreciation/Amortization)	24,239,464
TOTAL ASSETS	44,444,615
LIABILITIES:	
Accounts Payable	396,329
Accrued Interest Payable	32,185
Salaries & Benefits Payable	127,439
Due To Other Governments	59,525
Deferred Revenue:	
Succeeding Year Property Tax	5,341,379
Long Term Liabilities:	
Portion Due or Payable Within One Year:	
General Obligation Bonds	55,000
Compensated Absences	196,284
Portion Due or Payable After One Year:	
General Obligation Bonds	7,806,000
Net OPEB Liability	136,247
TOTAL LIABILITIES	14,150,388
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	20,217,844
Restricted For:	
Supplemental Levy Purposes	1,227,001
Mental Health Purposes	523,267
Rural Services Purposes	310,822
Secondary Roads Purposes	3,537,389
Capital Projects	50,051
Other Purposes	492,038
Unrestricted	3,935,815
TOTAL NET ASSETS	\$30,294,227

See Notes To Financial Statements

**FLOYD COUNTY
Charles City, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2011**

	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for Service	Operating Grants, & Restricted Interest	Capital Grants, & Restricted Interest	
Functions/Programs:					
Governmental Activities:					
Public Safety & Legal Services	\$2,089,595	\$115,450	\$1,218	\$0	\$(1,972,927)
Physical Health & Social Services	1,506,781	743,136	388,919	0	(374,726)
Mental Health	361,380	131,702	12,090	0	(217,588)
County Environment & Education	474,184	20,227	13,974	0	(439,983)
Roads & Transportation	5,919,481	105,422	2,841,509	662,779	(2,309,771)
Governmental Services to Residents	551,914	298,545	0	0	(253,369)
Administration	1,305,358	17,434	764,693	0	(523,231)
Non-Program	73,372	113,948	0	0	40,576
Interest on Long-Term Debt	502,462	0	0	0	(502,462)
Total	\$12,784,527	\$1,545,864	\$4,022,403	\$662,779	(6,553,481)
General Revenues:					
Property and Other County Tax Levied For:					
General Purposes					5,499,853
Debt Service					58,605
Penalty Interest on Property Tax					49,687
State Tax Credits					244,769
Local Option Sales Tax					578,689
Unrestricted Investment Earnings					108,053
Miscellaneous					473,185
Gain on Disposal of Capital Assets					4,008
Total General Revenue					7,016,849
Changes in Net Assets					463,368
Net Assets Beginning of Year					29,830,859
Net Assets End of Year					\$30,294,227

See Notes To Financial Statements

FLOYD COUNTY
Charles City, Iowa
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Special Revenue	
		Mental Health	Rural Services
ASSETS			
Cash and Pooled Investments	\$4,745,866	\$378,862	\$327,615
Receivables:			
Property Tax:			
Delinquent	98,138	16,455	66,648
Succeeding Year	3,334,040	559,043	1,420,378
Interest and Penalty on Property Tax	97	0	0
Accounts	44,852	190	0
Notes	0	0	0
Accrued Interest	11,425	0	0
Due From Other Governments	132,283	128,656	0
Inventories	0	0	0
Prepaid Insurance	0	0	0
TOTAL ASSETS	\$8,366,701	\$1,083,206	\$1,814,641
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$61,216	\$619	\$6,874
Salaries & Benefits Payable	46,909	277	463
Due To Other Governments	32,913	0	9,533
Deferred Revenue:			
Succeeding Year Property Tax	3,334,040	559,043	1,420,378
Other	115,099	16,426	66,571
Total Liabilities	3,590,177	576,365	1,503,819
Fund Balances:			
Nonspendable:			
Inventories	0	0	0
Prepaid Insurance	0	0	0
Restricted:			
Supplemental Levy Purposes	1,195,399	0	0
Mental Health Purposes	0	506,841	0
Rural Services Purposes	0	0	310,822
Secondary Roads Purposes	0	0	0
Drainage Warrants/Improvement Certificates	0	0	0
Conservation Land Acquisition	61,838	0	0
Debt Service	0	0	0
Capital Projects	0	0	0
Other Purposes	0	0	0
Assigned	15,139	0	0
Unassigned	3,504,148	0	0
Total Fund Balances	4,776,524	506,841	310,822
TOTAL LIABILITIES AND FUND BALANCES	\$8,366,701	\$1,083,206	\$1,814,641

See Notes To Financial Statements

Exhibit C

<u>Special Revenue</u>				
Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
\$3,323,687	\$348	\$3,271,296	\$337,490	\$12,385,164
0	779	0	0	182,020
0	27,918	0	0	5,341,379
0	0	0	0	97
14,397	0	0	0	59,439
0	0	0	11,000	11,000
0	0	0	0	11,425
251,909	0	0	0	512,848
291,240	0	0	0	291,240
119,511	0	0	0	119,511
<hr/>				
\$4,000,744	\$29,045	\$3,271,296	\$348,490	\$18,914,123
<hr/>				
\$276,078	\$0	\$0	\$0	\$344,787
79,790	0	0	0	127,439
17,079	0	0	0	59,525
0	27,918	0	0	5,341,379
0	778	0	11,000	209,874
372,947	28,696	0	11,000	6,083,004
<hr/>				
291,240	0	0	0	291,240
119,511	0	0	0	119,511
0	0	0	0	1,195,399
0	0	0	0	506,841
0	0	0	0	310,822
3,217,046	0	0	0	3,217,046
0	0	0	27,237	27,237
0	0	0	0	61,838
0	349	0	0	349
0	0	3,271,296	0	3,271,296
0	0	0	310,253	310,253
0	0	0	0	15,139
0	0	0	0	3,504,148
3,627,797	349	3,271,296	337,490	12,831,119
<hr/>				
\$4,000,744	\$29,045	\$3,271,296	\$348,490	\$18,914,123
<hr/>				

FLOYD COUNTY
Charles City, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2011

Total Governmental Fund Balances (Page 14) \$12,831,119

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 \$39,728,125 and the accumulated depreciation/amortization is \$15,488,661. 24,239,464

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 209,874

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. 1,239,486

Long-term liabilities, including capital lease purchase agreements payable, bonds payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (8,225,716)

Net Assets of Governmental Activities (Page 11) \$30,294,227

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, 2011

	General	Special Revenue	
		Mental Health	Rural Services
REVENUES:			
Property & Other County Tax	\$3,504,258	\$578,956	\$1,419,516
Local Option Sales Tax	0	0	0
Interest & Penalty on Property Tax	49,687	0	0
Intergovernmental	1,224,448	169,488	61,069
Licenses & Permits	46,701	0	0
Charges for Services	443,584	0	0
Use of Money & Property	86,128	0	0
Miscellaneous	169,821	12,582	0
Total Revenues	5,524,627	761,026	1,480,585
EXPENDITURES:			
Operating:			
Public Safety & Legal Services	1,836,448	0	283,241
Physical Health & Social Services	1,531,870	0	0
Mental Health	0	382,512	0
County Environment & Education	333,539	0	218,956
Roads & Transportation	0	0	102,145
Governmental Services to Residents	536,804	0	0
Administrative Services	1,308,071	0	0
Nonprogram	0	0	0
Debt Service	0	0	0
Capital Projects	21,994	0	0
Total Expenditures	5,568,726	382,512	604,342
Excess (Deficiency) of Revenues Over (Under) Expenditures	(44,099)	378,514	876,243
Other Financing Sources (Uses):			
Sale of Capital Assets	4,008	0	0
Transfers In	0	0	0
Transfers Out	(83,944)	0	(816,056)
Total Other Financing Sources (Uses)	(79,936)	0	(816,056)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(124,035)	378,514	60,187
Fund Balances – Beginning of Year, As Restated	4,900,559	128,327	250,635
Decrease in Reserve For Inventories	0	0	0
Fund Balances – End of Year	\$4,776,524	\$506,841	\$310,822

See Notes To Financial Statements

Exhibit E

<u>Special Revenue</u>				
Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
\$0	\$59,424	\$0	\$0	\$5,562,154
578,689	0	0	0	578,689
0	0	0	0	49,687
2,841,509	768,799	0	13,974	5,079,287
2,610	0	0	0	49,311
14	0	0	3,196	446,794
977	0	25,792	4,668	117,565
206,150	168,303	12,066	2,913	571,835
3,629,949	996,526	37,858	24,751	12,455,322
0	0	0	4,886	2,124,575
0	0	0	0	1,531,870
0	0	0	0	382,512
0	0	0	0	552,495
4,336,487	0	0	0	4,438,632
0	0	0	5,540	542,344
0	0	0	0	1,308,071
0	0	0	300	300
0	1,415,056	0	0	1,415,056
432,413	0	1,342,333	0	1,796,740
4,768,900	1,415,056	1,342,333	10,726	14,092,595
(1,138,951)	(418,530)	(1,304,475)	14,025	(1,637,273)
0	0	0	0	4,008
900,000	0	0	0	900,000
0	0	0	0	(900,000)
900,000	0	0	0	4,008
(238,951)	(418,530)	(1,304,475)	14,025	(1,633,265)
3,930,377	418,879	4,575,771	323,465	14,528,013
(63,629)	0	0	0	(63,629)
\$3,627,797	\$349	\$3,271,296	\$337,490	\$12,831,119

**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, 2011**

Net Change in Fund Balances - Total Governmental Funds (Page 16-17) **\$(1,633,265)**

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	\$1,715,125	
Capital assets contributed by the Iowa Department of Transportation	662,779	
Depreciation/amortization expense	<u>(1,376,800)</u>	1,001,104

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	(3,131)	
Other	<u>18,352</u>	15,221

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

Issued	0	
Repaid	<u>893,000</u>	893,000

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	(25,179)	
Other Postemployment Benefits	(69,160)	
Interest on long-term debt	<u>19,594</u>	(74,745)

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.

325,682

The change in amount reserved for the Secondary Road inventory is reported as an increase or decrease in reserved fund balance in the governmental funds. This amount is reported as an increase in the Secondary Road expenses in the Statement of Activities.

(63,629)

Change in Net Assets of Governmental Activities (Page 12)

\$463,368

See Notes to Financial Statements

FLOYD COUNTY
Charles City, Iowa

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2011

	<u>Internal Service Employee Group Health</u>
ASSETS	
Cash & Cash Equivalents	\$1,291,028
<hr/>	
Total Assets	\$1,291,028
<hr/>	
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts Payable	\$51,542
<hr/>	
Net Assets	
Unrestricted	\$1,239,486
<hr/>	

See Notes To Financial Statements

FLOYD COUNTY
Charles City, Iowa

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2011

	<u>Internal Service Employee Group Health</u>
Operating Revenues:	
Reimbursements from Operating Funds	\$871,041
Reimbursements from Employees	154,095
Other Reimbursements	70,906
<hr/> Total Operating Revenues	<hr/> 1,096,042
Operating Expenses:	
Medical Claims	528,845
Insurance Premiums	225,634
Miscellaneous	23,498
<hr/> Total Operating Expenses	<hr/> 777,977
Operating Income	318,065
Non-Operating Revenues:	
Interest Income	7,617
<hr/> Net Income	<hr/> 325,682
Net Assets Beginning of Year	913,804
<hr/> Net Assets End of Year	<hr/> <hr/> \$1,239,486

See Notes To Financial Statements

**FLOYD COUNTY
Charles City, Iowa**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2011**

	<u>Internal Service Employee Group Health</u>
Cash Flows From Operating Activities:	
Cash Received From Operating Fund Reimbursements	\$871,041
Cash Received From Employees and Others	225,001
Cash Paid to Suppliers for Services	(860,810)
<u>Net Cash Provided by Operating Activities</u>	<u>235,232</u>
Cash Flows From Investing Activities:	
Interest on Investments	7,617
<u>Net Increase in Cash and Cash Equivalents</u>	<u>242,849</u>
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>1,048,179</u>
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$1,291,028</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$318,065
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Decrease in Accounts Payable	(82,833)
<u>Net Cash Provided by Operating Activities</u>	<u>\$235,232</u>

See Notes To Financial Statements

FLOYD COUNTY
Charles City, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2011

ASSETS

Cash & Pooled Investments:	
County Treasurer	\$1,172,257
Other County Officials	40,403
Receivables:	
Property Tax:	
Delinquent	705
Succeeding Year	15,220,756
Accounts	18,203
Assessments	5,968
Due from Other Governments	13,423
Total Assets	16,471,715

LIABILITIES

Accounts Payable	7,676
Due to Other Governments	16,325,473
Trusts Payable	128,535
Compensated Absences	10,031
Total Liabilities	16,471,715
Net Assets	\$0

See Notes To Financial Statements

FLOYD COUNTY
Charles City, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

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

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

A. REPORTING ENTITY

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

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

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

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

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)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

Special Revenue Funds

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

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

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

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

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

D. ASSETS, LIABILITIES AND FUND EQUITY

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2010.

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, 2011, balances of inter-fund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles, and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

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

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

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

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

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

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absence liability attributable to the governmental activities will be paid primarily by the General and Secondary Roads Funds.

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

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

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

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

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

Unassigned – All amounts not included in other classifications.

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.

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

Notes to Financial Statements (Continued)

Note 3: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2011 is as follows:

Transfer To	Transfer From	Amount
Special Revenue		
Secondary Roads	General Basic	\$83,944
	Special Revenue	
Secondary Roads	Rural Services	816,056
		<u>\$900,000</u>

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

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$496,082	\$70,002	\$0	\$566,084
Construction in Process	2,643,496	1,466,927	3,250,411	860,012
Total Capital Assets Not Being Depreciated	<u>3,139,578</u>	<u>1,536,929</u>	<u>3,250,411</u>	<u>1,426,096</u>
Capital Assets Being Depreciated:				
Buildings	2,336,578	0	0	2,336,578
Improvements Other than Buildings	386,013	0	0	386,013
Machinery and Equipment	4,378,173	57,150	0	4,435,323
Vehicles	393,842	37,811	37,988	393,665
Office Equipment	446,865	16,183	0	463,048
Infrastructure, Road Network	26,307,160	3,980,242	0	30,287,402
Total Capital Assets Being Depreciated	<u>34,248,631</u>	<u>4,091,386</u>	<u>37,988</u>	<u>38,302,029</u>
Less Accumulated Depreciation For:				
Buildings	738,415	48,865	0	787,280
Improvements Other than Buildings	135,359	15,054	0	150,413
Machinery and Equipment	2,274,409	184,292	0	2,458,701
Vehicles	291,367	44,336	37,988	297,715
Office Equipment	339,314	29,117	0	368,431
Infrastructure, Road Network	10,370,985	1,055,136	0	11,426,121
Total Accumulated Depreciation	<u>14,149,849</u>	<u>1,376,800</u>	<u>37,988</u>	<u>15,488,661</u>
Total Capital Assets Being Depreciated, Net	<u>20,098,782</u>	<u>2,714,586</u>	<u>0</u>	<u>22,813,368</u>
Governmental Activities Capital Assets, Net	<u>\$23,238,360</u>	<u>\$4,251,515</u>	<u>\$3,250,411</u>	<u>\$24,239,464</u>

Notes to Financial Statements (Continued)

Note 4: Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Governmental Activities:

Public Safety and Legal Services	\$39,025
Physical Health and Social Services	9,337
Mental Health	1,825
County Environment and Education	36,136
Roads and Transportation	1,256,724
Government Services to Residents	22,038
Administration	11,715
	<hr/>

Total Depreciation Expense – Governmental Activities	<u>\$1,376,800</u>
--	--------------------

Note 5: Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	<u>\$32,913</u>
Special Revenue		
Mental Health	Services	
Rural Services		9,533
Secondary Roads		17,079
		<u>26,612</u>
Total For Governmental Funds		<u>\$59,525</u>
Agency:		
Agricultural Extension	Collections	\$163,708
Assessor		314,857
Schools		9,105,403
Community Colleges		441,096
Corporations		5,144,212
Auto Licenses & Use Tax		353,279
All Other		802,918
		<hr/>
Total For Agency Funds		<u>\$16,325,473</u>

Notes to Financial Statements (Continued)

Note 6: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	2002 GO Bonds	2004 GO Bonds	2010 GO Bonds	Compensated Absences	Total
Balance Beginning of Year	\$840,000	\$224,000	\$7,690,000	\$171,105	\$8,925,105
Increases	0	0	0	25,179	25,179
Decreases	840,000	53,000	0	0	893,000
Balance End of Year	\$0	\$171,000	\$7,690,000	\$196,284	\$8,057,284
Due Within One Year	\$0	\$55,000	\$0	\$196,284	\$251,284

Bonds Payable

During the year ended June 30, 2011, the County retired \$840,000 of General Obligation Urban Renewal Bonds, paying the debt in full.

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

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

A summary of the County's June 30, 2011 General Obligation Urban Renewal County Road Improvement Bond indebtedness is as follows:

Year Ending June 30	Interest Rates	Principal	Interest	Total
2012	3.00%	\$0	\$379,628	\$379,628
2013	3.00%	0	379,628	379,628
2014	3.00%	0	379,627	379,627
2015	3.00%	185,000	379,627	564,627
2016	3.00%	320,000	374,077	694,077
2017-2021	3.00%-4.50%	2,420,000	1,625,718	4,045,718
2022-2026	4.75%-5.35%	2,820,000	1,017,675	3,837,675
2027-2029	5.45%-5.85%	1,945,000	227,637	2,172,637
		\$7,690,000	\$4,763,617	\$12,453,617

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

Notes to Financial Statements (Continued)

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

Economic Development Bonds Payable

A summary of the County's June 30, 2011 General Obligation Economic Development Bonds indebtedness is as follows:

Year Ending June 30	Interest Rates	Principal	Interest	Total
2012	3.75	\$55,000	\$6,588	\$61,588
2013	3.85	57,000	4,525	61,525
2014	3.95	59,000	2,331	61,331
		\$171,000	\$13,444	\$184,444

During the year ended June 30, 2011, the County retired \$53,000 of bonds.

Note 7: Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$340,568, \$305,886, and \$279,930, respectively, equal to the required contributions for each year.

Note 8: Risk Management

The County carries commercial insurance which provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There has been no reduction in insurance coverage from prior years.

The County also carries commercial insurance purchased from the same insurers for coverage associated with workers compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for workers compensation and employee blanket bond claims in excess of \$500,000 and \$25,000 (\$50,000 for the Treasurer), respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9: Employee Health Insurance Plan

The Floyd County Employee Health Plan Trust Fund was established to account for the self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Auxiant. The agreement is subject to automatic renewal provision. The County assumes liability for claims up to the individual stop loss limitation of \$65,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Notes to Financial Statements (Continued)

Note 9: Employee Health Insurance Plan (Continued)

Monthly payments of service fees and plan contributions to the Floyd County Employee Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Floyd County Employee Health Insurance Fund. The County records the plan assets and related liabilities of the Floyd County Health Insurance Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2011 was \$871,041.

Note 10: Other Postemployment Benefits (OPEB)

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

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 104 active and 2 retired members in the plan. Employees must be age 55 or older at retirement.

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

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

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

The table shows the components of the County's annual OPEB cost for June 30, 2011, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual required contribution	\$74,672
Interest on net OPEB obligation	1,677
Adjustment to annual required contribution	(6,005)
Annual OPEB cost (expense)	<u>70,344</u>
Contributions made	<u>(1,184)</u>
Increase in net OPEB obligation	69,160
Net OPEB obligation – beginning of year	<u>67,087</u>
Net OPEB obligation – end of the year	<u><u>\$136,247</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2011.

For the fiscal year 2011, the County contributed \$1,184 to the medical plan. Plan members receiving benefits contributed \$6,756, or 85% of the premium costs.

Notes to Financial Statements (Continued)

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

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$68,585	2.10%	\$67,087
June 30, 2011	\$74,672	1.60%	\$136,247

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$552,191, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$552,191. The covered payroll (annual payroll of active employees covered by the plan) was \$4,134,911, and the ratio of the UAAL to the covered payroll was 13.4%. As of June 30, 2011, there were no trust fund assets.

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

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

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

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

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

Note 11: Related Party Transactions

The County had business transactions between the County and County officials during the year ended June 30, 2011.

Notes to Financial Statements (Continued)

Note 12: Subsequent Events

Management evaluated subsequent events through March 15, 2012, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to March 15, 2012, that provided additional evidence about conditions that existed at June 30, 2011, have been recognized in the financial statements for the year ended June 30, 2011. Events or transactions that provided evidence about conditions that did not exist at June 30, 2011, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2011.

Note 13: Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General	Supplemental Environmental Project	Attorney Forfeiture	Attorney Collection Incentive	Conservation Land Acquisition
Balances June 30, 2010, as previously reported	\$4,818,429	\$12,189	\$2,818	\$39	\$67,084
Change in fund type classification per implementation of GASB Statement No. 54	82,130	(12,189)	(2,818)	(39)	(67,084)
Balances July 1, 2010, as restated	\$4,900,559	\$0	\$0	\$0	\$0

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, 2011

	Actual	Less Funds Not Required to be Budgeted
RECEIPTS:		
Property and Other County Tax	\$6,139,974	\$0
Interest and Penalty on Property Tax	53,328	0
Intergovernmental	4,961,486	0
Licenses and Permits	30,726	0
Charges for Services	441,299	0
Use of Money and Property	125,933	0
Miscellaneous	572,520	2,007
Total Receipts	12,325,266	2,007
DISBURSEMENTS:		
Public Safety and Legal Services	2,140,603	0
Physical Health and Social Services	1,532,252	0
Mental Health	575,705	0
County Environment and Education	551,878	0
Roads and Transportation	4,313,202	0
Governmental Services to Residents	542,032	0
Administrative Services	1,275,812	0
Nonprogram	300	300
Debt Services	1,415,056	0
Capital Projects	2,945,543	0
Total Disbursements	15,292,383	300
Excess (Deficiency) of Receipts Under Disbursements	(2,967,117)	1,707
Other Financing Sources, Net	4,008	0
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(2,963,109)	1,707
Balance – Beginning of Year	15,348,273	25,530
Balance – End of Year	\$12,385,164	\$27,237

See Accompanying Independent Auditors' Report

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$6,139,974	\$5,977,988	\$5,977,988	\$161,986
53,328	10,100	10,100	43,228
4,961,486	4,401,128	5,216,715	(255,229)
30,726	16,000	16,000	14,726
441,299	454,230	454,230	(12,931)
125,933	160,975	140,475	(14,542)
570,513	151,573	344,408	226,105
12,323,259	11,171,994	12,159,916	163,343
2,140,603	2,267,675	2,268,675	128,072
1,532,252	1,723,458	1,743,458	211,206
575,705	856,720	856,720	281,015
551,878	1,841,011	694,047	142,169
4,313,202	10,594,306	4,538,881	225,679
542,032	580,191	580,191	38,159
1,275,812	1,428,471	1,630,471	354,659
0	0	0	0
1,415,056	182,643	1,415,136	80
2,945,543	698,000	3,708,000	762,457
15,292,083	20,172,475	17,435,579	2,143,496
(2,968,824)	(9,000,481)	(5,275,663)	2,306,839
4,008	0	0	4,008
(2,964,816)	(9,000,481)	(5,275,663)	2,310,847
15,322,743	13,532,429	13,532,429	1,790,314
\$12,357,927	\$4,531,948	\$8,256,766	\$4,101,161

FLOYD COUNTY
Charles City, Iowa

BUDGETARY COMPARISON SCHEDULE –
 BUDGET TO GAAP RECONCILIATION

Required Supplementary Information
 Year Ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$12,325,266	\$130,056	\$12,455,322
Expenditures	15,292,383	(1,199,788)	14,092,595
Net	(2,967,117)	1,329,844	(1,637,273)
Other Financing Sources (Net)	4,008	0	4,008
Beginning Fund Balances	15,348,273	(820,260)	14,528,013
Increase (Decrease) in Reserve for: Inventories	0	(63,629)	(63,629)
Ending Fund Balances	<u>\$12,385,164</u>	<u>\$445,955</u>	<u>\$12,831,119</u>

See Accompanying Independent Auditors' Report

FLOYD COUNTY
Charles City, Iowa

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

June 30, 2011

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Services Fund and the Capital Project Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments decreased budgeted disbursements by \$2,736,896. The budget amendments are reflected in the final budgeted amounts.

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

Floyd County

Required Supplementary Information

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
2010	July 1, 2009	\$0	\$552	\$552	0%	\$3,922	14.0%
2011	July 1, 2009	\$0	\$552	\$552	0%	\$4,135	13.4%

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

FLOYD COUNTY
Charles City, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	Resource Enhancement & Protection	Sheriff Forfeiture
ASSETS		
Cash and Pooled Investments	\$140,715	\$5
Receivables:		
Accounts	0	0
TOTAL ASSETS	\$140,715	\$5

LIABILITIES AND FUND BALANCES

Liabilities:		
Deferred Revenue	\$0	\$0
Total Liabilities	0	0
Fund Balances:		
Restricted for:		
Drainage Warrants/Improvement Certificates	0	0
Other Purposes	140,715	5
	140,715	5
TOTAL FUND BALANCES	\$140,715	\$5

See Accompanying Independent Auditors' Report

Schedule 1

Sheriff Reserve	Commissary Profit	Recorders Records Management	Infrastructure Assistance	Drainage	Total
\$3,928	\$7,998	\$10,643	\$146,964	\$27,237	\$337,490
0	0	0	11,000	0	11,000
\$3,928	\$7,998	\$10,643	\$157,964	\$27,237	\$348,490
\$0	\$0	\$0	\$11,000	\$0	\$11,000
0	0	0	11,000	0	11,000
0	0	0	0	27,237	27,237
3,928	7,998	10,643	146,964	0	310,253
3,928	7,998	10,643	146,964	27,237	337,490
\$3,928	\$7,998	\$10,643	\$157,964	\$27,237	\$348,490

FLOYD COUNTY
Charles City, Iowa

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

Year Ended June 30, 2011

	Resource Enhancement & Protection	Sheriff Forfeiture
REVENUES:		
Intergovernmental	\$13,974	\$0
Charges for Services	0	0
Use of Money and Property	820	0
Miscellaneous	0	574
Total Revenues	14,794	574
EXPENDITURES:		
Operating:		
Public Safety and Legal Services	0	1,719
Governmental Services to Residents	0	0
Nonprogram	0	0
Total Expenditures	0	1,719
Excess (Deficiency) of Revenues Over (Under) Expenditures	14,794	(1,145)
Fund Balances – Beginning of Year, As Restated	125,921	1,150
Fund Balances – End of Year	\$140,715	\$5

See Accompanying Independent Auditors' Report

Schedule 2

Sheriff Reserve	Commissary Profit	Recorders Records Management	Infrastructure Assistance	Drainage	Total
\$0	\$0	\$0	\$0	\$0	\$13,974
0	0	3,196	0	0	3,196
0	3,769	79	0	0	4,668
332	0	0	0	2,007	2,913
332	3,769	3,275	0	2,007	24,751
653	2,514	0	0	0	4,886
0	0	5,540	0	0	5,540
0	0	0	0	300	300
653	2,514	5,540	0	300	10,726
(321)	1,255	(2,265)	0	1,707	14,025
4,249	6,743	12,908	146,964	25,530	323,465
\$3,928	\$7,998	\$10,643	\$146,964	\$27,237	\$337,490

FLOYD COUNTY
Charles City, Iowa

COMBINING SCHEDULE OF FIDUCIARY
 ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2011

ASSETS	County Offices	Agricultural Extension Education	County Assessor	Schools
Cash & Pooled Investments:				
County Treasurer	\$0	\$2,629	\$152,322	\$126,733
Other County Officials	40,403	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	8	9	467
Succeeding Year	0	161,071	171,990	8,978,203
Accounts	747	0	0	0
Assessments	0	0	0	0
Due from Other Governments	0	0	0	0
TOTAL ASSETS	\$41,150	\$163,708	\$324,321	\$9,105,403
LIABILITIES				
Accounts Payable	\$0	\$0	\$1,238	\$0
Due to Other Governments	891	163,708	314,857	9,105,403
Trusts Payable	40,259	0	0	0
Compensated Absences	0	0	8,226	0
TOTAL LIABILITIES	\$41,150	\$163,708	\$324,321	\$9,105,403

See Accompanying Independent Auditors' Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto Licenses & Use Tax	Other	Total
\$5,968	\$76,883	\$3,366	\$3,111	\$353,279	\$447,966	\$1,172,257
0	0	0	0	0	0	40,403
22	174	19	0	0	6	705
435,106	5,067,155	277,621	0	0	129,610	15,220,756
0	0	0	0	0	17,456	18,203
0	0	0	5,968	0	0	5,968
0	0	0	0	0	13,423	13,423
<u>\$441,096</u>	<u>\$5,144,212</u>	<u>\$281,006</u>	<u>\$9,079</u>	<u>\$353,279</u>	<u>\$608,461</u>	<u>\$16,471,715</u>
\$0	\$0	\$0	\$0	\$0	\$6,438	\$7,676
441,096	5,144,212	281,006	9,079	353,279	511,942	16,325,473
0	0	0	0	0	88,276	128,535
0	0	0	0	0	1,805	10,031
<u>\$441,096</u>	<u>\$5,144,212</u>	<u>\$281,006</u>	<u>\$9,079</u>	<u>\$353,279</u>	<u>\$608,461</u>	<u>\$16,471,715</u>

FLOYD COUNTY
Charles City, Iowa

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

Year Ended June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
Balances – Beginning of Year	\$38,068	\$179,574	\$296,298	\$8,642,228
Additions:				
Property & Other County Tax	0	171,605	181,665	9,477,147
E911 Surcharge	0	0	0	0
State Tax Credits	0	8,313	7,634	400,428
Driver License Fees	0	0	0	0
Office Fees & Collections	350,159	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	479,573	0	0	0
Miscellaneous	0	0	426	0
Total Additions	829,732	179,918	189,725	9,877,575
Deductions:				
Agency Remittances:				
To Other Funds	188,360	0	0	0
To Other Governments	167,655	195,784	161,702	9,414,400
Trusts Paid Out	470,635	0	0	0
Total Deductions	826,650	195,784	161,702	9,414,400
Balances – End of Year	\$41,150	\$163,708	\$324,321	\$9,105,403

See Accompanying Independent Auditors' Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$409,325	\$5,283,093	\$241,953	\$12,876	\$316,315	\$590,517	\$16,010,247
458,788	5,267,233	293,262	0	0	136,782	15,986,482
0	0	0	0	0	76,176	76,176
18,964	184,446	10,952	0	0	5,919	636,656
0	0	0	0	51,444	0	51,444
0	0	0	0	0	0	350,159
0	0	0	0	0	9,582	9,582
0	0	0	0	4,321,254	0	4,321,254
0	0	0	17,264	0	2,409	19,673
0	0	0	0	0	256,198	735,771
0	848	0	0	0	644,303	645,577
477,752	5,452,527	304,214	17,264	4,372,698	1,131,369	22,832,774
0	0	0	0	163,267	0	351,627
445,981	5,591,408	265,161	21,061	4,172,467	846,187	21,281,806
0	0	0	0	0	267,238	737,873
445,981	5,591,408	265,161	21,061	4,335,734	1,113,425	22,371,306
\$441,096	\$5,144,212	\$281,006	\$9,079	\$353,279	\$608,461	\$16,471,715

FLOYD COUNTY
Charles City, Iowa

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

For the Last Nine Years

	Modified Accrual Basis			
	2011	2010	2009	2008
Revenues:				
Property & Other County Tax	\$6,140,843	\$5,729,681	\$5,891,998	\$5,802,047
Interest & Penalty on Property Tax	49,687	59,957	46,138	47,109
Intergovernmental	5,079,287	5,737,044	5,459,065	5,408,569
Licenses & Permits	49,311	28,024	23,358	47,895
Charges for Service	446,794	427,449	521,231	483,059
Use of Money & Property	117,565	115,531	163,652	413,240
Miscellaneous	571,835	402,426	339,912	395,084
Total	<u>\$12,455,322</u>	<u>\$12,500,112</u>	<u>\$12,445,354</u>	<u>\$12,597,003</u>
Expenditures:				
Operating:				
Public Safety & Legal Services	\$2,124,575	\$2,149,363	\$2,089,169	\$1,912,262
Physical Health & Social Services	1,531,870	1,243,055	1,118,237	1,193,465
Mental Health	382,512	1,754,410	1,777,497	1,968,666
County Environment & Education	552,495	560,846	576,430	606,009
Roads & Transportation	4,438,632	4,236,085	4,844,176	3,861,790
Governmental Services to Residents	542,344	542,485	545,506	511,296
Administrative Services	1,308,071	976,827	957,960	1,017,121
Non-Program	300	0	0	1,376
Debt Services	1,415,056	185,041	177,911	179,439
Capital Projects	1,796,740	2,997,366	1,680,425	778,282
Total	<u>\$14,092,595</u>	<u>\$14,645,478</u>	<u>\$13,767,311</u>	<u>\$12,029,706</u>

See Accompanying Independent Auditors' Report

Schedule 5

2007	2006	2005	2004	2003
\$5,498,137	\$5,295,274	\$4,805,283	\$4,883,833	\$4,634,842
47,364	43,908	53,750	36,198	36,326
5,252,030	5,082,450	4,947,891	5,155,744	4,132,497
23,118	29,020	18,104	26,653	18,571
472,134	470,692	471,754	506,324	513,607
596,876	453,700	262,671	132,118	174,136
485,157	1,692,004	611,326	423,514	411,297
<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>
\$1,951,304	\$1,813,921	\$1,654,793	\$1,518,894	\$1,473,373
1,124,286	1,087,279	849,469	993,977	1,148,652
1,902,673	1,865,675	1,682,439	1,759,700	1,632,493
649,693	462,250	647,333	1,316,935	1,110,704
3,851,773	4,091,732	3,748,897	3,679,428	3,308,841
564,434	637,086	474,520	427,785	408,856
882,157	835,154	939,955	982,806	1,407,412
5,319	2,412	4,924	5,740	638
279,123	255,615	256,543	108,058	39,877
104,958	592,528	494,790	205,505	408,848
<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>



Gardiner Thomsen
Certified Public Accountants

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

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, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 15, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not be designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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

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

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether Floyd County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

March 15, 2012

Gardiner Thompson, P.C.

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings
Year Ended June 30, 2011

Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

A Segregation of Duties:

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

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

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

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

Cause – Limited staff available to segregate duties.

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

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

B Financial Reporting:

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

Criteria – A good financial reporting system to record capital assets, including infrastructure and the related depreciation calculations.

Condition – Capital asset additions, including infrastructure and construction in process were not always included in the capital asset listing at the proper acquisition value. Capital asset disposals were not always disposed of on the capital asset listing.

Effect – The capital asset listing was not correct.

Cause – Limited staff.

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

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

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings (Continued)
Year Ended June 30, 2011

Findings Related to the Financial Statements (Continued)

C Preparation of Full Disclosure Financial Statements:

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

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

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

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

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

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

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

Other Findings Related to Required Statutory Reporting

1 Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.

2 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purposes as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.

3 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

4 Business Transactions – The following business transactions between the County and County officials or employees were noted.

<u>Name and Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Diana Swartzrock, Home Health		
Swartzrock Implement		
Diana Swartzrock, Secretary	Tech Manuals & Filters	\$1,510

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings (Continued)
Year Ended June 30, 2011

Other Findings Related to Required Statutory Reporting (Continued)

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

Recommendation – The County should refrain from business transactions with County officials or employees whenever possible.

Response – We will refrain from business transactions with County officials or employees whenever possible.

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.
- 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).
- 9 **Economic Development** – During the year ended June 30, 2011, the County paid \$77,206 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, 2011 for the County Extension Office did not exceed the amount budgeted.