



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

March 15, 2011

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Taylor County, Iowa.

The County had local tax revenue of \$8,335,208 for the year ended June 30, 2010, which included \$465,063 in tax credits from the state. The County forwarded \$5,719,388 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,615,820 of the local tax revenue to finance County operations, a 2.2 percent increase over the prior year. Other revenues included charges for service of \$582,542, operating grants, contributions and restricted interest of \$3,285,108, capital grants, contributions and restricted interest of \$487,470, local option sales tax of \$178,685, unrestricted investment earnings of \$31,238 and other general revenues of \$35,353.

Expenses for County operations totaled \$7,041,691, a 4.8 percent increase from the prior year. Expenses included \$3,701,674 for roads and transportation, \$905,288 for physical health and social services and \$758,451 for public safety and legal services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1010-0087-B00F.pdf>.

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**TAYLOR COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2010**

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**Taylor County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Charles Ambrose	Board of Supervisors	Nov 2010
Robert Lundquist	Board of Supervisors	Jan 2011
Bonnie Godden	Board of Supervisors	Jan 2013
Bonny Baker	County Auditor	Jan 2013
Pam Sprague	County Treasurer	Jan 2011
Rick Sheley	County Recorder	Jan 2011
Lonnie Weed	County Sheriff	Jan 2013
Clinton L. Spurrier	County Attorney	Jan 2011
Rosalyn Cummings	County Assessor	Jan 2010
Sharon Dalton	County Assessor	Jan 2016

**Taylor County**



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Independent Auditor's Report

To the Officials of Taylor County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Taylor County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Taylor County's management. Our responsibility is to express opinions on these financial statements based on our audit.

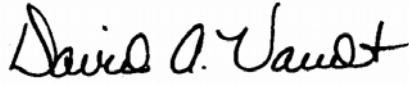
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Taylor County at June 30, 2010, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.


In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2011 on our consideration of Taylor County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 40 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Taylor County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 28, 2011



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Taylor 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, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased approximately \$318,000, or 4.6%, from fiscal year 2009 to fiscal year 2010. Property and other county tax increased approximately \$76,000, or 3.2%. Capital grants, contributions and restricted interest increased approximately \$147,000, or 43.1%, primarily due to approximately \$487,000 of funding from the Iowa Department of Transportation for road projects in the current year and approximately \$341,000 in fiscal year 2009.
- Governmental activities expenses increased approximately \$322,000, or 4.8%, from fiscal year 2009 to fiscal year 2010. Roads and transportation expenses increased approximately \$222,000.
- Net assets increased 1.2%, or approximately \$175,000, from June 30, 2009 to June 30, 2010.

### **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 Taylor 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 Taylor County's 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 Taylor County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

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

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

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has two kinds of funds:

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

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

2) 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 the County Assessor, emergency management services and the Empowerment area, to name a few.

The required financial statement for fiduciary funds is 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

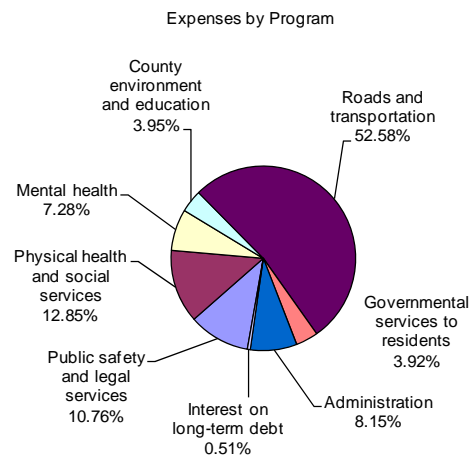
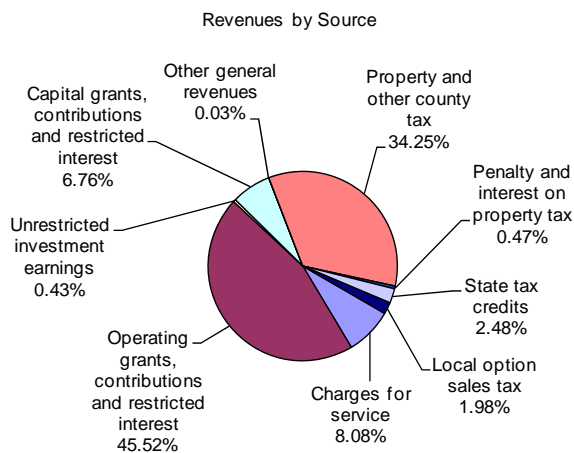
As noted earlier, net assets may serve over time as a useful indicator of financial position. Taylor County's combined net assets increased slightly from a year ago, increasing from approximately \$14.3 million to approximately \$14.4 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2010	2009
Current and other assets	\$ 6,263	5,706
Capital assets	11,878	12,108
Total assets	18,141	17,814
Long-term liabilities	786	938
Other liabilities	2,927	2,623
Total liabilities	3,713	3,561
Net assets:		
Invested in capital assets, net of related debt	11,271	11,341
Restricted	1,853	1,697
Unrestricted	1,304	1,215
Total net assets	\$ 14,428	14,253

Net assets of Taylor County's governmental activities increased approximately \$175,000, or 1.2%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources 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—increased from approximately \$1,215,000 at June 30, 2009 to approximately \$1,304,000 at the end of this year, an increase of 7.3%.

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

	Year ended June 30,	
	2010	2009
Revenues:		
Program revenues:		
Charges for service	\$ 583	689
Operating grants, contributions and restricted interest	3,285	3,055
Capital grants, contributions and restricted interest	488	341
General revenues:		
Property and other county tax	2,472	2,396
Penalty and interest on property tax	34	33
State tax credits	143	162
Local option sales tax	179	172
Unrestricted investment earnings	31	49
Other general revenues	2	2
Total revenues	7,217	6,899
Program expenses:		
Public safety and legal services	758	782
Physical health and social services	905	918
Mental health	513	475
County environment and education	278	180
Roads and transportation	3,702	3,480
Governmental services to residents	276	265
Administration	574	576
Interest on long-term debt	36	44
Total expenses	7,042	6,720
Increase in net assets	175	179
Net assets beginning of year	14,253	14,074
Net assets end of year	\$ 14,428	14,253



The County decreased property tax rates for fiscal year 2010 by 2.2%. However, property tax valuations increased approximately 4.2%. These factors combined to raise the County's property tax revenue approximately \$76,000 in fiscal year 2010. Based on increases in the taxable valuation, property tax revenue is budgeted to increase approximately \$53,000 next year.

The cost of all governmental activities this year was approximately \$7.0 million compared to approximately \$6.7 million last year. Some of the cost was paid by those directly benefited from the programs (\$583,000) or by other governments and organizations which subsidized certain programs with grants and contributions (\$3,773,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in fiscal year 2010 from approximately \$4,085,000 to approximately \$4,356,000. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$2,861,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Taylor County completed the year, its governmental funds reported a combined fund balance of \$3,163,765, an increase of \$155,348 above last year's total fund balance of \$3,008,417. The increase in the combined fund balance is primarily attributable to an increase in the General Fund and the Special Revenue, Mental Health and Rural Services Funds. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund intergovernmental revenues increased due to an increase in grants received. The ending fund balance increased \$116,425 over the prior year to \$1,696,325.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$512,736, an increase of 7.9% over the prior year. The Mental Health Fund balance at year end increased \$16,170 over the prior year.
- Secondary Roads Fund expenditures increased \$461,025 over the prior year, primarily due to costs for capital projects. The significant increase in expenditures resulted in a decrease in the Secondary Roads Fund ending balance of \$69,391, or 8.4%.
- The Rural Services Fund ended the fiscal year with a \$271,914 balance compared to the prior year ending balance of \$226,500. There were no significant changes in revenues or expenditures.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Taylor County amended its budget two times. The first amendment was made on September 10, 2009 and resulted in an increase in intergovernmental receipts and county environment and education disbursements for a WIRB grant received for upstream treatment at Sand's Timber.

The second amendment was made on May 24, 2010 and resulted in increases in receipts and disbursements relating to the EMS Training Fund, loan interest adjustment, GIS payment, Care Facility Building expenses, extra hour benefit expenses and publication costs.

The County's receipts were \$49,591 more than budgeted. Actual receipts for intergovernmental were \$138,640 less than budgeted. This was primarily due to receipts not being as high as anticipated. The County received more miscellaneous receipts, property and other county tax receipts, and charges for service receipts than anticipated.

Total disbursements were \$629,425 less than the amended budget. Actual disbursements for the mental health and the physical health and social services functions were \$176,830 and \$130,179, respectively, less than budgeted. This was primarily due to disbursements not being as high as anticipated.

The County did not exceed the budget amount for any function during the year ended June 30, 2010.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, Taylor County had approximately \$11.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$231,000, or 1.9%, from last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Land	\$ 892	892
Construction in progress	247	458
Buildings and improvements	564	586
Equipment and vehicles	820	876
Infrastructure	9,354	9,296
Total	\$ 11,877	12,108

The County had depreciation expense of \$841,556 in fiscal year 2010 and total accumulated depreciation of \$6,690,222 at June 30, 2010. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2010, Taylor County had approximately \$606,000 in general obligation capital loan notes and other debt outstanding, compared to approximately \$768,000 at June 30, 2009.

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2010	2009
General obligation capital loan notes	\$ 555	646
Bank loans	51	122
Total	\$ 606	768

Debt decreased as a result of making the scheduled payments in fiscal year 2010.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Taylor County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$18.0 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

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

Many factors were taken into account when adopting the budget for fiscal year 2011. The County had a countywide valuation increase of \$11,207,578 and a rural valuation increase of \$7,289,774 for fiscal year 2011. The rollback totaled 46.9094% for residential property for fiscal year 2011, compared to the fiscal year 2010 rollback of 45.5893%.

Amounts levied for property tax are \$2,678,184, an increase of \$52,516 over fiscal year 2010. Total revenue and other sources for fiscal year 2011 will increase \$506,832 from the amended budget for fiscal year 2010. This increase is mainly due to an increase in grant revenues.

Budgeted disbursements are also expected to increase \$390,047 from the amended fiscal year 2010 budget. The increase is primarily due to an increase in capital projects in fiscal year 2011.

The County has added no major new programs or initiatives to the fiscal year 2011 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of fiscal year 2011.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Taylor 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 Taylor County Auditor's Office, 405 Jefferson Street, Bedford, Iowa 50833.

**Taylor County**



## **Basic Financial Statements**

**Exhibit A**

Taylor County  
Statement of Net Assets  
June 30, 2010

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 2,619,298
Receivables:	
Property tax:	
Delinquent	6,441
Succeeding year	2,527,000
Interest and penalty on property tax	9,919
Accounts	17,455
Accrued interest	1,014
Due from other governments	628,942
Inventories	267,605
Prepaid insurance	185,235
Capital assets (net of accumulated depreciation)	<u>11,877,583</u>
<b>Total assets</b>	<u>18,140,492</u>
<b>Liabilities</b>	
Accounts payable	259,569
Accrued interest payable	13,567
Salaries and benefits payable	25,797
Due to other governments	100,524
Deferred revenue:	
Succeeding year property tax	2,527,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	93,840
Bank loans	24,970
Compensated absences	109,291
Portion due or payable after one year:	
General obligation capital loan notes	461,602
Bank loans	26,262
Compensated absences	56,683
Net OPEB liability	<u>13,553</u>
<b>Total liabilities</b>	<u>3,712,658</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	11,270,909
Restricted for:	
Supplemental levy purposes	634,915
Mental health purposes	129,382
Secondary roads purposes	776,983
Other purposes	311,615
Unrestricted	<u>1,304,030</u>
<b>Total net assets</b>	<u>\$ 14,427,834</u>

See notes to financial statements.

Taylor County  
Statement of Activities  
Year ended June 30, 2010

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 758,451	61,687	28,420	-	(668,344)
Physical health and social services	905,288	321,949	382,834	-	(200,505)
Mental health	512,736	-	390,862	-	(121,874)
County environment and education	277,635	10,744	80,636	-	(186,255)
Roads and transportation	3,701,674	74,142	2,399,070	487,470	(740,992)
Governmental services to residents	275,491	104,280	3,000	-	(168,211)
Administration	574,468	9,740	286	-	(564,442)
Interest on long-term debt	35,948	-	-	-	(35,948)
<b>Total</b>	<b>\$ 7,041,691</b>	<b>582,542</b>	<b>3,285,108</b>	<b>487,470</b>	<b>(2,686,571)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					2,411,090
Debt service					61,367
Penalty and interest on property tax					33,580
State tax credits					143,363
Local option sales tax					178,685
Unrestricted investment earnings					31,238
Miscellaneous					1,773
<b>Total general revenues</b>					<b>2,861,096</b>
Change in net assets					174,525
Net assets beginning of year					14,253,309
Net assets end of year					<b>\$ 14,427,834</b>

See notes to financial statements.

Taylor County  
Balance Sheet  
Governmental Funds

June 30, 2010

	Special Revenue			
	General	Mental Health	Secondary Roads	Rural Services
<b>Assets</b>				
Cash and pooled investments	\$ 1,362,793	224,767	477,008	263,533
Receivables:				
Property tax:				
Delinquent	5,692	449	-	93
Succeeding year	1,651,000	130,000	-	686,000
Interest and penalty on property tax	9,919	-	-	-
Accounts	13,270	-	-	1,536
Accrued interest	1,014	-	-	-
Due from other governments	190,632	-	409,186	10,194
Inventories	-	-	267,605	-
Prepaid insurance	182,935	-	2,300	-
<b>Total assets</b>	<b>\$ 3,417,255</b>	<b>355,216</b>	<b>1,156,099</b>	<b>961,356</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 12,514	4,832	238,073	3,079
Salaries and benefits payable	7,195	-	18,332	270
Due to other governments	4,805	91,002	4,717	-
Deferred revenue:				
Succeeding year property tax	1,651,000	130,000	-	686,000
Other	45,416	302	140,304	93
Total liabilities	1,720,930	226,136	401,426	689,442
Fund balances:				
Reserved for:				
Supplemental levy purposes	642,749	-	-	-
Resource enhancement and protection	66,572	-	-	-
Debt service	-	-	-	-
Medicaid contingencies	11,775	-	-	-
Unreserved, designated, reported in:				
Special revenue funds	-	-	267,605	-
Unreserved, undesignated, reported in:				
General fund	975,229	-	-	-
Special revenue funds	-	129,080	487,068	271,914
Total fund balances	1,696,325	129,080	754,673	271,914
<b>Total liabilities and fund balances</b>	<b>\$ 3,417,255</b>	<b>355,216</b>	<b>1,156,099</b>	<b>961,356</b>

See notes to financial statements.

Nonmajor	Total
291,197	2,619,298
207	6,441
60,000	2,527,000
-	9,919
2,649	17,455
-	1,014
18,930	628,942
-	267,605
-	185,235
<u>372,983</u>	<u>6,262,909</u>
1,071	259,569
-	25,797
-	100,524
60,000	2,527,000
139	186,254
<u>61,210</u>	<u>3,099,144</u>
-	642,749
-	66,572
158	158
-	11,775
19,139	286,744
-	975,229
292,476	1,180,538
<u>311,773</u>	<u>3,163,765</u>
<u>372,983</u>	<u>6,262,909</u>

**Taylor County**

Taylor County  
 Reconciliation of the Balance Sheet -  
 Governmental Funds to the Statement of Net Assets  
 June 30, 2010

**Total governmental fund balances (page 19)** \$ 3,163,765

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$18,567,805 and the accumulated depreciation is \$6,690,222. 11,877,583

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 186,254

Long-term liabilities, including general obligation capital loan notes payable, bank loans payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (799,768)

**Net assets of governmental activities (page 16)** \$ 14,427,834

See notes to financial statements.

Taylor County

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2010

	Special Revenue			
	General	Mental Health	Secondary Roads	Rural Services
<b>Revenues:</b>				
Property and other county tax	\$ 1,600,823	130,296	-	683,127
Local option sales tax	-	-	-	62,541
Interest and penalty on property tax	33,505	-	-	-
Intergovernmental	856,071	398,610	2,396,705	44,487
Licenses and permits	25	-	536	14,086
Charges for service	161,456	-	-	69
Use of money and property	33,493	-	-	-
Miscellaneous	25,524	-	84,146	2,520
Total revenues	<u>2,710,897</u>	<u>528,906</u>	<u>2,481,387</u>	<u>806,830</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	752,920	-	-	32,785
Physical health and social services	826,559	-	-	61,487
Mental health	-	512,736	-	-
County environment and education	163,264	-	-	32,424
Roads and transportation	-	-	2,937,558	29,959
Governmental services to residents	269,834	-	-	1,131
Administration	537,744	-	-	-
Debt service	-	-	135,580	-
Capital projects	-	-	126,421	-
Total expenditures	<u>2,550,321</u>	<u>512,736</u>	<u>3,199,559</u>	<u>157,786</u>
Excess (deficiency) of revenues over (under) expenditures	<u>160,576</u>	<u>16,170</u>	<u>(718,172)</u>	<u>649,044</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	1,000	-	648,781	-
Operating transfers out	(45,151)	-	-	(603,630)
Total other financing sources (uses)	<u>(44,151)</u>	<u>-</u>	<u>648,781</u>	<u>(603,630)</u>
Net change in fund balances	116,425	16,170	(69,391)	45,414
Fund balances beginning of year	<u>1,579,900</u>	<u>112,910</u>	<u>824,064</u>	<u>226,500</u>
Fund balances end of year	<u>\$ 1,696,325</u>	<u>129,080</u>	<u>754,673</u>	<u>271,914</u>

See notes to financial statements.



Nonmajor	Total
61,478	2,475,724
116,144	178,685
-	33,505
3,652	3,699,525
-	14,647
1,359	162,884
33,697	67,190
7,001	119,191
<u>223,331</u>	<u>6,751,351</u>
4,397	790,102
-	888,046
-	512,736
71,654	267,342
-	2,967,517
1,456	272,421
32,763	570,507
65,331	200,911
-	126,421
<u>175,601</u>	<u>6,596,003</u>
<u>47,730</u>	<u>155,348</u>
12,500	662,281
(13,500)	(662,281)
<u>(1,000)</u>	-
46,730	155,348
<u>265,043</u>	<u>3,008,417</u>
<u>311,773</u>	<u>3,163,765</u>

## Taylor County

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement  
of Activities

Year ended June 30, 2010

**Net change in fund balances - Total governmental funds (page 23)**

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

\$ 155,348

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

Expenditures for capital assets	\$ 240,568	
Capital assets contributed by the Iowa Department of Transportation	369,704	
Depreciation expense	<u>(841,556)</u>	(231,284)

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

Property tax	(3,192)	
Other	<u>98,353</u>	95,161

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.

161,303

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

Compensated absences	3,890	
Other postemployment benefits	(13,553)	
Interest on long-term debt	<u>3,660</u>	<u>(6,003)</u>

**Change in net assets of governmental activities (page 17)**

\$ 174,525

See notes to financial statements.

Taylor County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2010

<b>Assets</b>	
Cash and pooled investments:	
County Treasurer	\$ 373,405
Other County officials	3,932
Receivables:	
Property tax:	
Delinquent	28,421
Succeeding year	5,413,000
Accounts	97
Due from other governments	2,143
Prepaid insurance	4,683
<b>Total assets</b>	<u>5,825,681</u>
 <b>Liabilities</b>	
Accounts payable	3,853
Due to other governments	5,813,872
Trusts payable	1,805
Compensated absences	6,151
<b>Total liabilities</b>	<u>5,825,681</u>
 <b>Net assets</b>	 <u><u>\$ -</u></u>

See notes to financial statements.

Taylor County

Notes to Financial Statements

June 30, 2010

**(1) Summary of Significant Accounting Policies**

Taylor 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 prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Taylor 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. Taylor County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or 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: Taylor County Assessor's Conference Board, Taylor County Empowerment Board and Taylor County Emergency Management Commission. 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.

The County also participates in the following jointly governed organizations: Prairie Solid Waste Agency (formerly Adams and Taylor Counties Regional Service Agency), South Iowa Area Crime Commission, Innovative Industries Sheltered Workshop, Matura, Southern Iowa Council of Governments, Southern Iowa Rural Water Association and Southern Iowa Regional Housing Authority.

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those 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, contributions and interest 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 nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues 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 expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

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

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.

Additionally, the County reports the following funds:

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments – 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 deposit which are stated at cost.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

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 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 consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the

date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Intangibles	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:

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Intangibles	2 - 20
Equipment	2 - 20
Vehicles	3 - 10

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

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

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

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



Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, compensatory time 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 who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services 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 Statement of Net Assets.

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 not available for appropriation or 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, 2010, disbursements did not exceed the amounts budgeted by function.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2010 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.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Child Health (0-5 years)	\$ 1,000
Special Revenue: Secondary Roads	General	45,151
SIRWA Grid Sinking Reserve	Special Revenue: Rural Services	603,630
Total	Local Option Sales Tax	<u>12,500</u>
		<u>\$ 661,281</u>

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2010 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 891,709	-	-	891,709
Construction in progress, road network	458,499	527,452	(738,696)	247,255
Total capital assets not being depreciated	<u>1,350,208</u>	<u>527,452</u>	<u>(738,696)</u>	<u>1,138,964</u>
Capital assets being depreciated:				
Buildings	1,231,008	-	-	1,231,008
Improvements other than buildings	238,151	-	-	238,151
Equipment and vehicles	3,636,592	82,820	(59,766)	3,659,646
Infrastructure, road network	11,561,340	738,696	-	12,300,036
Total capital assets being depreciated	<u>16,667,091</u>	<u>821,516</u>	<u>(59,766)</u>	<u>17,428,841</u>
Less accumulated depreciation for:				
Buildings	868,409	17,318	-	885,727
Improvements other than buildings	14,289	4,763	-	19,052
Equipment and vehicles	2,760,199	138,726	(59,766)	2,839,159
Infrastructure, road network	2,265,535	680,749	-	2,946,284
Total accumulated depreciation	<u>5,908,432</u>	<u>841,556</u>	<u>(59,766)</u>	<u>6,690,222</u>
Total capital assets being depreciated, net	<u>10,758,659</u>	<u>(20,040)</u>	<u>-</u>	<u>10,738,619</u>
Governmental activities capital assets, net	<u>\$ 12,108,867</u>	<u>507,412</u>	<u>(738,696)</u>	<u>11,877,583</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 16,644
Physical health and social services	21,268
County environment and education	10,293
Roads and transportation	792,762
Administration	589
	<hr/>
Total depreciation expense - governmental activities	<u>\$ 841,556</u>

**(5) Due to Other Governments**

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

Fund	Description	Amount
General	Services	<u>\$ 4,805</u>
Special Revenue:		
Mental Health	Services	91,002
Secondary Roads	Services	4,717
		<hr/>
		95,719
		<hr/>
Total for governmental funds		<u>\$ 100,524</u>
Agency:		
County Assessor	Collections	\$ 254,612
Schools		3,867,135
Community Colleges		190,579
Corporations		1,064,225
Townships		138,078
All other		299,243
		<hr/>
Total for agency funds		<u>\$ 5,813,872</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	General Obligation Capital Loan Notes	Bank Loans	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 645,899	122,078	169,864	-	937,841
Increases	-	-	184,350	13,553	197,903
Decreases	90,457	70,846	188,240	-	349,543
	<hr/>				
Balance end of year	<u>\$ 555,442</u>	<u>51,232</u>	<u>165,974</u>	<u>13,553</u>	<u>786,201</u>
	<hr/>				
Due within one year	<u>\$ 93,840</u>	<u>24,970</u>	<u>109,291</u>	<u>-</u>	<u>228,101</u>

General Obligation Capital Loan Notes

A summary of the County's June 30, 2010 general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	Series 2006			Series 2007			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2011	5.30%	\$ 52,170	11,671	5.10%	\$ 41,670	17,251	93,840	28,922
2012	5.30	53,544	8,892	5.10	43,795	15,125	97,339	24,017
2013	5.30	55,003	5,991	5.10	45,994	12,927	100,997	18,918
2014	5.30	56,476	3,035	5.10	206,790	10,546	263,266	13,581
Total		\$ 217,193	29,589		\$ 338,249	55,849	555,442	85,438

During the year ended June 30, 2010, the County retired \$90,457 of general obligation capital loan note principal.

Bank Loans

A summary of the County's June 30, 2010 bank loans payable is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	5.10%	\$ 24,970	2,649	27,619
2012	5.10	26,262	1,358	27,620
Total		\$ 51,232	4,007	55,239

During the year ended June 30, 2010, the County repaid \$70,846 of bank loan principal.

**(7) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the County is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$160,494, \$167,355 and \$139,468, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description. The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employee and retirees and their spouses. There are 54 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 26,943
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	26,943
Contributions made	<u>(13,390)</u>
Increase in net OPEB obligation	13,553
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 13,553</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the County contributed \$13,390 to the medical plan. Plan members eligible for benefits contributed \$51, or .4% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 26,943	49.7%	\$ 13,553

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$242,007, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$242,007. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,167,619 and the ratio of the UAAL to covered payroll was 11.2%. As of June 30, 2010, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$959 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **(9) Risk Management**

The County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool 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 and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2010 were \$115,696.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2010, no liability has been recorded in the County's financial statements. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$2,000,000 and \$20,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **(10) Southern Iowa Rural Water Association (SIRWA) Agreement**

On May 23, 2005, the County entered into a 28E agreement with SIRWA and nine other counties to provide joint financing of certain water development facilities at Gooseberry Lake to enable SIRWA to withdraw water sufficient to supply treated water to portions of SIRWA's rural water distribution system. Pursuant to the agreement, SIRWA planned to obtain a loan for \$500,000 to cover the initial costs. Liability for repayment of the loan was to be borne by the respective parties (counties) to the agreement. Taylor County's share of the debt was 12.5%, or \$62,500. Each participant was required to establish a SIRWA Grid Sinking Reserve Fund, into which there shall be appropriated from the participants General Fund sufficient funds to pay the principal and interest on the loan. The County established the Special Revenue, SIRWA Grid Fund and transferred \$50,000 from the General Fund to this fund in compliance with the 28E agreement. During the year ended June 30, 2010, the County was informed the project would not proceed and the 28E agreement with SIRWA would be dissolved. The County is waiting for the final dissolution of the 28E agreement and formal termination of the project before redirecting the funds previously set-aside.

**(11) Designated Fund Equity**

The County has designated amounts from the Special Revenue, Secondary Roads and Special Revenue, Child Health Funds. At June 30, 2010, the amounts designated are as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	Transfer of jurisdiction from the Iowa Department of Transportation	\$ 267,605
Child Health	Empowerment funds	<u>19,139</u>
Total		<u>\$ 286,744</u>

**(12) Construction Commitment**

The County has entered into contracts totaling \$976,308 for a bridge project, emergency watershed project and roadway subdrains. As of June 30, 2010, costs of \$157,747 on the projects have been incurred. The balance of \$818,561 remaining on the contracts at June 30, 2010 will be paid as work on the projects progresses.



**Required Supplementary Information**

Taylor County  
 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, 2010

	Actual
Receipts:	
Property and other county tax	\$ 2,651,728
Interest and penalty on property tax	31,874
Intergovernmental	3,641,126
Licenses and permits	13,447
Charges for service	158,214
Use of money and property	70,804
Miscellaneous	116,537
Total receipts	6,683,730
Disbursements:	
Public safety and legal services	789,241
Physical health and social services	882,856
Mental health	471,819
County environment and education	269,782
Roads and transportation	2,875,168
Governmental services to residents	272,125
Administration	581,863
Debt service	200,911
Capital projects	18,141
Total disbursements	6,361,906
Excess (deficiency) of receipts over (under) disbursements	321,824
Other financing sources, net	589
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	322,413
Balance beginning of year	2,296,885
Balance end of year	\$ 2,619,298

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
2,598,985	2,598,985	52,743
4,510	4,510	27,364
3,714,353	3,779,766	(138,640)
18,400	18,400	(4,953)
112,380	112,380	45,834
62,205	62,205	8,599
54,093	57,893	58,644
6,564,926	6,634,139	49,591
823,344	825,344	36,103
1,011,035	1,013,035	130,179
648,649	648,649	176,830
257,963	320,954	51,172
2,891,000	2,891,000	15,832
303,000	303,000	30,875
639,959	648,426	66,563
200,804	200,923	12
140,000	140,000	121,859
6,915,754	6,991,331	629,425
(350,828)	(357,192)	679,016
-	-	589
(350,828)	(357,192)	679,605
1,596,636	1,596,636	700,249
1,245,808	1,239,444	1,379,854

Taylor County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 6,683,730	67,621	6,751,351
Expenditures	6,361,906	234,097	6,596,003
Net	321,824	(166,476)	155,348
Other financing sources, net	589	(589)	-
Beginning fund balances	2,296,885	711,532	3,008,417
Ending fund balances	\$ 2,619,298	544,467	3,163,765

See accompanying independent auditor's report.

Taylor County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$75,577. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted by function.

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Taylor County

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

Required Supplementary Information

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Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 242	242	0.00%	\$ 2,168	11.2%

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See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**Other Supplementary Information**

Taylor County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2010

				Special
<b>Assets</b>	County Recorder's Records Management	Forfeitures	Child Health (0-5 years)	Care Facility Building
Cash and pooled investments	\$ 6,832	13,453	19,139	25,184
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	2,649
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 6,832</b>	<b>13,453</b>	<b>19,139</b>	<b>27,833</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	-	-	1,071
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	-	-	-	1,071
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved:				
Designated	-	-	19,139	-
Undesignated	6,832	13,453	-	26,762
Total fund equity	6,832	13,453	19,139	26,762
<b>Total liabilities and fund equity</b>	<b>\$ 6,832</b>	<b>13,453</b>	<b>19,139</b>	<b>27,833</b>

See accompanying independent auditor's report.



Revenue					
Local Option Sales Tax	SIRWA Grid Sinking Reserve	Conservation Land Acquisition	Debt Service		Total
167,267	50,000	9,232	90		291,197
-	-	-	207		207
-	-	-	60,000		60,000
-	-	-	-		2,649
18,930	-	-	-		18,930
186,197	50,000	9,232	60,297		372,983
-	-	-	-		1,071
-	-	-	60,000		60,000
-	-	-	139		139
-	-	-	60,139		61,210
-	-	-	158		158
-	-	-	-		19,139
186,197	50,000	9,232	-		292,476
186,197	50,000	9,232	158		311,773
186,197	50,000	9,232	60,297		372,983

Taylor County

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2010

				Special
	County Recorder's Records Management	Forfeitures	Child Health (0-5 years)	Care Facility Building
Revenues:				
Property and other county tax	\$ -	-	-	-
Local option sales tax	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service	1,359	-	-	-
Use of money and property	-	-	-	33,696
Miscellaneous	-	7,001	-	-
Total revenues	1,359	7,001	-	33,696
Expenditures:				
Operating:				
Public safety and legal services	-	4,397	-	-
County environment and education	-	-	-	-
Governmental services to residents Administration	1,456	-	-	-
	-	-	-	32,763
Debt service	-	-	-	-
Total expenditures	1,456	4,397	-	32,763
Excess (deficiency) of revenues over (under) expenditures	(97)	2,604	-	933
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(1,000)	-
Total other financing sources (uses)	-	-	(1,000)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(97)	2,604	(1,000)	933
Fund balances beginning of year	6,929	10,849	20,139	25,829
Fund balances end of year	\$ 6,832	13,453	19,139	26,762

See accompanying independent auditor's report.

Revenue					
Local Option Sales Tax	SIRWA Grid Sinking Reserve	Conservation Land Acquisition	Debt Service		Total
-	-	-	61,478		61,478
116,144	-	-	-		116,144
-	-	-	3,652		3,652
-	-	-	-		1,359
-	-	1	-		33,697
-	-	-	-		7,001
116,144	-	1	65,130		223,331
-	-	-	-		4,397
71,654	-	-	-		71,654
-	-	-	-		1,456
-	-	-	-		32,763
-	-	-	65,331		65,331
71,654	-	-	65,331		175,601
44,490	-	1	(201)		47,730
-	12,500	-	-		12,500
(12,500)	-	-	-		(13,500)
(12,500)	12,500	-	-		(1,000)
31,990	12,500	1	(201)		46,730
154,207	37,500	9,231	359		265,043
186,197	50,000	9,232	158		311,773

Taylor County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	1,245	69,700	58,691	2,935
Other County officials	3,932	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	273	634	12,444	644
Succeeding year	-	79,000	184,000	3,796,000	187,000
Accounts	97	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid insurance	-	-	4,683	-	-
<b>Total assets</b>	<b>\$ 4,029</b>	<b>80,518</b>	<b>259,017</b>	<b>3,867,135</b>	<b>190,579</b>
<b>Liabilities</b>					
Accounts payable	\$ 630	-	-	-	-
Due to other governments	3,032	80,518	254,612	3,867,135	190,579
Trusts payable	367	-	-	-	-
Compensated absences	-	-	4,405	-	-
<b>Total liabilities</b>	<b>\$ 4,029</b>	<b>80,518</b>	<b>259,017</b>	<b>3,867,135</b>	<b>190,579</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Other	Total
19,821	2,059	122,001	96,953	373,405
-	-	-	-	3,932
-	-	-	-	-
14,404	19	-	3	28,421
1,030,000	136,000	-	1,000	5,413,000
-	-	-	-	97
-	-	-	2,143	2,143
-	-	-	-	4,683
<b>1,064,225</b>	<b>138,078</b>	<b>122,001</b>	<b>100,099</b>	<b>5,825,681</b>
-	-	-	3,223	3,853
1,064,225	138,078	122,001	93,692	5,813,872
-	-	-	1,438	1,805
-	-	-	1,746	6,151
<b>1,064,225</b>	<b>138,078</b>	<b>122,001</b>	<b>100,099</b>	<b>5,825,681</b>

Taylor County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 5,935	76,563	277,221	3,627,445	180,686
Additions:					
Property and other county tax	-	79,545	184,710	3,803,201	188,106
E911 surcharge	-	-	-	-	-
State tax credits	-	4,500	10,526	213,398	10,609
Office fees and collections	121,677	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	28,187	-	-	-	-
Miscellaneous	622	-	1,023	-	-
Total additions	150,486	84,045	196,259	4,016,599	198,715
Deductions:					
Agency remittances:					
To other funds	58,899	-	-	-	-
To other governments	62,774	80,090	214,463	3,776,909	188,822
Trusts paid out	30,719	-	-	-	-
Total deductions	152,392	80,090	214,463	3,776,909	188,822
Balances end of year	\$ 4,029	80,518	259,017	3,867,135	190,579

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Other	Total
965,257	134,235	128,175	92,174	5,487,691
1,003,406	137,974	-	746	5,397,688
-	-	-	55,664	55,664
75,360	7,262	-	45	321,700
-	-	-	-	121,677
-	-	-	3,790	3,790
-	-	1,603,199	-	1,603,199
-	-	26,970	-	26,970
-	-	-	5,862	5,862
-	-	-	69,226	97,413
-	-	-	56,415	58,060
1,078,766	145,236	1,630,169	191,748	7,692,023
-	-	88,506	-	147,405
979,798	141,393	1,547,837	130,006	7,122,092
-	-	-	53,817	84,536
979,798	141,393	1,636,343	183,823	7,354,033
1,064,225	138,078	122,001	100,099	5,825,681

Taylor County

Schedule of Revenues By Source and Expenditures By Function -  
All Governmental Funds

For the Last Ten Years

	2010	2009	2008	2007
<b>Revenues:</b>				
Property and other county tax	\$ 2,475,724	2,432,311	2,265,195	2,194,279
Local option sales tax	178,685	172,166	163,656	175,482
Interest and penalty on property tax	33,505	31,213	29,623	28,502
Intergovernmental	3,699,525	3,539,127	3,868,432	3,421,429
Licenses and permits	14,647	7,378	9,771	10,906
Charges for service	162,884	140,161	158,056	159,972
Use of money and property	67,190	83,731	101,420	112,461
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	119,191	110,727	166,773	158,004
<b>Total</b>	<b>\$ 6,751,351</b>	<b>6,516,814</b>	<b>6,762,926</b>	<b>6,261,035</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 790,102	770,502	699,623	670,809
Physical health and social services	888,046	895,522	926,405	915,733
Mental health	512,736	475,259	578,073	599,619
County environment and education	267,342	167,562	262,597	172,061
Roads and transportation	2,967,517	2,613,123	3,103,584	2,668,989
Governmental services to residents	272,421	264,705	241,462	231,877
Administration	570,507	571,514	565,113	530,755
Debt service	200,911	204,867	173,987	89,578
Capital projects	126,421	19,507	613,520	520,176
<b>Total</b>	<b>\$ 6,596,003</b>	<b>5,982,561</b>	<b>7,164,364</b>	<b>6,399,597</b>

See accompanying independent auditor's report.



Modified Accrual Basis					
2006	2005	2004	2003	2002	2001
2,019,603	1,967,852	1,852,217	1,765,389	1,581,492	1,457,969
137,824	90,447	48,869	-	-	-
31,257	33,807	26,953	30,749	28,427	22,052
3,315,325	4,616,305	4,640,502	4,526,047	3,230,238	3,012,875
10,636	11,628	7,188	7,517	5,949	6,021
153,664	181,176	165,947	167,913	128,293	117,391
87,895	121,049	81,135	43,031	68,525	155,393
-	-	-	-	1,593	3,644
182,748	102,562	101,390	35,844	27,884	142,152
5,938,952	7,124,826	6,924,201	6,576,490	5,072,401	4,917,497
671,836	667,610	630,218	618,784	608,862	736,036
786,264	730,376	788,912	829,081	741,172	717,998
552,081	546,380	489,836	561,049	583,944	558,470
166,628	149,417	109,305	102,044	119,392	116,062
2,721,434	2,823,099	2,271,756	2,161,540	2,667,618	2,428,712
332,668	258,022	244,175	228,899	221,911	204,223
519,928	541,352	536,656	499,680	469,669	459,710
201,648	138,593	138,149	131,049	164,511	161,017
3,747,310	430,777	314,663	100,100	406,549	885
9,699,797	6,285,626	5,523,670	5,232,226	5,983,628	5,383,113

**Taylor County**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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

To the Officials of Taylor County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Taylor County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 28, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

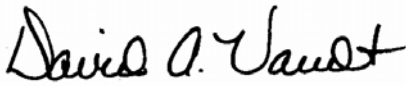
As part of obtaining reasonable assurance about whether Taylor County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010 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.

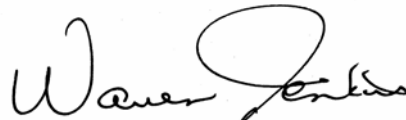
Taylor County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Taylor County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Taylor County and other parties to whom Taylor 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 Taylor 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 28, 2011

Taylor County  
Schedule of Findings  
Year ended June 30, 2010

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the County Recorder's office may have control over the following areas for which no compensating controls exist:
- (1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is prepared, but an independent reconciliation of the listing to the accounting records is not performed.
  - (2) Checks are not signed by an individual who does not otherwise participate in preparing the checks, recording cash receipts, handling petty cash and approving disbursements.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the County Recorder should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances. The County Recorder should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Response – We are limited to our options because of our low workforce, but we will attempt to segregate our duties as much as possible.

Conclusion – Response acknowledged. In many instances, the segregation of duties can be improved by seeking assistance from other County offices.

- (B) Financial Reporting – During the audit, we identified material amounts of receivables, payables and construction in progress were not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, payables and construction in progress are identified and included in the County's financial statements.

Response – We will record receivables, payables and construction in progress correctly in the future.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Taylor County

Schedule of Findings

Year ended June 30, 2010

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted by function.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mary Eagan, Sheriff's Office employee, spouse owns Eagan Services	Mowing	\$ 3,055
Lori Hughes, Deputy Recorder, spouse owns Hughes Feed and Supply and is County Auditor's brother	Corrugated pipe, grass seed, steel and miscellaneous items	19,139
Julie Thomas, County Nurse, spouse is Andy Thomas	Carpentry work around Courthouse and care facility	3,063
Belinda Ogle, Secondary Roads employee, brother-in-law owns Wilson's Home & Office	Office supply purchases by all County offices	7,196

The mowing by Eagan Services, the purchases of corrugated pipe, grass seed and miscellaneous items from Hughes Feed and Supply, carpentry work performed by Andy Thomas and office supplies purchased from Wilson's Home & Office may represent conflicts of interest as defined in Chapter 331.342 of the Code of Iowa because the transactions are more than \$1,500 per year by individual.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – We want to keep our services to Taylor County residents. There is no direct correlation between Taylor County's employees and the services.

Conclusion – Response acknowledged. The Board of Supervisors should consult legal counsel regarding transactions with related parties and the provisions of Chapter 331.342 of the Code of Iowa.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.

Taylor County

Schedule of Findings

Year ended June 30, 2010

- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) 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, 2010 for the County Extension Office did not exceed the amount budgeted.

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Taylor County

Staff

This audit was performed by:

K. David Voy, CPA, Manager  
Tammy A. Hollingsworth, Senior Auditor II  
Melissa M. Wellhausen, CPA, Senior Auditor  
Lori M. Dinville, Staff Auditor  
Jenny M. Podrebarac, Staff Auditor  
Ainslee M. Barnes, Assistant Auditor  
Lara K. Van Wyk, Assistant Auditor  
Ryan A. Yeager, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State