

FLOYD COUNTY
Charles City, Iowa

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2012

**FLOYD COUNTY
Charles City, Iowa**

OFFICIALS

<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

FLOYD COUNTY
Charles City, Iowa

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Gardiner Thomsen
Certified Public Accountants

Independent Auditor's 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, as of and for the year ended June 30, 2012, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2013 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.

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 38 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 25, 2013

Gardiner 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, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 4.18%, or approximately \$553,735, from fiscal 2011 to fiscal 2012. Capital grants and contributions increased \$1,248,970 while charges for services increased \$33,289 and operating grants decreased \$886,814.
- Program expenses were 1.71%, or approximately \$219,024, more in fiscal 2012 than in fiscal 2011. Mental health expense increased \$812,194 while Roads & Transportation expense decreased \$581,580 and Administration decreased \$280,430.
- The County's net assets increased 2.63%, or approximately \$798,079 from June 30, 2011 to June 30, 2012.

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.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net 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 \$30,401,858, as restated, to \$31,199,937. 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,	
	2012	2011
Current and Other Assets	\$17,551	\$20,205
Capital Assets	28,207	24,347
Total Assets	45,758	44,552
Long-Term Debt Outstanding	8,159	8,194
Other Liabilities	6,399	5,956
Total Liabilities	14,558	14,150
Net Assets:		
Invested in Capital Assets, Net of Related Debt	21,461	20,326
Restricted	5,901	6,140
Unrestricted	3,838	3,936
Total Net Assets	\$31,200	\$30,402

Net assets of the Floyd County’s governmental activities increased by 2.63% (\$31.200 million compared to \$30.402 million as restated). 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,	
	2012	2011
Revenues:		
Program Revenues:		
Charges for Service	\$ 1,579	\$ 1,546
Operating Grants, Contributions and Restricted Interest	3,136	4,022
Capital Grants, Contributions and Restricted Interest	1,912	663
General Revenues:		
Property Tax	5,590	5,558
Penalty and Interest on Property Tax	67	50
State Tax Credits	235	245
Local Option Sales Tax	568	579
Tax Increment Financing	174	0
Unrestricted Investment Earning	72	108
Other General Revenues	469	477
Total Revenues	13,802	13,248

Program Expenses:	June 30,	
	2012	2011
Public Safety and Legal Services	\$ 2,202	\$ 2,090
Physical Health and Social Services	1,463	1,507
Mental Health	1,174	361
County Environment and Education	645	474
Roads and Transportation	5,338	5,927
Governmental Services to Residents	596	552
Administration	1,025	1,189
Non-Program	175	73
Interest on Long-term Debt	386	503
Total Expenses	13,004	12,676
Increase in Net Assets	798	572
Net Assets Beginning of Year, As Restated	30,402	29,830
Net Assets End of Year	\$31,200	\$30,402

Floyd County's net assets of governmental activities increased by approximately \$798,079 during the year. Revenues for governmental activities increased by approximately \$553,735 over the prior year, with capital grants revenue increased from the prior year by approximately \$1,248,970.

Floyd County's taxable valuations payable in fiscal year 2012 increased \$33.8 million from fiscal year 2011. Urban values increased 5.65% and rural values increased 4.76%. Overall property tax rates for 2012 went down 6.49% for urban (\$6.49568 to \$6.07407 per \$1,000 of taxable value) and down 4.176% for rural (\$10.09568 to \$9.67407 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 \$2.00 to \$1.66671. The Mental Health Fund Levy decreased from \$0.90883 to \$0.86634. The Debt Service Levy decreased from \$0.08685 to \$0.04102. The Rural Services Fund tax levy rate stayed the same at \$3.60. The effect of the increase in valuations, decrease in levies, and credits to taxpayers caused a \$20,000 increase in property tax revenue.

The cost of all governmental activities this year was \$13,003,551 compared to \$12,784,527 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was only \$6.4 million because some of the cost was paid by those directly benefited from the programs \$1,579,153 or by other governments and organizations that subsidized certain programs with grants and contributions \$5,047,338. Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2012 from approximately \$6.23 million to \$6.63 million, principally due to receiving more Intergovernmental funds for Secondary Roads. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$5.6 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 \$9,764,108, a decrease of \$3,067,011 from last year's total of \$12,831,119. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased and expenditures increased slightly when compared to the prior year. This is partially due to the decrease in property tax and intergovernmental revenues and slight increases in several expenditure categories. The ending fund balance showed a decrease of \$436,974 from the prior year to \$4,339,550.

- 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 2012. Butler County was the fiduciary agent and most revenues and expenditures flowed through Butler County. For the year, expenditures totaled approximately \$1,170,158, an increase of 305% from the prior year. The Mental Health Fund balance at year end decreased to a balance of \$162,823.
- The Rural Services Fund revenues increased while expenditures decreased when compared to the prior year. The ending fund balance showed a decrease of \$618 to \$310,204.
- Secondary Roads Fund expenditures decreased by approximately \$261,257 over the prior year, due principally to a decrease in roadway construction paid from this fund. With this decrease in expenditures, the Secondary Roads Fund ending balance increased \$516,247 or 14%.
- The County began collecting tax increment financing revenues during this fiscal year to finance the debt payments for the 2010 G.O. Bonds. The ending fund balance increased by \$43,748 to \$44,097.
- The Capital Projects Fund was established to account for the roadway improvement projects financed by the tax increment financing debt. Expenditures totaled \$2,724,685 for this fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Floyd County amended its budget one time. The amendment was made on May 22, 2012. This amendment was made to provide for additional expenditures in certain County functions. It also re-estimated miscellaneous receipts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Floyd County had approximately \$45.1 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 \$5.4 million or 13% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2012	2011
Land	\$ 566	\$ 566
Buildings and Improvements	3,192	2,722
Equipment and Vehicles	5,580	5,292
Infrastructure	35,771	31,148
Total	\$45,109	\$39,728
This year's major additions include (expressed in thousands)		
Capital assets contributed by the Iowa Dept. of Transportation	\$1,530	
Secondary Road Equipment	403	
Infrastructure	3,093	
Sheriff Vehicles	46	
Courthouse Renovations	345	
Total	\$5,417	

The County had depreciation expense of \$1,580,111 for the year ended June 30, 2012 and total accumulated depreciation of \$16,902,141 at June 30, 2012.

The County's fiscal year 2012 capital budget included \$4,690,000 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, 2012 Floyd County has approximately \$7,946,426 in general obligation bonds and other debt outstanding compared to approximately \$8,057,284 at June 30, 2011, as shown below.

Outstanding Debt at Year-End of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2012	2011
General Obligation Bonds and Notes	\$7,690	\$7,861
Compensated Absences	186	196
Drainage Warrants	71	0
Total	\$7,947	\$8,057

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 \$57 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 2012 is 6.1% compared to the statewide rate of 5.1% and the national rate of 8.2%. Nationally, the consumer price index (CPI-U) increased from \$225.722 in June 2011 to \$229.478 in June 2012.

Employer contribution in all classifications of IPERS will cause a slight increase in the cost of employee benefits. Excluding pre-negotiated union/bargaining unit contracts, salaries increases for most employees will be \$480 or a 1.5% increase based on the first \$35,000 in wages for FY13. The Secondary Roads union contract includes a negotiated 1.5% across the board increase for Secondary Road Department Employees.

January 1, 2012, the county transitioned from a self-insured employee health insurance program to a partially self-funded plan. Insurance costs for the county are not expected to increase significantly in FY13. However, the county recognizes that health care reformation will likely cause an increase in the upcoming years and are closely monitoring the Health Care Trust Fund to assure its preparedness for future mandates.

Renewable energy efforts will be a priority in FY13. Plans to erect a 10k wind turbine and solar panels at the Fossil and Prairie Center site as well as a power purchase agreement with the local utility company are in the planning stages. Grants for an educational component of these two energy sources as well as the existing geothermal heating system will offer a computer system availing a monitoring opportunity for visitors at the center to visually see the energy generated. The county's 2012 amended zoning ordinance now compliments wind energy systems. To further excite rural residents to "go green", in FY13 the Board intends to offer a financial incentive for those who erect small wind turbine systems.

Talks initiated in June 2012 with the Winnebago Boy Scout Council regarding the disposition of the Winnebago Scout Reservation property near Marble Rock. Floyd County could likely become the owner of this 320 acre property with funding from the county, grants and donations. If this comes to fruition, the property would be utilized as public facility offering camping, trail and water access, educational opportunities and preservation and enhancement of the biological assets of the park.

A brick replacement project around the top, exterior north wall of the building should be completed in FY13. Once completed, a roof replacement project will commence in effort to remedy water infiltration issues. The Board of Supervisors believe the courthouse is a sturdy, beautiful building with marble walls and Terrazzo

floors worthy of maintaining. Other 5-10 year plans include a window replacement project and updates to the heating/cooling system.

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 many factors when setting the FY13 budget, tax rates and fees charged for various County activities. Although valuations for taxes payable in FY13 increased, the county expects to slightly increase the overall tax rates in effort to generate additional revenue to fund necessary expenses and maintain fund balances.

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, 2012**

	Governmental Activities
ASSETS:	
Cash & Pooled Investments	\$10,783,876
Receivables:	
Property Tax:	
Delinquent	191,543
Succeeding Year	5,854,464
Interest and Penalty on Property Tax	47
Accounts	62,465
Accrued Interest	5,522
Drainage Assessments	2,531
Due From Other Governments	400,409
Inventories	249,824
Capital Assets (Net of Accumulated Depreciation/Amortization)	28,207,234
TOTAL ASSETS	45,757,915
LIABILITIES:	
Accounts Payable	72,597
Accrued Interest Payable	31,636
Salaries & Benefits Payable	47,770
Due To Other Governments	392,972
Deferred Revenue:	
Succeeding Year Property Tax	5,854,464
Long Term Liabilities:	
Portion Due or Payable Within One Year:	
Compensated Absences	185,729
Portion Due or Payable After One Year:	
General Obligation Bonds	7,690,000
Drainage Warrants	70,697
Net OPEB Liability	212,113
TOTAL LIABILITIES	14,557,978
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	21,460,929
Restricted For:	
Supplemental Levy Purposes	1,042,431
Mental Health Purposes	179,368
Rural Services Purposes	379,078
Secondary Roads Purposes	4,059,264
Debt Service	12,461
Other Purposes	228,157
Unrestricted	3,838,249
TOTAL NET ASSETS	\$31,199,937

See Notes To Financial Statements

**FLOYD COUNTY
Charles City, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2012**

	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for Service	& Restricted Interest	Contributions, & Restricted Interest	
Functions/Programs:					
Governmental Activities:					
Public Safety & Legal Services	\$ 2,201,685	\$ 103,078	\$ 0	\$ 0	\$(2,098,607)
Physical Health & Social Services	1,463,560	674,013	285,369	0	(504,178)
Mental Health	1,173,574	217,531	0	0	(956,043)
County Environment & Education	644,643	35,157	11,153	0	(598,333)
Roads & Transportation	5,337,901	134,469	2,813,668	1,911,749	(478,015)
Governmental Services to Residents	595,580	317,248	0	0	(278,332)
Administration	1,024,928	15,980	25,399	0	(983,549)
Non-Program	175,412	81,677	0	0	(93,735)
Interest on Long-Term Debt	386,268	0	0	0	(386,268)
Total	\$13,003,551	\$1,579,153	\$3,135,589	\$1,911,749	(6,377,060)
General Revenues:					
Property and Other County Tax Levied For:					
General Purposes					5,561,229
Debt Service					28,726
Penalty Interest on Property Tax					66,710
State Tax Credits					235,090
Local Option Sales Tax					567,536
Tax Increment Financing					174,043
Unrestricted Investment Earnings					71,686
Miscellaneous					474,083
Loss on Disposal of Capital Assets					(3,964)
Total General Revenue					7,175,139
Changes in Net Assets					798,079
Net Assets Beginning of Year, As Restated					30,401,858
Net Assets End of Year					\$31,199,937

See Notes To Financial Statements

FLOYD COUNTY
Charles City, Iowa
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Special Revenue	
		Mental Health	Rural Services
ASSETS			
Cash & Pooled Investments	\$4,278,947	\$ 458,572	\$ 315,479
Receivables:			
Property Tax:			
Delinquent	106,100	16,553	68,890
Succeeding Year	3,537,971	551,975	1,448,475
Interest and Penalty on Property Tax	47	0	0
Accounts	55,563	0	0
Accrued Interest	5,522	0	0
Assessments	0	0	0
Due From Other Governments	98,309	40,425	0
Inventories	0	0	0
TOTAL ASSETS	\$8,082,459	\$1,067,525	\$1,832,844
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 23,144	\$ 1,132	\$ 0
Salaries & Benefits Payable	16,087	0	4,767
Due To Other Governments	32,363	335,050	524
Deferred Revenue:			
Succeeding Year Property Tax	3,537,971	551,975	1,448,475
Other	133,344	16,545	68,874
Total Liabilities	3,742,909	904,702	1,522,640
Fund Balances:			
Nonspendable:			
Inventories	0	0	0
Restricted:			
Supplemental Levy Purposes	1,005,040	0	0
Mental Health Purposes	0	162,823	0
Rural Services Purposes	0	0	310,204
Secondary Roads Purposes	0	0	0
Drainage Warrants/Improvement Certificates	0	0	0
Conservation Land Acquisition	38,845	0	0
Debt Service	0	0	0
Capital Projects	0	0	0
Other Purposes	0	0	0
Assigned	15,541	0	0
Unassigned	3,280,124	0	0
Total Fund Balances	4,339,550	162,823	310,204
TOTAL LIABILITIES AND FUND BALANCES	\$8,082,459	\$1,067,525	\$1,832,844

See Notes To Financial Statements

Exhibit C

<u>Special Revenue</u>				
Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
\$3,722,987	\$ 44,097	\$552,893	\$211,330	\$ 9,584,305
0	0	0	0	191,543
0	316,043	0	0	5,854,464
0	0	0	0	47
1,221	0	0	1,008	57,792
0	0	0	0	5,522
0	0	0	2,531	2,531
261,675	0	0	0	400,409
249,824	0	0	0	249,824
<u>\$4,235,707</u>	<u>\$360,140</u>	<u>\$552,893</u>	<u>\$214,869</u>	<u>\$16,346,437</u>
\$ 39,712	\$ 0	\$ 0	\$ 1,841	\$ 65,829
26,916	0	0	0	47,770
25,035	0	0	0	392,972
0	316,043	0	0	5,854,464
0	0	0	2,531	221,294
<u>91,663</u>	<u>316,043</u>	<u>0</u>	<u>4,372</u>	<u>6,582,329</u>
249,824	0	0	0	249,824
0	0	0	0	1,005,040
0	0	0	0	162,823
0	0	0	0	310,204
3,894,220	0	0	0	3,894,220
0	0	0	21,185	21,185
0	0	0	0	38,845
0	44,097	0	0	44,097
0	0	552,893	0	552,893
0	0	0	189,312	189,312
0	0	0	0	15,541
0	0	0	0	3,280,124
<u>4,144,044</u>	<u>44,097</u>	<u>552,893</u>	<u>210,497</u>	<u>9,764,108</u>
<u>\$4,235,707</u>	<u>\$360,140</u>	<u>\$552,893</u>	<u>\$214,869</u>	<u>\$16,346,437</u>

FLOYD COUNTY
Charles City, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total Governmental Fund Balances (Page 14) \$ 9,764,108

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 \$45,109,375 and the accumulated depreciation/amortization is \$16,902,141. 28,207,234

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 221,294

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. 1,197,476

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. (8,190,175)

Net Assets of Governmental Activities (Page 11) \$31,199,937

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, 2012

	General	Special Revenue	
		Mental Health	Rural Services
REVENUES:			
Property & Other County Tax	\$3,476,766	\$582,877	\$1,491,652
Local Option Sales Tax	0	0	0
Interest & Penalty on Property Tax	66,710	0	0
Intergovernmental	1,100,296	242,278	61,569
Licenses & Permits	40,152	0	0
Charges for Service	435,468	0	0
Use of Money & Property	73,189	0	0
Miscellaneous	210,655	985	0
Total Revenues	5,403,236	826,140	1,553,221
EXPENDITURES:			
Operating:			
Public Safety & Legal Services	1,899,522	0	283,104
Physical Health & Social Services	1,434,870	0	0
Mental Health	0	1,170,158	0
County Environment & Education	375,871	0	220,083
Roads & Transportation	0	0	80,938
Governmental Services to Residents	560,599	0	0
Administration	1,326,651	0	0
Non-Program	0	0	0
Debt Service	0	0	0
Capital Projects	40,722	0	0
Total Expenditures	5,638,235	1,170,158	584,125
Excess (Deficiency) of Revenues Over (Under) Expenditures	(234,999)	(344,018)	969,096
Other Financing Sources (Uses):			
Sale of Capital Assets	3,251	0	0
Transfers In	17,729	0	0
Transfers Out	(222,955)	0	(969,714)
Drainage Warrants Issued	0	0	0
Total Other Financing Sources (Uses)	(201,975)	0	(969,714)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(436,974)	(344,018)	(618)
Fund Balances Beginning of Year	4,776,524	506,841	310,822
Decrease in Reserve For Inventories	0	0	0
Fund Balances End of Year	\$4,339,550	\$162,823	\$ 310,204

See Notes To Financial Statements

Exhibit E

<u>Special Revenue</u>				
<u>Secondary Roads</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 0	\$ 203,547	\$ 0	\$ 0	\$ 5,754,842
567,536	0	0	0	567,536
0	0	0	0	66,710
3,195,160	1,184	0	11,153	4,611,640
5,340	0	0	0	45,492
21	0	0	3,138	438,627
15,904	0	6,282	15,145	110,520
223,405	132,870	0	4,450	572,365
4,007,366	337,601	6,282	33,886	12,167,732
0	0	0	4,838	2,187,464
0	0	0	0	1,434,870
0	0	0	0	1,170,158
0	0	0	0	595,954
4,136,873	0	0	0	4,217,811
0	0	0	3,025	563,624
0	0	0	0	1,326,651
0	0	0	76,749	76,749
0	557,817	0	0	557,817
370,770	0	2,724,685	0	3,136,177
4,507,643	557,817	2,724,685	84,612	15,267,275
(500,277)	(220,216)	(2,718,403)	(50,726)	(3,099,543)
0	0	0	0	3,251
1,057,940	263,964	0	0	1,339,633
0	0	0	(146,964)	(1,339,633)
0	0	0	70,697	70,697
1,057,940	263,964	0	(76,267)	73,948
557,663	43,748	(2,718,403)	(126,993)	(3,025,595)
3,627,797	349	3,271,296	337,490	12,831,119
(41,416)	0	0	0	(41,416)
\$4,144,044	\$ 44,097	\$ 552,893	\$ 210,497	\$ 9,764,108

**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, 2012**

Net Change in Fund Balances - Total Governmental Funds (Page 16-17) \$(3,025,595)

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	\$3,917,209	
Capital assets contributed by the Iowa Department of Transportation	1,530,256	
Depreciation/amortization expense	<u>(1,580,111)</u>	3,867,354

In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (7,215)

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	9,728	
Other	<u>1,692</u>	11,420

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	(70,697)	
Repaid	<u>171,000</u>	100,303

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	10,555	
Other Postemployment Benefits	(75,866)	
Interest on long-term debt	<u>549</u>	(64,762)

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. (42,010)

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. (41,416)

Change in Net Assets of Governmental Activities (Page 12) \$ 798,079

See Notes to Financial Statements

**FLOYD COUNTY
Charles City, Iowa**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2012**

	<u>Internal Service Employee Group Health</u>
ASSETS	
Cash & Cash Equivalents	\$1,199,571
Receivables:	
Accounts	4,673
<hr/>	
Total Assets	\$1,204,244
<hr/>	
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts Payable	\$ 6,768
<hr/>	
Net Assets	
Unrestricted	\$1,197,476
<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, 2012

	<u>Internal Service Employee Group Health</u>
Operating Revenues:	
Reimbursements from Operating Funds	\$ 887,915
Reimbursements from Employees	165,705
Other Reimbursements	11,629
<hr/> Total Operating Revenues	<hr/> 1,065,249
Operating Expenses:	
Medical Claims	589,724
Insurance Premiums	514,430
Miscellaneous	9,145
<hr/> Total Operating Expenses	<hr/> 1,113,299
Operating Loss	(48,050)
Non-Operating Revenues:	
Interest Income	6,040
<hr/> Net Loss	<hr/> (42,010)
Net Assets Beginning of Year	1,239,486
<hr/> Net Assets End of Year	<hr/> <hr/> \$1,197,476

See Notes To Financial Statements

FLOYD COUNTY
Charles City, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2012

	Internal Service Employee Group Health
Cash Flows From Operating Activities:	
Cash Received From Operating Fund Reimbursements	\$ 887,915
Cash Received From Employees and Others	172,661
Cash Paid to Suppliers for Services	(1,158,073)
Net Cash Used in Operating Activities	(97,497)
Cash Flows From Investing Activities:	
Interest on Investments	6,040
Net Decrease in Cash and Cash Equivalents	(91,457)
Cash and Cash Equivalents Beginning of Year	1,291,028
Cash and Cash Equivalents End of Year	\$ 1,199,571
Reconciliation of Operating Income to Net Cash Used in Operating Activities:	
Operating Loss	\$ (48,050)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Increase in Accounts Receivable	(4,673)
Decrease in Accounts Payable	(44,774)
Net Cash Used in Operating Activities	\$ (97,497)

See Notes To Financial Statements

FLOYD COUNTY
Charles City, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2012

ASSETS

Cash & Pooled Investments:	
County Treasurer	\$ 1,365,156
Other County Officials	50,084
Receivables:	
Property Tax:	
Delinquent	221
Succeeding Year	14,930,354
Accounts	19,212
Assessments	4,188
Due From Other Governments	10,240
Total Assets	16,379,455

LIABILITIES

Accounts Payable	25,686
Due To Other Governments	16,201,231
Trusts Payable	142,125
Compensated Absences	10,413
Total Liabilities	16,379,455
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 revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

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

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

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

Additionally, the County reports the following funds:

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2011.

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

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

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2012, 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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

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

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

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

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

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

Deferred revenue in the Statement of Net 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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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, 2012. 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.

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements in the Clerk of Court department exceeded the amount appropriated

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

Note 3: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	Rural Services	\$ 969,714
Secondary Roads	General Basic	88,226
Conservation Reserve	General Basic	17,729
Debt Service:		
Debt Service	Infrastructure Assistance	146,964
	General Basic	<u>117,000</u>
		<u>\$1,339,633</u>

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

Notes to Financial Statements (Continued)

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance as Reported 6/30/2011	Adjustments	Beginning Balance as Restated	Increases	Decreases	Balance End of Year
Governmental Activities:						
Capital Assets Not Being Depreciated:						
Land	\$ 566,084	\$ 0	\$ 566,084	\$ 0	\$ 0	\$ 566,084
Construction in Progress	860,012	0	860,012	4,624,635	4,216,113	1,268,534
Total Capital Assets Not Being Depreciated	1,426,096	0	1,426,096	4,624,635	4,216,113	1,834,618
Capital Assets Being Depreciated:						
Buildings	2,336,578	0	2,336,578	0	0	2,336,578
Improvements Other than Buildings	386,013	122,073	508,086	346,863	0	854,949
Machinery & Equipment	4,435,323	0	4,435,323	410,055	170,100	4,675,278
Vehicles	393,665	0	393,665	65,912	18,188	441,389
Office Equipment	463,048	0	463,048	0	0	463,048
Infrastructure	30,287,402	0	30,287,402	4,216,113	0	34,503,515
Total Capital Assets Being Depreciated	38,302,029	122,073	38,424,102	5,038,943	188,288	43,274,757
Less Accumulated Depreciation For:						
Buildings	787,280	0	787,280	48,865	0	836,145
Improvements Other than Buildings	150,413	6,104	156,517	38,501	0	195,018
Machinery & Equipment	2,458,701	8,338	2,467,039	200,713	162,885	2,504,867
Vehicles	297,715	0	297,715	46,935	18,188	326,462
Office Equipment	368,431	0	368,431	31,299	0	399,730
Infrastructure	11,426,121	0	11,426,121	1,213,798	0	12,639,919
Total Accumulated Depreciation	15,488,661	14,442	15,503,103	1,580,111	181,073	16,902,141
Total Capital Assets Being Depreciated, Net	22,813,368	107,631	22,920,999	3,458,832	7,215	26,372,616
Governmental Activities Capital Assets, Net	\$24,239,464	\$107,631	\$24,347,095	\$8,083,467	\$4,223,328	\$28,207,234

During the fiscal year ended June 30, 2011, the County began renovation of the south side of the Courthouse. During the audit of the fiscal year ended June 30, 2012, it was noted the project had been completed and had not been included in the "Improvements Other than Buildings" or depreciated. It was also noted that an asset in the Machinery and Equipment category was not depreciating correctly. The beginning capital assets, beginning accumulated depreciation and beginning net assets on the Statement of Net Assets have been restated to reflect the correction.

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public Safety & Legal Services	\$ 37,657
Physical Health & Social Services	13,502
Mental Health	1,824
County Environment and Education	37,860
Roads and Transportation	1,432,069
Government Services to Residents	22,037
Administration	35,162
Total Depreciation Expense – Governmental Activities	\$1,580,111

Notes to Financial Statements (Continued)

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	\$ 32,363
Special Revenue		
Mental Health	Services	335,050
Rural Services		524
Secondary Roads		25,035
		<u>360,609</u>
	Total For Governmental Funds	<u>\$ 392,972</u>
Agency:		
Agricultural Extension	Collections	\$ 165,827
Assessor		507,081
Schools		8,770,757
Community Colleges		448,783
Corporations		5,195,138
Auto Licenses & Use Tax		346,217
All Other		767,428
	Total For Agency Funds	<u>\$16,201,231</u>

Note 6: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	2004 GO Bonds	2010 GO Bonds	Drainage Warrants	Compensated Absences	Total
Balance Beginning of Year	\$171,000	\$7,690,000	\$ 0	\$196,284	\$8,057,284
Increases	0	0	70,697	0	70,697
Decreases	171,000	0	0	10,555	181,555
Balance End of Year	<u>\$ 0</u>	<u>\$7,690,000</u>	<u>\$70,697</u>	<u>\$185,729</u>	<u>\$7,946,426</u>
Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$185,729</u>	<u>\$ 185,729</u>

Bonds Payable

During the year ended June 30, 2012, the County retired \$171,000 of General Obligation Urban Renewal Bonds, Series 2004, 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.

Notes to Financial Statements (Continued)

Note 6: Changes in Long-Term Liabilities

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

A summary of the County's June 30, 2012 General Obligation Urban Renewal County Road Improvement Bond indebtedness is as follows:

Year Ending June 30	Interest Rate	Principal	Interest	Total
2013	3.00%	\$ 0	\$ 379,627	\$ 379,627
2014	3.00%	0	379,628	379,628
2015	3.00%	185,000	379,628	564,628
2016	3.40%	320,000	374,077	694,077
2017	3.75%	455,000	363,198	818,198
2018-2022	4.10%-5.00%	2,490,000	1,521,805	4,011,805
2023-2027	5.10%-5.60%	2,920,000	869,965	3,789,965
2028-2029	5.75%-5.85%	1,320,000	116,063	1,436,063
		<u>\$7,690,000</u>	<u>\$4,383,991</u>	<u>\$12,073,991</u>

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

Drainage Warrants Payable

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

Note 7: Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$394,411, \$340,568, and \$305,886, 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.

Notes to Financial Statements (Continued)

Note 8: Risk Management (Continued)

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.

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, 2012 was \$887,915.

Note 10: Other Postemployment Benefits (OPEB)

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 103 active and 1 retired members in the plan. Employees must be age 55 or older at retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution 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.

Notes to Financial Statements (Continued)

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

The table shows the components of the County's annual OPEB cost for June 30, 2012, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual required contribution	\$ 81,126
Interest on net OPEB obligation	3,406
Adjustment to annual required contribution	(7,155)
Annual OPEB cost (expense)	<u>77,377</u>
Contributions made	(1,511)
Increase in net OPEB obligation	<u>75,866</u>
Net OPEB obligation beginning of year	<u>136,247</u>
Net OPEB obligation end of year	<u><u>\$212,113</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, 2012.

For the fiscal year 2012, the County contributed \$1,511 to the medical plan. Plan members receiving benefits contributed \$6,193, or 80.39% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$68,585	2.10%	\$ 67,087
2011	\$74,672	1.60%	\$136,247
2012	\$81,126	1.90%	\$212,113

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$537,163, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$537,163. The covered payroll (annual payroll of active employees covered by the plan) was \$4,227,401, and the ratio of the UAAL to the covered payroll was 12.7%. As of June 30, 2012, 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.

Notes to Financial Statements (Continued)

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

As of the 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.

Projected claim costs of the medical plan are \$510 per month for retirees. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized on a level dollar basis over 30 years.

Note 11: Related Party Transactions

The County had business transactions between the County and County officials during the year ended June 30, 2012.

Note 12: Restatement of Net Assets

During the fiscal year ended June 30, 2011, the County began renovation of the south side of the Courthouse. During the audit of the fiscal year ended June 30, 2012, it was noted that the project had been completed during the fiscal year ended June 30, 2011 and had not been included in the capital assets or depreciated. It was also noted that an asset in the machinery and equipment category was not depreciating correctly. The beginning capital assets, beginning accumulated depreciation and beginning net assets on the Statement of Net Assets have been restated as follows:

Net Assets, June 30, 2011 as previously reported	\$30,294,227
Adjustment	<u>107,631</u>
Net Assets, July 1, 2011 as restated for governmental funds	<u>\$30,401,858</u>

Note 13: Early Childhood Iowa Area Board

Floyd County is the fiscal agent for the Floyd Mitchell Chickasaw Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 2561 of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2012 is as follows:

Notes to Financial Statements (Continued)

Note 13: Early Childhood Iowa Area Board (Continued)

	Early Childhood	School Ready	Total
Revenues:			
State Grants:			
Early Childhood	\$54,399	\$ 0	\$ 54,399
Family Support and Parent Education	0	206,947	206,947
Preschool Support for Low-Income Families	0	90,864	90,864
Quality Improvements	0	42,121	42,121
Allocation for Administration	2,863	11,191	14,054
Other Grant Programs	0	21,901	21,901
Total Stage Grants	57,262	373,024	430,286
Interest on Investments	44	569	613
Total Revenues	57,306	373,593	430,899
Expenditures			
Program Services:			
Early Childhood	49,857	0	49,857
Family Support and Parent Education	0	184,825	184,825
Preschool Support for Low-Income Families	0	81,693	81,693
Quality Improvements	0	42,121	42,121
Other Program Services	0	29,341	29,341
Total Program Services	49,857	337,980	387,837
Administration	1,785	12,989	14,774
Total Expenditures	51,642	350,969	402,611
Net Change in Fund Balance	5,664	22,624	28,288
Fund Balance Beginning of Year	1,481	78,032	79,513
Fund Balance End of Year	\$ 7,145	\$100,656	\$107,801

Note 14: Subsequent Events

Management evaluated subsequent events through March 25, 2013, the date the financial statements were available to be issued.

FLOYD COUNTY
Charles City, Iowa

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

Required Supplementary Information
Year Ended June 30, 2012

	Actual	Less Funds Not Required to be Budgeted
RECEIPTS:		
Property & Other County Tax	\$ 6,321,798	\$ 0
Interest & Penalty on Property Tax	66,760	0
Intergovernmental	4,753,115	0
Licenses & Permits	44,692	0
Charges for Service	423,084	0
Use of Money & Property	116,298	0
Miscellaneous	572,390	0
Total Receipts	12,298,137	0
DISBURSEMENTS:		
Public Safety & Legal Services	2,196,394	0
Physical Health & Social Services	1,463,127	0
Mental Health	834,872	0
County Environment & Education	597,190	0
Roads & Transportation	4,393,159	0
Governmental Services to Residents	566,732	0
Administration	1,356,381	0
Non-Program	74,908	74,908
Debt Service	557,817	0
Capital Projects	3,132,364	0
Total Disbursements	15,172,944	74,908
Excess (Deficiency) of Receipts Under Disbursements	(2,874,807)	(74,908)
Other Financing Sources, Net	73,948	70,697
Excess (Deficiency) of Receipts and Other Financing Sources Under Disbursements and Other Financing Uses	(2,800,859)	(4,211)
Balance Beginning of Year	12,385,164	27,237
Balance End of Year	\$ 9,584,305	\$23,026

See Accompanying Independent Auditor's Report

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 6,321,798	\$ 6,177,980	\$ 6,184,126	\$ 137,672
66,760	25,200	25,200	41,560
4,753,115	4,757,081	4,757,081	(3,966)
44,692	15,000	15,000	29,692
423,084	457,240	457,240	(34,156)
116,298	97,328	97,328	18,970
572,390	289,220	342,086	230,304
12,298,137	11,819,049	11,878,061	420,076
2,196,394	2,322,957	2,336,557	140,163
1,463,127	1,758,591	1,760,160	297,033
834,872	858,758	858,758	23,886
597,190	681,466	683,527	86,337
4,393,159	4,878,694	4,878,694	485,535
566,732	599,821	599,821	33,089
1,356,381	1,449,895	1,471,395	115,014
0	0	0	0
557,817	558,616	558,616	799
3,132,364	4,690,000	4,690,000	1,557,636
15,098,036	17,798,798	17,837,528	2,739,492
(2,799,899)	(5,979,749)	(5,959,467)	3,159,568
3,251	0	0	3,251
(2,796,648)	(5,979,749)	(5,959,467)	3,162,819
12,357,927	11,200,394	11,200,394	1,157,533
\$ 9,561,279	\$ 5,220,645	\$ 5,240,927	\$4,320,352

FLOYD COUNTY
Charles City, Iowa

BUDGETARY COMPARISON SCHEDULE --
 BUDGET TO GAAP RECONCILIATION

Required Supplementary Information
 Year Ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$12,298,137	\$(130,405)	\$12,167,732
Expenditures	15,172,944	94,331	15,267,275
Net	(2,874,807)	(224,736)	(3,099,543)
Other Financing Sources, Net	73,948	0	73,948
Beginning Fund Balances	12,385,164	445,955	12,831,119
Decrease in Reserve for: Inventories	0	(41,416)	(41,416)
Ending Fund Balances	\$ 9,584,305	\$179,803	\$ 9,764,108

See Accompanying Independent Auditor's Report

FLOYD COUNTY
Charles City, Iowa

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

June 30, 2012

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, one budget amendment increased budgeted disbursements by \$38,730. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2012, disbursements in the Clerk of Court department exceeded the amount appropriated.

Floyd County

Required Supplementary Information

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

Required Supplementary Information

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

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

See Accompanying Independent Auditor's Report

FLOYD COUNTY
Charles City, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2012

	Resource Enhancement & Protection	Sheriff Forfeiture
ASSETS		
Cash and Pooled Investments	\$152,628	\$3,797
Receivables:		
Accounts	0	0
Drainage Assessments	0	0
TOTAL ASSETS		
	\$152,628	\$3,797
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 0	\$ 0
Deferred Revenue	0	0
Total Liabilities	0	0
Fund Balances:		
Restricted for:		
Drainage Warrants/Improvement Certificates	0	0
Other Purposes	152,628	3,797
Total Fund Balances	152,628	3,797
TOTAL LIABILITIES AND FUND BALANCES		
	\$152,628	\$3,797

See Accompanying Independent Auditor's Report

Schedule 1

Sheriff Reserve	Commissary Profit	Recorder's Records Management	Infrastructure Assistance	Drainage	Total
\$3,428	\$7,522	\$ 9,929	\$11,000	\$23,026	\$211,330
0	125	883	0	0	1,008
0	0	0	0	2,531	2,531
\$3,428	\$7,647	\$10,812	\$11,000	\$25,557	\$214,869
\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,841	\$ 1,841
0	0	0	0	2,531	2,531
0	0	0	0	4,372	4,372
0	0	0	0	21,185	21,185
3,428	7,647	10,812	11,000	0	189,312
3,428	7,647	10,812	11,000	21,185	210,497
\$3,428	\$7,647	\$10,812	\$11,000	\$25,557	\$214,869

FLOYD COUNTY
Charles City, Iowa

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

Year Ended June 30, 2012

	Resource Enhancement & Protection	Sheriff Forfeiture
REVENUES:		
Intergovernmental	\$11,153	\$ 0
Charges for Service	0	0
Use of Money & Property	760	0
Miscellaneous	0	4,450
Total Revenues	11,913	4,450
EXPENDITURES:		
Operating:		
Public Safety & Legal Services	0	658
Governmental Services to Residents	0	0
Non-Program	0	0
Total Expenditures	0	658
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,913	3,792
Other Financing Sources (Uses)		
Transfers Out	0	0
Drainage Warrants Issued	0	0
	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	11,913	3,792
Fund Balances Beginning of Year	140,715	5
Fund Balances End of Year	\$152,628	\$3,797

See Accompanying Independent Auditor's Report

Schedule 2

Sheriff Reserve	Commissary Profit	Recorder's Records Management	Infrastructure Assistance	Drainage	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,153
0	0	3,138	0	0	3,138
0	3,329	56	11,000	0	15,145
0	0	0	0	0	4,450
0	3,329	3,194	11,000	0	33,886
500	3,680	0	0	0	4,838
0	0	3,025	0	0	3,025
0	0	0	0	76,749	76,749
500	3,680	3,025	0	76,749	84,612
(500)	(351)	169	11,000	(76,749)	(50,726)
0	0	0	(146,964)	0	(146,964)
0	0	0	0	70,697	70,697
0	0	0	(146,964)	70,697	(76,267)
(500)	(351)	169	(135,964)	(6,052)	(126,993)
3,928	7,998	10,643	146,964	27,237	337,490
\$3,428	\$7,647	\$10,812	\$ 11,000	\$21,185	\$210,497

FLOYD COUNTY
Charles City, Iowa

COMBINING SCHEDULE OF FIDUCIARY
 ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash & Pooled Investments:				
County Treasurer	\$ 0	\$ 2,960	\$180,640	\$ 164,938
Other County Officials	50,084	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	3	5	122
Succeeding Year	0	162,864	337,213	8,605,697
Accounts	1,572	0	0	0
Assessments	0	0	0	0
Due From Other Governments	0	0	0	0
TOTAL ASSETS	\$51,656	\$165,827	\$517,858	\$8,770,757
LIABILITIES				
Accounts Payable	\$ 0	\$ 0	\$ 1,485	\$ 0
Due To Other Governments	1,697	165,827	507,081	8,770,757
Trusts Payable	49,959	0	0	0
Compensated Absences	0	0	9,292	0
TOTAL LIABILITIES	\$51,656	\$165,827	\$517,858	\$8,770,757

See Accompanying Independent Auditor's Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto Licenses & Use Tax	Other	Total
\$ 7,980	\$ 86,752	\$ 4,874	\$2,835	\$346,501	\$567,676	\$ 1,365,156
0	0	0	0	0	0	50,084
6	81	4	0	0	0	221
440,797	5,108,305	266,162	0	0	9,316	14,930,354
0	0	0	0	0	17,640	19,212
0	0	0	4,188	0	0	4,188
0	0	0	0	0	10,240	10,240
\$448,783	\$5,195,138	\$271,040	\$7,023	\$346,501	\$604,872	\$16,379,455
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,201	\$ 25,686
448,783	5,195,138	271,040	7,023	346,217	487,668	16,201,231
0	0	0	0	284	91,882	142,125
0	0	0	0	0	1,121	10,413
\$448,783	\$5,195,138	\$271,040	\$7,023	\$346,501	\$604,872	\$16,379,455

FLOYD COUNTY
Charles City, Iowa

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

Year Ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
Balances Beginning of Year	\$ 41,150	\$163,708	\$324,321	\$9,105,403
Additions:				
Property & Other County Tax	0	169,733	344,547	8,995,185
E911 Surcharge	0	0	0	0
State Tax Credits	0	7,130	7,614	397,105
Driver License Fees	0	0	0	0
Office Fees & Collections	327,978	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	498,490	0	0	0
Miscellaneous	0	0	601	0
Total Additions	826,468	176,863	352,762	9,392,290
Deductions:				
Agency Remittances:				
To Other Funds	179,671	0	0	0
To Other Governments	151,111	174,744	159,225	9,726,936
Trusts Paid Out	485,180	0	0	0
Total Deductions	815,962	174,744	159,225	9,726,936
Balances End of Year	\$ 51,656	\$165,827	\$517,858	\$8,770,757

See Accompanying Independent Auditor's Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$441,096	\$5,144,212	\$281,006	\$ 9,079	\$ 353,279	\$608,461	\$16,471,715
459,177	5,379,684	278,397	0	0	14,539	15,641,262
0	0	0	0	0	73,216	73,216
19,279	182,015	11,870	0	0	5,705	630,718
0	0	0	0	39,225	0	39,225
0	0	0	0	0	0	327,978
0	0	0	0	4,528,658	0	4,528,658
0	0	0	10,356	0	0	10,356
0	0	0	0	3,206	192,890	694,586
0	857	0	0	0	639,127	640,585
478,456	5,562,556	290,267	10,356	4,571,089	925,477	22,586,584
0	0	0	0	164,465	0	344,136
470,769	5,511,630	300,233	12,412	4,410,480	744,455	21,661,995
0	0	0	0	2,922	184,611	672,713
470,769	5,511,630	300,233	12,412	4,577,867	929,066	22,678,844
\$448,783	\$5,195,138	\$271,040	\$ 7,023	\$ 346,501	\$604,872	\$16,379,455

FLOYD COUNTY
Charles City, Iowa

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

For the Last Ten Years

	Modified Accrual Basis			
	2012	2011	2010	2009
Revenues:				
Property & Other County Tax	\$ 6,322,378	\$ 6,140,843	\$ 5,729,681	\$ 5,891,998
Interest & Penalty on Property Tax	66,710	49,687	59,957	46,138
Intergovernmental	4,611,640	5,079,287	5,737,044	5,459,065
Licenses & Permits	45,492	49,311	28,024	23,358
Charges for Service	438,627	446,794	427,449	521,231
Use of Money & Property	110,520	117,565	115,531	163,652
Miscellaneous	572,365	571,835	402,426	339,912
Total	<u>\$12,167,732</u>	<u>\$12,455,322</u>	<u>\$12,500,112</u>	<u>\$12,445,354</u>
Expenditures:				
Operating:				
Public Safety & Legal Services	\$ 2,187,464	\$ 2,124,575	\$ 2,149,363	\$ 2,089,169
Physical Health & Social Services	1,434,870	1,531,870	1,243,055	1,118,237
Mental Health	1,170,158	382,512	1,754,410	1,777,497
County Environment & Education	595,954	552,495	560,846	576,430
Roads & Transportation	4,217,811	4,438,632	4,236,085	4,844,176
Governmental Services to Residents	563,624	542,344	542,485	545,506
Administration	1,326,651	1,308,071	976,827	957,960
Non-Program	76,749	300	0	0
Debt Service	557,817	1,415,056	185,041	177,911
Capital Projects	3,136,177	1,796,740	2,997,366	1,680,425
Total	<u>\$15,267,275</u>	<u>\$14,092,595</u>	<u>\$14,645,478</u>	<u>\$13,767,311</u>

See Accompanying Independent Auditor's Report

Schedule 5

2008	2007	2006	2005	2004	2003
\$ 5,802,047	\$ 5,498,137	\$ 5,295,274	\$ 4,805,283	\$ 4,883,833	\$4,634,842
47,109	47,364	43,908	53,750	36,198	36,326
5,408,569	5,252,030	5,082,450	4,947,891	5,155,744	4,132,497
47,895	23,118	29,020	18,104	26,653	18,571
483,059	472,134	470,692	471,754	506,324	513,607
413,240	596,876	453,700	262,671	132,118	174,136
395,084	485,157	1,692,004	611,326	423,514	411,297
<u>\$12,597,003</u>	<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>
\$ 1,912,262	\$ 1,951,304	\$ 1,813,921	\$ 1,654,793	\$ 1,518,894	\$1,473,373
1,193,465	1,124,286	1,087,279	849,469	993,977	1,148,652
1,968,666	1,902,673	1,865,675	1,682,439	1,759,700	1,632,493
606,009	649,693	462,250	647,333	1,316,935	1,110,704
3,861,790	3,851,773	4,091,732	3,748,897	3,679,428	3,308,841
511,296	564,434	637,086	474,520	427,785	408,856
1,017,121	882,157	835,154	939,955	982,806	1,407,412
1,376	5,319	2,412	4,924	5,740	638
179,439	279,123	255,615	256,543	108,058	39,877
778,282	104,958	592,528	494,790	205,505	408,848
<u>\$12,029,706</u>	<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 Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Officials of Floyd County:
Charles City, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Floyd County, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Floyd County is responsible for establishing and maintaining effective 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 was not 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, 2012 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 25, 2013

Gardiner Thomsen, P.C.

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings
Year Ended June 30, 2012

Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

A Segregation of Duties:

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

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

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

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

Cause – Limited staff available to segregate duties.

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

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

B Financial Reporting:

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

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

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

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

Cause – Limited staff.

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

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings
Year Ended June 30, 2012

Financial Reporting: (Continued)

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

C Preparation of Full Disclosure Financial Statements:

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

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

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

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

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

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

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

Other Findings Related to Required Statutory Reporting

- 1 **Certified Budget** – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted. However, disbursements in the Clerk of Court department exceeded the amount appropriated.

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

Response – The appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings
Year Ended June 30, 2012

Other Findings Related to Required Statutory Reporting (Continued)

- 2 **Questionable Expenditures** – Certain 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. These expenditures are detailed as follows:

Paid to	Purpose	Amount
Hy-Vee	Meals for Sheriff volunteers	\$692

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

Recommendation – The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation.

Response – We will document this in the future.

Conclusion – Response accepted.

- 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.

Name and Title and Business Connection	Description	Amount
Diana Swartzrock, Home Health		
Swartzrock Implement		
Diana Swartzrock, Secretary	Conservation Department Mower	\$7,399

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.

FLOYD COUNTY
Charles City, Iowa

Schedule of Findings
Year Ended June 30, 2012

Other Findings Related to Required Statutory Reporting (Continued)

5 **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

6 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the County’s publication of Board proceedings includes summaries of resolutions passed rather than the full resolutions. Chapter 349.16 of the Code of Iowa requires publication of the proceedings of the Board of Supervisors. Chapter 331.504 of the Code of Iowa states the minutes of the Board are to include a complete text of the motions, resolutions, amendments and ordinances adopted by the Board. An Attorney General’s opinion dated January 27, 1982 states it is not permissible to publish a summary of resolutions

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

Response – We will include the complete text of resolutions as required.

Conclusion – Response accepted.

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

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

9 **Economic Development** – During the year ended June 30, 2012, the County paid \$100,724 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, 2012 for the County Extension Office did not exceed the amount budgeted.

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