

FLOYD COUNTY
Charles City, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2004

FLOYD COUNTY, IOWA
Charles City, Iowa

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FLOYD COUNTY
Charles City, Iowa

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Leo Staudt.....	Board of Supervisors.....	January 2007
Arlin Enabnit.....	Board of Supervisors.....	January 2007
Warren K. Dunkel	Board of Supervisors.....	January 2005
Bret Stowe	County Auditor.....	January 2005
Frank Rottinghaus	County Treasurer	January 2007
Deborah K. Roberts	County Recorder	January 2007
Rick Lynch.....	County Sheriff.....	January 2005
Marilyn Dettmer	County Attorney	January 2007
Bruce C. Hovden	County Assessor	Appointed

Independent Auditors' Report

To the Officials of Floyd County
Charles City, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Floyd County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Floyd County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Floyd County at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 11 to the financial statements, during the year ended June 30, 2004, Floyd County adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Independent Auditors' Report (Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2005 on our consideration of Floyd County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 – 9 and 34 – 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed 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 three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

April 22, 2005

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, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 13%, or approximately \$1,243,108, from fiscal 2003 to fiscal 2004. Property tax increased \$248,991, operating grants, capital grants and contributions totaled \$5,579,258.
- Program expenses were 1%, or approximately \$59,134, more in fiscal 2004 than in fiscal 2003. Roads and transportation expense increased approximately \$370,587.
- The County's net assets increased 3%, or approximately \$574,251 from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the non-major Special Revenue and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the

accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 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 were virtually unchanged from a year ago, increasing from \$16.7 million to \$17.2 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)	
	2004
Current and Other Assets	\$11,194
Capital Assets	13,222
<u>Total Assets</u>	<u>24,416</u>
Long-Term Debt Outstanding	2,101
Other Liabilities	5,037
<u>Total Liabilities</u>	<u>7,138</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	12,847
Restricted	5,162
Unrestricted	(731)
<u>Total Net Assets</u>	<u>\$17,278</u>

Net assets of the Floyd County's governmental activities increased by 3% (\$16.7 million compared to \$17.2 million). The largest portion of the County's net assets is the invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from approximately \$1.34 million at June 30, 2003 to approximately \$1.31 million at the end of this year, a decrease of 2%.

This reduction of approximately \$24,083 in unrestricted net assets was a result of increased expenditures for economic development.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)	
Revenues:	
Program Revenues:	
Changes for Service	\$1,311
Operating Grants, Contributions and Restricted Interest	3,565
Capital Grants, Contributions and Restricted Interest	1,507
General Revenues:	
Property Tax	4,336
Penalty and Interest on Property Tax	36
State Tax Credits	279
Local Option Sales Tax	458
Tax Increment Financing	108
Unrestricted Investment Earning	82
Other General Revenues	420
<u>Total Revenues</u>	<u>12,102</u>

Program Expenses:	
Public Safety and Legal Services	\$1,493
Physical Health and Social Services	998
Mental Health	1,765
County Environment and Education	1,354
Roads and Transportation	4,011
Governmental Services to Residents	438
Administration	1,404
Non-Program	8
Interest on Long-term Debt	57
Total Expenses	11,528
Increase (Decrease) in Net Assets	574
Net Assets Beginning of Year	16,704
Net Assets End of Year	\$17,278

Floyd County's net assets of governmental activities increased by approximately \$574,251 during the year. Revenues for governmental activities increased by approximately \$1.273 million over the prior year, with property tax revenue up from the prior year by approximately \$248,991, or 5%.

The County increased property tax rates for 2004 by an average of 1%. This increase raised the County's property tax revenue by approximately \$248,991 in 2004. Based on increases in the levy rate, property tax revenue is budgeted to increase by an additional \$24,000 next year.

The cost of all governmental activities this year was \$10.99 million compared to \$10.93 million last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was only \$5.7 million because some of the cost was paid by those directly benefited from the programs \$(1.31 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5.07 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2004 from approximately \$4.661 million to \$5.688 million, principally due to receiving additional Intergovernmental funds for Mental Health, Secondary Roads and the Grant Fund. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$5.719 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 \$6.15 million, an increase of more than \$656,011 above last year's total of \$5.5 million. The increase in fund balance is primarily attributable to a capital lease agreement for Secondary Road. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance showed a modest increase of \$72,607 from the prior year to \$888,909.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,759,700, an increase of 8% from the prior year. The Mental Health Fund balance at year end decreased to a deficit balance of \$178,506.
- Secondary Roads Fund expenditures increased by approximately \$217,226 over the prior year, due principally to an increase in roadway maintenance as the County continues to aggressively upgrade the condition of the County roadway system. Despite this increase in expenditures, the Secondary Roads Fund ending balance increased \$935,466 or 23%
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund.

BUDGETARY HIGHLIGHTS

Floyd County amended its budget in May of 2004. The purpose of the amendment was to cover increased expenditures for services, computers and health costs. However, this did not result in an increase in taxes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, Floyd County had approximately \$22.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$569,150 or 3% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	2004	2003
Land	\$ 36	\$ 36
Buildings and Improvements	2,577	2,577
Equipment and Vehicles	4,344	4,305
Infrastructure	15,924	15,148
Construction in Process	0	255
Total	\$22,881	\$22,321
This year's major additions include (expressed in thousands)		
Capital assets contributed by the Iowa Dept. of Transportation		\$ 520
Replacement Secondary Roads Equipment		566
County Sheriff Vehicles		72
Total		\$1,158

The County had depreciation expense of \$865,593 for the year ended June 30, 2004 and total accumulated depreciation of \$9,658,823 at June 30, 2004.

The County's fiscal year 2004 capital budget included \$375,000 for capital projects, principally for the continuation of upgrading secondary road and bridges. The County has no plans to issue additional debt to finance these projects. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2004 Floyd County has approximately \$1,934,250 in general obligation bonds and other debt outstanding compared to approximately \$1,614,000 at June 30, 2003, as shown below.

Outstanding Debt at Year-End of Governmental Activities (Expressed in Thousands)		
	2004	2003
General Obligation Bonds and Notes	\$1,559	\$1,614
Capital Lease Purchase Agreements	375	0
Compensated Absences	167	158
Total	\$2,101	\$1,772

Debt increased as a result of entering into a capital lease purchase agreement to acquire three new motor graders.

The County continues to carry a general obligation bond rating as Aa3 assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Floyd County's outstanding general obligation debt is significantly below its constitutional debt limit of \$29 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Floyd County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various County activities. Economic factors such as inflation, cost of living, unemployment and residential, agricultural and commercial growth were taken into account. Cost of living remained constant at 2.7%. Unemployment in the County rose from 4.3% in 2003 to 4.9% in 2004 as compared to the state at 4.4% and 4.8%, respectively.

The County is committed to economic development growth opportunities. In early 2005, the Board will participate in the establishment and funding of programs as part of a municipal housing project.

The flood of May 2004 will have an impact on the 2005 budget. Approximately \$150,000 of unbudgeted labor, equipment and material were expended from Secondary Roads in early 2005. These are intended to be absorbed without amending the 2005 budget.

With these factors in mind, the goal of the County when preparing the 2005 budget was to make reasonable effort to not raise property taxes. Even with increased wages and cost-of-living adjustments, budgeted disbursements are expected to decline by approximately \$400,000 in 2005. If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of 2005.

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, 2004

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$6,412,985
Receivables	
Property Tax	
Delinquent	58,167
Succeeding Year	4,191,709
Interest & Penalty On Property Tax	34
Accounts	71,146
Accrued Interest	16,159
Due From Other Governments	293,420
Inventories	150,764
Capital Assets (Net of Accumulated Depreciation)	13,222,260
TOTAL ASSETS	24,416,644
LIABILITIES	
Accounts Payable	475,681
Accrued Interest Payable	5,305
Salaries & Benefits Payable	45,780
Due To Other Governments	318,965
Deferred Revenue	
Succeeding Year Property Tax	4,191,709
Long Term Liabilities	
Portion Due Or Payable Within One Year	
Capital Lease Purchase Agreement	88,407
General Obligation Bonds	146,000
Compensated Absences	166,860
Portion Due Or Payable After One Year	
Capital Lease Purchase Agreement	286,843
General Obligation Bonds	1,413,000
TOTAL LIABILITIES	7,138,550
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	12,847,010
Restricted For:	
Mental Health Purposes	(171,042)
Secondary Roads Purposes	4,882,713
Debt Service	(4,085)
Other Purposes	454,181
Unrestricted	(730,683)
TOTAL NET ASSETS	\$17,278,094

See Notes To Financial Statements

**FLOYD COUNTY
Charles City, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2004**

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues				Revenue & Changes in Net Assets
		Charges for Service	Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions, & Restricted Interest	Net (Expense)	
GOVERNMENTAL ACTIVITIES:						
Public Safety & Legal Services	\$1,492,857	\$133,226	\$31,413	\$ 0		\$(1,328,218)
Physical Health & Social Services	997,962	199,781	479,718	0		(318,463)
Mental Health	1,765,005	198,156	734,033	0		(832,816)
County Environment & Education	1,353,808	28,927	13,529	834,353		(476,999)
Roads & Transportation	4,011,314	82,864	2,306,647	660,804		(960,999)
Governmental Services to Residents	437,875	281,911	0	0		(155,964)
Administrative Services	1,403,695	4,073	0	11,479		(1,388,143)
Non-Program	7,750	381,895	0	0		374,145
Interest on Long-Term Debt	57,775	0	0	0		(57,775)
TOTAL	\$11,528,041	\$1,310,833	\$3,565,340	\$1,506,636		(5,145,232)
GENERAL REVENUES:						
Property and Other County Tax Levied For						
General Purposes						4,335,658
Penalties & Interest on Property Tax						36,198
State Tax Credits						278,851
Local Option Sales Tax						458,495
Tax Increment Financing						107,958
Unrestricted Investment Earnings						81,905
Miscellaneous						405,196
Gain on Disposal of Capital Assets						15,222
TOTAL GENERAL REVENUES						5,719,483
CHANGE IN NET ASSETS						574,251
NET ASSETS, BEGINNING OF YEAR, AS RESTATED (Note 11)						16,703,843
NET ASSETS END OF YEAR						\$17,278,094

See Notes To Financial Statements

FLOYD COUNTY
Charles City, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General	Special Revenue	
		Mental Health	Rural Services
ASSETS			
Cash and Pooled Investments	\$964,483	\$125,398	\$316,127
Receivables			
Property Tax			
Delinquent	37,182	7,470	13,515
Succeeding Year	2,728,021	548,057	915,631
Interest & Penalty on Property Tax	34	0	0
Accounts	35,512	25,004	0
Accrued Interest	15,743	0	0
Due From Other Funds	11,022	0	0
Due From Other Governments	76,651	4,052	317
Inventories	0	0	0
TOTAL ASSETS	\$3,868,648	\$709,981	\$1,245,590
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$139,973	\$57,574	\$2,291
Salaries & Benefits Payable	14,363	37	0
Due To Other Governments	38,238	275,355	0
Deferred Revenue			
Succeeding Year Property Tax	2,728,021	548,057	915,631
Other	59,144	7,464	13,507
Total Liabilities	2,979,739	888,487	931,429
Fund Balances			
Reserved For:			
Inventories	0	0	0
Unreserved, Reported In:			
General Fund	888,909	0	0
Special Revenue Funds	0	(178,506)	314,161
Total Fund Balances	888,909	(178,506)	314,161
TOTAL LIABILITIES AND FUND BALANCES	\$3,868,648	\$709,981	\$1,245,590

See Notes To Financial Statements

Exhibit C

<u>Special Revenue</u> <u>Secondary</u> <u>Roads</u>	<u>Non-major</u> <u>Special</u> <u>Revenue</u>	<u>Total</u>
\$4,824,492	\$148,736	\$6,379,236
0	0	58,167
0	0	4,191,709
0	0	34
1,997	0	62,513
0	163	15,906
0	0	11,022
212,400	0	293,420
150,764	0	150,764
<u>\$5,189,653</u>	<u>\$148,899</u>	<u>\$11,162,771</u>
\$164,114	\$8,879	\$372,831
31,380	0	45,780
5,372	0	318,965
0	0	4,191,709
0	0	80,115
<u>200,866</u>	<u>8,879</u>	<u>5,009,400</u>
150,764	0	150,764
0	0	888,909
<u>4,838,023</u>	<u>140,020</u>	<u>5,113,698</u>
<u>4,988,787</u>	<u>140,020</u>	<u>6,153,371</u>
<u>\$5,189,653</u>	<u>\$148,899</u>	<u>\$11,162,771</u>

FLOYD COUNTY
Charles City, Iowa

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

June 30, 2004

Total governmental fund balances (page 15-16)	\$6,153,371
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
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 \$22,881,083 and the accumulated depreciation is \$9,658,823.	13,222,260
Other long term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	80,115
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.	(71,237)
Long-term liabilities, including bonds payable, accrued interest payable and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,106,415)</u>
Net assets of governmental activities (page 10)	<u><u>\$17,278,094</u></u>

See Notes to Financial Statements.

FLOYD COUNTY
Charles City, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Special Revenue	
		Mental Health	Rural Services
REVENUES			
Property & Other County Tax	\$2,692,510	\$428,728	\$1,196,142
Interest & Penalty on Property Tax	36,198	0	0
Intergovernmental	821,929	956,778	74,810
Licenses & Permits	25,268	0	0
Charges for Services	467,734	0	0
Use of Money & Property	126,376	0	0
Miscellaneous	144,020	12,550	0
Total Revenues	4,314,035	1,398,056	1,270,952
EXPENDITURES			
Operating:			
Public Safety & Legal Services	1,518,894	0	0
Physical Health & Social Services	985,428	0	0
Mental Health	0	1,759,700	0
County Environment & Education	329,633	0	144,776
Roads & Transportation	0	0	90,996
Governmental Services to Residents	416,144	0	0
Administrative Services	982,806	0	0
Non-program	0	0	0
Debt Service	0	0	0
Capital Projects	0	0	0
Total Expenditures	4,232,905	1,759,700	235,772
Excess (Deficiency) of Revenues Over (Under) Expenditures	81,130	(361,644)	1,035,180
Other Financing Sources (Uses)			
Sale of Capital Assets	0	0	0
Operating Transfers In	404,300	0	0
Operating Transfers Out	(412,823)	0	(1,139,379)
Proceeds from Capital Lease	0	0	0
Total Other Financing Sources (Uses)	(8,523)	0	(1,139,379)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	72,607	(361,644)	(104,199)
Fund Balances – Beginning of Year, As Restated (Note 11)	816,302	183,138	418,360
Decrease in Reserve For Inventories	0	0	0
Fund Balances – End of Year	\$888,909	\$(178,506)	\$314,161

See Notes To Financial Statements

Exhibit E

Special Revenue Secondary Roads	Debt Service	Non-major Special Revenue	Total
\$458,495	\$ 0	\$107,958	\$4,883,833
0	0	0	36,198
2,447,255	0	854,972	5,155,744
1,385	0	0	26,653
11,751	0	26,839	506,324
4,983	0	759	132,118
265,944	0	1,000	423,514
3,189,813	0	991,528	11,164,384
0	0	0	1,518,894
0	0	8,549	993,977
0	0	0	1,759,700
0	0	842,526	1,316,935
3,588,432	0	0	3,679,428
0	0	11,641	427,785
0	0	0	982,806
0	0	5,740	5,740
0	106,049	2,009	108,058
199,640	0	5,865	205,505
3,788,072	106,049	876,330	10,998,828
(598,259)	(106,049)	115,198	165,556
18,070	0	0	18,070
1,139,379	101,749	12,823	1,658,251
0	0	(106,049)	(1,658,251)
472,385	0	0	472,385
1,629,834	101,749	(93,226)	490,455
1,031,575	(4,300)	21,972	656,011
3,959,905	4,300	118,048	5,500,053
(2,693)	0	0	(2,693)
\$4,988,787	\$ 0	\$140,020	\$6,153,371

**FLOYD COUNTY
Charles City, Iowa**

**RECONCILIATION OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2004

Net change in fund balances - Total governmental funds (page 15-16) **\$653,318**

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	\$638,577	
Capital assets contributed by the Iowa Department of Transportation	520,197	
Depreciation Expense	<u>(865,593)</u>	293,181

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report, the proceeds from the sale as an increase in financial resources. (2,848)

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	18,278	
Other	<u>1,958</u>	20,236

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 issues exceeded repayments as follows:

Issued	(472,385)	
Repaid	<u>152,135</u>	(320,250)

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	(9,152)	
Interest on long-term debt	<u>(1,887)</u>	(11,039)

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. (58,347)

Change in Net Assets of Governmental Activities (page 11) **\$574,251**

See Notes to Financial Statements

FLOYD COUNTY
Charles City, Iowa

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2004

	<u>Internal Service Employee Group Health</u>
ASSETS	
Cash & Cash Equivalents	\$22,727
Receivables	
Accounts	8,633
Accrued Interest	253
TOTAL ASSETS	\$31,613
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts Payable	\$102,850
Total Liabilities	102,850
Net Assets (Deficit)	
Unrestricted	(71,237)
Total Net Assets	(71,237)
TOTAL LIABILITIES AND NET ASSETS	\$31,613

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, 2004

	<u>Internal Service Employee Group Health</u>
Operating Revenues:	
Reimbursements from Operating Funds	\$661,286
Reimbursements from Employees	22,081
Other Reimbursements	357,912
<hr/> Total Operating Revenue	<hr/> 1,041,279
Operating Expenses	
Medical Claims	921,900
Insurance Premiums	166,409
Administrative Fees	2,907
Miscellaneous	8,768
<hr/> Total Operating Expenses	<hr/> 1,099,984
Operating Loss	(58,705)
Non-Operating Revenues:	
Interest on Investments	359
Net Loss	(58,346)
Net Deficit Beginning of Year	(12,891)
<hr/> Net Deficit End of Year	<hr/> \$(71,237)

See Notes To Financial Statements

FLOYD COUNTY
Charles City, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2004

	Internal Service Employee Group Health
Cash Flows From Operating Activities	
Cash Received From Operating Fund Reimbursements	\$661,286
Cash Received From Employees and Others	371,360
Cash Payments to Supplies for Services	(1,049,198)
Net Cash Used in Operating Activities	(16,552)
Cash Flows From Investing Activities	
Interest on Investments	124
Net Decrease in Cash and Cash Equivalent	(16,428)
Cash and Cash Equivalents at Beginning of Year	39,155
Cash and Cash Equivalents at End of Year	\$22,727
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	\$(58,705)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Increase in Accounts Receivable	(8,633)
Increase in Accounts Payable	50,786
Net Cash Used in Operating Activities	\$(16,552)

See Notes To Financial Statements

**FLOYD COUNTY
Charles City, Iowa****STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2004****ASSETS**

Cash and Pooled Investments	
County Treasurer	\$1,036,036
Other County Officials	32,964
Receivables	
Property Tax	
Delinquent	111
Succeeding Year	11,509,895
Accounts	30,564
Accrued Interest	317
Assessments	133,169
Due from Other Governments	8,039
Total Assets	12,751,095

LIABILITIES

Accounts Payable	21,591
Salaries and Benefits Payable	492
Due to Other Governments	12,685,058
Trusts Payable	33,169
Compensated Absences	10,785
Total Liabilities	12,751,095
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 non-fiduciary activities of the county and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other non-exchange transactions.

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed 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, but 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 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 non-major governmental funds.

The County reports the following major governmental funds:

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

Special Revenue Funds

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

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

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

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

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, judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as

expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

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

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

D. ASSETS, LIABILITIES AND FUND EQUITY

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Property Tax Receivable (Continued) – Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2003.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2004, balances of inter-fund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue 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, the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivable not collected within sixty days after year-end.

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

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide 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, 2004. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

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

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

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

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceed amounts budgeted in the County Environment and Education and Debt Service functions, and disbursements in certain departments exceeded the amounts appropriated.

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Note 3: Due from and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency	
	Auto License and Use Tax	\$11,022

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

Note 4: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Basic	Debt Service	\$4,300
Special Revenue		
Secondary Roads	Rural Services	1,139,379
Debt Service	SW TIF GO Bond	106,049
Conservation Reserve	General Basic	12,823
County Assessor	Special Appraiser	75,000
		<u>\$1,337,551</u>

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

Notes to Financial Statements (Continued)

Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$36,687	\$ 0	\$ 0	\$36,687
Construction In Progress (Infrastructure)	255,310	0	255,310	0
Total Capital Assets Not being Depreciated	291,997	0	255,310	36,687
Capital Assets Being Depreciated:				
Buildings	2,285,741	0	0	2,285,741
Improvements Other than Buildings	291,269	0	0	291,269
Machinery and Equipment	3,626,575	566,025	394,551	3,798,049
Vehicles	413,901	72,552	179,924	306,529
Office Equipment	264,324	0	25,156	239,168
Infrastructure, Road Network	15,148,133	775,507	0	15,923,640
Total Capital Assets Being Depreciated	22,029,943	1,414,084	599,631	22,844,396
Less Accumulated Depreciation For:				
Buildings	398,394	47,848	0	446,242
Improvements Other than Buildings	48,927	8,322	0	57,249
Machinery and Equipment	2,132,127	204,871	391,703	1,945,295
Vehicles	323,826	47,336	179,924	191,238
Office Equipment	217,659	15,566	25,156	208,269
Infrastructure, Road Network	6,269,080	541,650	0	6,810,730
Total Accumulated Depreciation	9,390,013	865,593	596,783	9,658,823
Total Capital Assets Being Depreciated, Net	12,639,930	548,491	2,848	13,185,573
Governmental Activities Capital Assets, Net	\$12,931,927	\$548,491	\$258,158	\$13,222,260

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

Governmental Activities:	
Public Safety and Legal Services	\$38,772
Physical Health and Social Services	5,078
County Environment and Education	30,135
Roads and Transportation	767,170
Governmental Services to Residents	5,200
Administration	19,238
Total Depreciation Expense – Governmental Activities	\$865,593

Notes to Financial Statements (Continued)

Note 6: Due to Other Governments

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

Fund	Description	Amount
General	Services	<u>\$38,238</u>
Special Revenue		
Mental Health	Services	275,355
Secondary Roads		<u>5,372</u>
		<u>280,727</u>
Total For Governmental Funds		<u><u>\$318,965</u></u>
Agency:		
Agricultural Extension	Collections	\$136,729
Assessor		204,482
Schools		6,843,422
Area Schools		311,622
Corporations		3,894,149
Auto Licenses & Use Tax		397,067
All Other		<u>897,587</u>
Total For Agency Funds		<u><u>\$12,685,058</u></u>

Note 7: Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2004 is as follows:

	2002 GO Bonds	2003 GO Notes	Compensated Absences	Secondary Road Lease	Total
Balance Beginning of Year	\$1,335,000	\$279,000	\$168,554	\$ 0	\$1,782,554
Additions	0	0	9,091	472,385	481,476
Reductions	<u>55,000</u>	<u>0</u>	<u>0</u>	<u>97,135</u>	<u>152,135</u>
Balance End of Year	<u>\$1,280,000</u>	<u>\$279,000</u>	<u>\$177,645</u>	<u>\$375,250</u>	<u>\$2,111,895</u>
Due Within One Year	<u>\$55,000</u>	<u>\$91,000</u>	<u>\$177,645</u>	<u>\$88,407</u>	<u>\$412,052</u>

Notes to Financial Statements (Continued)

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

Bond Payable

A summary of the County's June 30, 2002 General Obligation UR Bonds is as follows:

Year Ending June 30	Interest Rate	Principal	Interest	Total
2005	1.80%	\$55,000	\$42,135	\$97,135
2006	2.10	55,000	41,145	96,145
2007	2.40	80,000	39,990	119,990
2008	2.70	80,000	38,070	118,070
2009	2.90	80,000	35,910	115,910
2010	3.10	90,000	33,590	123,590
2011	3.20	90,000	30,800	120,800
2012	3.30	95,000	27,920	122,920
2013	3.40	95,000	24,785	119,785
2014	3.60	100,000	21,555	121,555
2015	3.70	110,000	17,955	127,955
2016	3.90	115,000	13,885	128,885
2017	4.00	115,000	9,400	124,400
2018	4.00	120,000	4,800	124,800
		<u>\$1,280,000</u>	<u>\$381,940</u>	<u>\$1,661,940</u>

During the year ended June 30, 2004, the County retired \$55,000 of bonds.

Notes Payable

A summary of the County's June 30, 2004 general obligation notes is as follows:

Year Ending June 30	Interest Rate	Principal	Interest	Total
2005	2.20%	\$91,000	\$6,892	\$97,892
2006	2.50	93,000	4,890	97,890
2007	2.70	95,000	2,565	97,565
		<u>\$279,000</u>	<u>\$14,347</u>	<u>\$293,347</u>

Capital Lease Purchase Agreement

On February 9, 2004, the County entered into a lease purchase agreement with John Deere Credit for three Motorgraders. The following is a schedule of the future minimum lease payments, including interest and the present value of net minimum payments under the agreement in effect at June 30, 2004:

Year Ending June 30	
2005	\$101,974
2006	101,974
2007	101,974
2008	101,974
Total Minimum Lease Payments	<u>407,896</u>
Less: Amount Representing Interest	<u>32,646</u>
Present Value of Net Minimum Lease Payment	<u>\$375,250</u>

Notes to Financial Statements (Continued)

Note 8: Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively. For the year ended June 30, 2002, the contribution rates for law enforcement employees and the county were 5.50% and 8.25%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$204,851, \$206,997 and \$204,251, respectively, equal to the required contributions for each year.

Note 9: Risk Management

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for workers compensation and employee blanket bond claims in excess of \$500,000 and \$100,000, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10: Employee Health Insurance Plan

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

Monthly payments of service fees and plan contributions to the Floyd County Employee Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Group Services, Ltd. 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, 2004 was \$661,286.

Notes to Financial Statements (Continued)

Note 11: Accounting Change

Governmental Accounting Standards Board Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, *Basis Financial Statements – and Management’s Discussion and Analysis – for the State and Local Government*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Omnibus*; Statement No. 38, *Certain Financial Statements Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences* were implemented during the fiscal year ended June 30, 2004. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major special revenue funds are presented in total in one column.

The government-wide financial statements report the County’s governmental activities. Beginning net assets for governmental activities has been restated to include capital assets and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

The effects of the accounting changes and other restatements in the governmental activities are summarized as follows:

Net Assets, June 30, 2003, as Previously Reported	\$5,461,999
GASB Interpretation 6 Adjustments	<u>38,054</u>
Net Assets, July 1, 2003, as Restated for Governmental Funds	5,500,053
GASB 34 Adjustments:	
Capital Assets, Net of Accumulated Depreciation of \$9,390,013	12,931,927
Long-Term Liabilities	(1,775,127)
Internal Service Fund	(12,890)
Deferral of Long-Term Assets	<u>59,880</u>
Net Assets, July 1, 2003, as Restated:	<u>\$16,703,843</u>

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, 2004

	Actual	Less Funds Not Required to be Budgeted
RECEIPTS		
Property and Other County Tax	\$4,882,191	\$ 0
Interest and Penalty on Property Tax	36,533	0
Intergovernmental	5,138,638	0
Licenses and Permits	26,793	0
Charges for Services	506,123	0
Use of Money and Property	122,520	0
Miscellaneous	428,254	0
Total Receipts	11,141,052	0
DISBURSEMENTS		
Public Safety and Legal Services	1,486,351	0
Physical Health and Social Services	933,571	0
Mental Health	1,608,660	0
County Environment and Education	1,394,977	0
Roads and Transportation	3,593,449	0
Governmental Services to Residents	420,766	0
Administrative Services	975,492	0
Non-Program	7,749	5,740
Debt Services	106,049	0
Capital Projects	333,029	0
Total Disbursements	10,860,093	5,740
Excess (Deficiency) of Receipts Over (Under) Disbursements	280,959	(5,740)
Other Financing Sources, Net	490,455	0
Excess (Deficiency) of Receipts and Other Financing Sources Under Disbursements and Other Financing Uses	771,414	(5,740)
Balance – Beginning of Year	5,607,822	37,358
Balance – End of Year	\$6,379,236	\$31,618

See Accompanying Independent Auditors' Report

Net	Budgeted Amounts		Final to Actual Variance Positive (Negative)
	Original	Final	
\$4,882,191	\$4,863,306	\$4,863,306	\$18,885
36,533	31,200	31,200	5,333
5,138,638	3,587,393	3,587,393	1,551,245
26,793	16,000	16,000	10,793
506,123	472,640	472,640	33,483
122,520	190,455	190,455	(67,935)
428,254	176,451	176,451	251,803
11,141,052	9,337,445	9,337,445	1,803,607
1,486,351	1,606,680	1,611,680	125,329
933,571	1,054,518	1,101,518	167,947
1,608,660	1,678,125	1,678,125	69,465
1,394,977	478,961	478,961	(916,016)
3,593,449	3,509,225	3,509,225	(84,224)
420,766	427,353	427,353	6,587
975,492	830,867	939,367	(36,125)
2,009	0	0	(2,009)
106,049	98,315	98,315	(7,734)
333,029	375,000	375,000	41,971
10,854,353	10,059,044	10,219,544	(634,809)
286,699	(721,599)	(882,099)	1,168,798
490,455	0	0	490,455
777,154	(721,599)	(882,099)	1,659,253
5,570,464	5,566,325	5,539,115	31,349
\$6,347,618	\$4,844,726	\$4,657,016	\$1,690,602

FLOYD COUNTY
Charles City, Iowa

BUDGETARY COMPARISON SCHEDULE –
BUDGET TO GAAP RECONCILIATION

Required Supplementary Information
Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$11,141,052	\$23,332	\$11,164,384
Expenditures	10,860,093	138,735	10,998,828
Net	280,959	(115,403)	165,556
Other Financing Sources (Net)	490,455	0	490,455
Beginning Fund Balances	5,607,822	(107,769)	5,500,053
Decrease in Reserve for:			
Inventories	0	(2,693)	(2,693)
Ending Fund Balances	\$6,379,236	\$(225,865)	\$6,153,371

See Accompanying Independent Auditors' Report

FLOYD COUNTY
Charles City, Iowa

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

June 30, 2004

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 appropriation lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds and Debt Services Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$160,500. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2004, disbursements exceeded the amounts in the County environment and education and debt service functions, and disbursements in certain departments exceeded the amounts appropriated.

FLOYD COUNTY
Charles City, Iowa

COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
 June 30, 2004

	Supplemental Environmental Project	Attorney Forfeiture	Resource Enhancement & Protection	Sheriff Forfeiture
ASSETS				
Cash and Pooled Investments	\$10,326	\$2,741	\$35,753	\$ 537
Receivables				
Accrued Interest	18	0	80	0
TOTAL ASSETS AND OTHER DEBITS	\$10,344	\$2,741	\$35,833	\$ 537
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Total Liabilities	0	0	0	0
Fund Equity				
Fund Balances				
Unreserved	10,344	2,741	35,833	537
TOTAL LIABILITIES AND FUND EQUITY	\$10,344	\$2,741	\$35,833	\$ 537

See Accompanying Independent Auditors' Report

Schedule 1

Garden Project	Recorders Records Management	Fiduciary Grant Fund	Scholarship Fund	Recorder's Electronic Transaction	Drainage	Conservation Land Acquisition	Total
\$ 52	\$11,864	\$ 11	\$1,301	\$22,723	\$31,618	\$31,810	\$148,736
1	24	0	0	40	0	0	163
\$ 53	\$11,888	\$ 11	\$1,301	\$22,763	\$31,618	\$31,810	\$148,899
\$ 0	\$3,679	\$ 0	\$ 0	\$ 0	\$ 0	\$5,200	\$8,879
0	3,679	0	0	0	0	5,200	8,879
53	8,209	11	1,301	22,763	31,618	26,610	140,020
\$ 53	\$11,888	\$ 11	\$1,301	\$22,763	\$31,618	\$31,810	\$148,899

FLOYD COUNTY
Charles City, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES –
NON-MAJOR SPECIAL REVENUE FUNDS**

Year Ended June 30, 2004

	Supplemental Environmental Project	Attorney Forfeiture	Resource Enhancement & Protection	Sheriff Forfeiture
REVENUES				
Property and Other County Tax	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental	0	0	10,356	0
Charges for Services	0	0	0	0
Use of Money and Property	98	0	336	0
Miscellaneous	0	0	0	350
Total Revenues	98	0	10,692	350
EXPENDITURES				
Operating				
Physical Health and Social Services	0	0	0	0
County Environment and Education	0	0	0	0
Governmental Services to Residents	0	0	0	0
Non-Program	0	0	0	0
Debt Service	0	0	0	0
Capital Projects	0	0	0	0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	98	0	10,692	350
Other Financing Sources (Uses)				
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
	0	0	0	0
Excess (Deficiency) of Receipts Over (Under) Expenditures	98	0	10,692	350
Fund Balances – Beginning of Year	10,246	2,741	25,141	187
Fund Balances – End of Year	\$10,344	\$2,741	\$35,833	\$537

See Accompanying Independent Auditors' Report

Schedule 2

Garden Project	Recorders Records Management	SW TIF GO Bond	Fiduciary Grant Fund	Scholarship Fund	Recorder's Electronic Transaction	Drainage	Conservation Land Acquisition	Total
\$ 0	\$ 0	\$107,958	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$107,958
0	0	0	844,616	0	0	0	0	854,972
0	4,150	0	0	0	22,689	0	0	26,839
4	147	100	0	0	74	0	0	759
0	0	0	0	650	0	0	0	1,000
4	4,297	108,058	844,616	650	22,763	0	0	991,528
233	0	0	8,131	185	0	0	0	8,549
0	0	0	842,526	0	0	0	0	842,526
0	11,641	0	0	0	0	0	0	11,641
0	0	0	0	0	0	5,740	0	5,740
0	0	2,009	0	0	0	0	0	2,009
0	0	0	0	0	0	0	5,865	5,865
233	11,641	2,009	850,657	185	0	5,740	5,865	876,330
(229)	(7,344)	106,049	(6,041)	465	22,763	(5,740)	(5,865)	115,198
0	0	0	0	0	0	0	12,823	12,823
0	0	(106,049)	0	0	0	0	0	(106,049)
0	0	(106,049)	0	0	0	0	12,823	(93,226)
(229)	(7,344)	0	(6,041)	465	22,763	(5,740)	6,958	21,972
282	15,553	0	6,052	836	0	37,358	19,652	118,048
\$ 53	\$8,209	\$ 0	\$ 11	\$1,301	\$22,763	\$31,618	\$26,610	\$140,020

FLOYD COUNTY
Charles City, Iowa

COMBINING SCHEDULE OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash & Pooled Investments				
County Treasurer	\$ 0	\$1,874	\$62,575	\$95,742
Other County Officials	31,124	0	0	0
Receivables				
Property Tax				
Delinquent	0	2	2	69
Succeeding Year	0	134,769	147,778	6,743,442
Accounts	2,045	0	0	0
Accrued Interest	0	0	0	0
Assessments	0	0	0	0
Due From Other Governments	0	84	92	4,169
TOTAL ASSETS	\$33,169	\$136,729	\$210,447	\$6,843,422
LIABILITIES				
Liabilities				
Accounts Payable	\$ 0	\$ 0	\$173	\$ 0
Salaries and Benefits Payable	0	0	0	0
Due to Other Governments	0	136,729	204,482	6,843,422
Trusts Payable	33,169	0	0	0
Compensated Absences	0	0	5,792	0
TOTAL LIABILITIES	\$33,169	\$136,729	\$210,447	\$6,843,422

See Accompanying Independent Auditors' Report

Schedule 3

Area Schools	Corporations	Townships	City Special Assessments	Auto Licenses & Use Tax	Other	Total
\$4,625	\$26,674	\$2,901	\$982	\$397,067	\$443,596	\$1,036,036
0	0	0	0	0	1,840	32,964
4	31	1	0	0	2	111
306,804	3,864,686	168,499	0	0	143,917	11,509,895
0	0	0	0	0	28,519	30,564
0	0	0	0	0	317	317
0	0	0	133,169	0	0	133,169
189	2,758	60	0	0	687	8,039
<u>\$311,622</u>	<u>\$3,894,149</u>	<u>\$171,461</u>	<u>\$134,151</u>	<u>\$397,067</u>	<u>\$618,878</u>	<u>\$12,751,095</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$21,418	\$21,591
0	0	0	0	0	492	492
311,622	3,894,149	171,461	134,151	397,067	591,975	12,685,058
0	0	0	0	0	0	33,169
0	0	0	0	0	4,993	10,785
<u>\$311,622</u>	<u>\$3,894,149</u>	<u>\$171,461</u>	<u>\$134,151</u>	<u>\$397,067</u>	<u>\$618,878</u>	<u>\$12,751,095</u>

FLOYD COUNTY
Charles City, Iowa

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

Year Ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
Balances – Beginning of Year	\$35,579	\$143,005	\$212,073	\$7,369,630
Additions				
Property & Other County Tax	0	133,408	146,133	6,674,691
E911 Surcharge	0	0	0	0
State Tax Credits	0	9,132	11,006	468,309
Driver License Fees	0	0	0	0
Office Fees and Collections	280,782	0	0	0
Electronic Transaction Fees	0	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	301,921	0	0	0
Miscellaneous	0	0	3,210	0
Total Additions	582,703	142,540	160,349	7,143,000
Deductions				
Agency Remittances				
To County Funds	180,762	0	0	0
To Other Governments	100,967	148,816	236,975	7,669,208
Trusts Paid Out	303,384	0	0	0
Total Deductions	585,113	148,816	236,975	7,669,208
Other Financing Sources (Uses)				
Operating Transfers In (Out)	0	0	75,000	0
Balances – End of Year	\$33,169	\$136,729	\$210,447	\$6,843,422

See Accompanying Independent Auditors' Report

Schedule 4

Area Schools	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$351,524	\$3,885,227	\$182,938	\$104,012	\$290,719	\$618,458	\$13,193,165
303,443	3,899,175	168,350	0	0	141,029	11,466,229
0	0	0	0	0	92,924	92,924
22,440	192,518	11,459	0	0	8,727	723,591
0	0	0	0	106,904	0	106,904
0	0	0	0	0	0	280,782
0	0	0	0	0	20,750	20,750
0	0	0	0	3,513,314	0	3,513,314
0	0	0	43,133	0	0	43,133
0	0	0	0	0	102,857	404,778
0	0	0	0	0	420,342	423,552
325,883	4,091,693	179,809	43,133	3,620,218	786,629	17,075,957
0	0	0	0	149,043	0	329,805
365,785	4,082,771	191,286	12,994	3,364,827	612,801	16,786,430
0	0	0	0	0	98,408	401,792
365,785	4,082,771	191,286	12,994	3,513,870	711,209	17,518,027
0	0	0	0	0	(75,000)	0
\$311,622	\$3,894,149	\$171,461	\$134,151	\$397,067	\$618,878	\$12,751,095

**FLOYD COUNTY
Charles City, Iowa**

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

For the Last Two Years

	Modified Accrual Basis	
	2004	2003
Revenues:		
Property & Other County Tax	\$4,883,833	\$4,634,842
Interest & Penalty On Property Tax	36,198	36,326
Intergovernmental	5,155,744	4,132,497
Licenses & Permits	26,653	18,571
Charges For Service	506,324	513,607
Use of Money & Property	132,118	174,136
Miscellaneous	423,514	411,297
Total	\$11,164,384	\$9,921,276
Expenditures:		
Current:		
Public Safety & Legal Services	\$1,518,894	\$1,473,373
Physical Health & Social Services	993,977	1,148,652
Mental Health	1,759,700	1,632,493
County Environment & Education Services	1,316,935	1,110,704
Roads & Transportation	3,679,428	3,308,841
Governmental Services To Residents	427,785	408,856
Administration Services	982,806	1,407,412
Non-Program	5,740	638
Debt Services	108,058	39,877
Capital Projects	205,505	408,848
Total	\$10,998,828	\$10,939,694

See Accompanying Independent Auditors' Report

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting

To the Officials of Floyd County
Charles City, Iowa

We have audited the financial statements of Floyd County, Charles City, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated April 22, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As 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 and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance 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, 2004 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. Prior year statutory comments have been resolved except for items (1), (2), (10) and (12).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Floyd County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Floyd County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item A is a material weakness. Prior year reportable conditions have been resolved except for items (A) and (B).

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

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

April 22, 2005

FLOYD COUNTY

Schedule of Findings Year Ended June 30, 2004

Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS

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

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

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

Conclusion – Response accepted.

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

The County does not have written policies for:

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

Also, the County does not have a written disaster recovery plan.

Recommendation – The County should develop written policies addressing the above items in order to improve the County's control over computer based systems. A written disaster recovery plan should be developed which includes unwritten existing policy.

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

Conclusion – Response accepted.

FLOYD COUNTY

Schedule of Findings Year Ended June 30, 2004

Other Findings Related to Required Statutory Reporting

1. **Official Depositories** – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were exceeded during the year by General Assistance and the Central Point of Coordination. In addition, not all of the banks used by the Central Point of Coordination were included on the depository resolution.

Recommendation – A new resolution including all approved depositories should be adopted by the Board and reviewed for compliance.

Response – We will comply.

Conclusion – Response accepted.

2. **Certified Budget** – Disbursements during the year ended June 30, 2004 exceed the amount budgeted in the County Environment and Education and Administration functions. Disbursements at year-end exceeded the amounts budgeted in the County Environment and Education and Debt Service functions. Disbursements exceeded the amounts appropriated in several departments during the year and at June 30, 2004. Also, the May 25, 2004 budget amendment was not appropriated and the E911 budget amendment was adopted after May 31.

Recommendation – The County budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Also, budget amendments should be made before May 31.

Chapter 331.434(6) of the Code of Iowa requires the Board of Supervisors to appropriate the budget by resolution before any disbursements are made.

Response – Budgets will be monitored more closely and amended before disbursements are allowed to exceed budget and appropriations will be awarded to departments as required. All amendments will be adopted before May 31.

Conclusion – Response accepted.

3. **Questionable Expenditures** – We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
4. **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
5. **Business Transactions** – No business transactions between the County and County officials or employees were noted.
6. **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.
7. **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, it was noted that not all board minutes were provided to the publisher within seven days of a meeting as required by Chapter 349.18 of the Code of Iowa.

Recommendation – Minutes should be provided to the publisher within seven days of the meeting.

FLOYD COUNTY

Schedule of Findings
Year Ended June 30, 2004

7. **Board Minutes (Continued)** –
Response – We will submit the minutes on a timelier basis.
- Conclusion* – Response accepted.
8. **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.
9. **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).
10. **Economic Development** – During the year ended June 30, 2004, The County paid \$79,477 for economic development which may not be an appropriate expenditure of public funds since the public benefits to be derived have not been clearly documented.

According to Chapter 15A of the Code of Iowa and an Attorney General’s Opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises that the governing body should evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

Recommendation – The Board should evaluate and document the public purpose served by the expenditure before authorizing further payments and should require documentation of how the funds were used to accomplish economic development activities.

Response – We will obtain the necessary documentation for past expenditures and will consider these requirements in the future.

Conclusion – Response accepted.

11. **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, 2004 for the County Extension Office did not exceed the amount budgeted.

12. **Deficit Fund Balance** – It was noted that the Employee Health Plan Trust Fund had an ending deficit balance of \$71,237 in retained earnings. The Special Revenue Funds Mental Health account had a deficit balance of \$178,506. It was noted the General Supplemental fund and the Debt Service fund had deficit fund balances during the year ended June 30, 2004.

Recommendation – Per Chapter 331.476 of the Code of Iowa, expenditures are required to be limited to collected revenues plus any unexpended fund balance from previous years.

Response – This was an oversight due to not keeping track of the fund balance. We will take better care in monitoring the fund balance in the future.

Conclusion – Response accepted.

FLOYD COUNTY

**Schedule of Findings
Year Ended June 30, 2004**

13. **Transfers** – It was noted the transfers from the Southwest TIF General Obligation Bond fund to the Debt Service fund were not approved by a resolution of the Board as required by the Code of Iowa.

Recommendation – All transfers should be approved by the Board as required by Chapter 331.432 of the Code of Iowa.

Response – All transfers will be approved in the future.

Conclusion – Response accepted.

News Release

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

The County has implemented new reporting standards for the year ended June 30, 2004, with significant changes in contents and structure of the financial statements. The new financial statements include and Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$16,786,050 for the year ended June 30, 2004, which included \$1,002,441 in tax credits from the state. The County forwarded \$12,703,051 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,082,999 of the local tax revenue to finance County operations, a 23% decrease from the prior year. Other revenues included charges for service of \$1,310,833, operating grants, contributions and restricted interest of \$3,565,340, unrestricted investment earnings of \$81,905 and other general revenues of \$5,637,578.

Expenses for County operations totaled \$10,998,828, a 1% increase from the prior year. Expenses included \$3,679,428 for Roads and Transportation, \$1,759,700 for Mental Health and \$1,518,894 for Public Safety and Legal Services.

The significant decrease/increase in revenues/expenses is due primarily to decreased tax collections and an increase in Roads and Transportation and Debt Service expenses.

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

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