



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

March 19, 2012

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 \$8,699,263 for the year ended June 30, 2011, which included \$447,057 in tax credits from the state. The County forwarded \$6,022,893 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,676,370 of the local tax revenue to finance County operations, a 2.3% increase over the prior year. Other revenues included charges for service of \$652,568, operating grants, contributions and restricted interest of \$3,298,777, capital grants, contributions and restricted interest of \$1,048,222, local option sales tax of \$206,378, unrestricted investment earnings of \$24,103 and other general revenues of \$41,829.

Expenses for County operations totaled \$7,517,461, a 6.8% increase over the prior year. Expenses included \$4,113,773 for roads and transportation, \$976,555 for physical health and social services and \$809,324 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/1110-0087-B00F.pdf>.

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**TAYLOR COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2011**

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**Taylor County**

**Officials**

**(Before January 2011)**

<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	Retired
Clinton L. Spurrier	County Attorney	Jan 2011
Sharon Dalton	County Assessor	Jan 2016

**(After January 2011)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Charles Ambrose	Board of Supervisors	Jan 2013
Bonnie Godden	Board of Supervisors	Jan 2013
Robert Lundquist	Board of Supervisors	Jan 2015
Bonny Baker	County Auditor	Jan 2013
Pam Sprague	County Treasurer	Jan 2015
Rick Sheley	County Recorder	Jan 2015
Josh Weed	County Sheriff	Jan 2013
Clinton L. Spurrier	County Attorney	Jan 2015
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, 2011, 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.

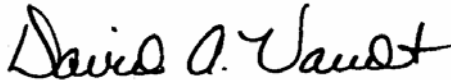
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2011, 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, 2012 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, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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, 2012



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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, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased approximately \$731,000, or 10.1%, from fiscal year 2010 to fiscal year 2011. Property and other county tax increased approximately \$68,000, or 2.8%. Capital grants, contributions and restricted interest increased approximately \$560,000, or 114.8%, primarily due to funding from the Iowa Department of Transportation for road projects and reimbursements for FEMA and emergency watershed projects.
- Governmental activities expenses increased approximately \$475,000, or 6.8%, from fiscal year 2010 to fiscal year 2011. Roads and transportation expenses increased approximately \$412,000.
- Net assets increased 3.0%, or approximately \$431,000, from June 30, 2010 to June 30, 2011.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of 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 financial 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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

## **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

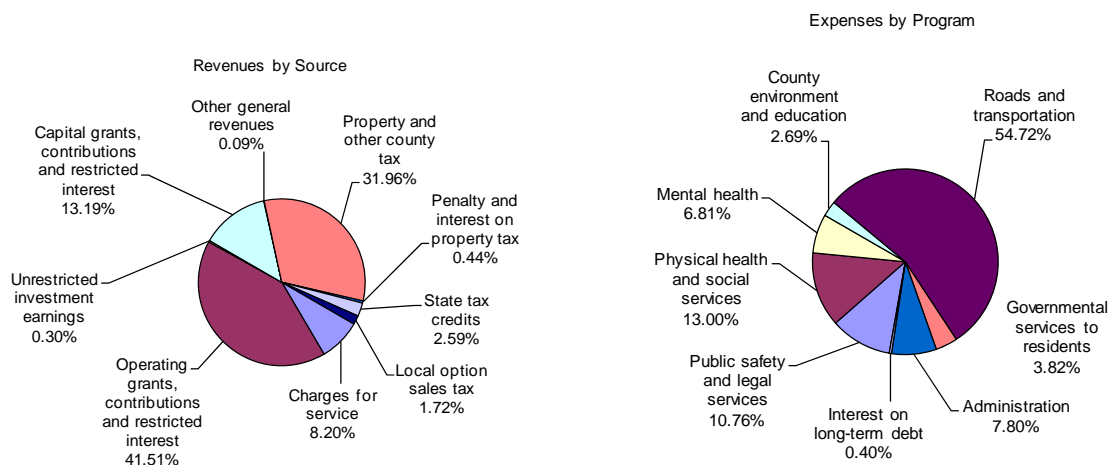
As noted earlier, net assets may serve over time as a useful indicator of financial position. Taylor County's combined net assets increased slightly from a year ago, increasing from approximately \$14.4 million to approximately \$14.9 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2011	2010
Current and other assets	\$ 6,243	6,263
Capital assets	12,281	11,878
Total assets	18,524	18,141
Long-term liabilities	635	786
Other liabilities	3,030	2,927
Total liabilities	3,665	3,713
Net assets:		
Invested in capital assets, net of related debt	11,851	11,271
Restricted	1,860	1,853
Unrestricted	1,148	1,304
Total net assets	\$ 14,859	14,428

Net assets of Taylor County's governmental activities increased approximately \$431,000, or 3.0%. 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—decreased from approximately \$1,304,000 at June 30, 2010 to approximately \$1,148,000 at the end of this year, a decrease of 12%.

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

	Year ended June 30,	
	2011	2010
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 652	583
Operating grants, contributions and restricted interest	3,299	3,285
Capital grants, contributions and restricted interest	1,048	488
<b>General revenues:</b>		
Property and other county tax	2,540	2,472
Penalty and interest on property tax	35	34
State tax credits	137	143
Local option sales tax	206	179
Unrestricted investment earnings	24	31
Other general revenues	7	2
Total revenues	<u>7,948</u>	<u>7,217</u>
<b>Program expenses:</b>		
Public safety and legal services	809	758
Physical health and social services	977	905
Mental health	512	513
County environment and education	202	278
Roads and transportation	4,114	3,702
Governmental services to residents	287	276
Administration	586	574
Interest on long-term debt	30	36
Total expenses	<u>7,517</u>	<u>7,042</u>
Increase in net assets	431	175
Net assets beginning of year	14,428	14,253
Net assets end of year	<u>\$ 14,859</u>	<u>14,428</u>



The County decreased property tax rates for fiscal year 2011 by 2%. However, property tax valuations increased approximately 4.8%. These factors combined to raise the County's property tax revenue approximately \$68,000 in fiscal year 2011. Based on increases in the taxable valuation, property tax revenue is budgeted to increase approximately \$96,000 next year.

The cost of all governmental activities this year was approximately \$7.5 million compared to approximately \$7.0 million last year. Some of the cost was paid by those directly benefited from the programs (\$652,000) or by other governments and organizations which subsidized certain programs with grants and contributions (\$4,347,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in fiscal year 2011 from approximately \$4,356,000 to approximately \$4,999,000. The County paid for the remaining "public benefit" portion of governmental activities with 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 \$3,197,659, an increase of \$33,894 above last year's total fund balance of \$3,163,765. The increase in the combined fund balance is primarily attributable to an increase in the General Fund and the Special Revenue, Rural Services Fund. The Special Revenue, Mental Health fund balance decreased in fiscal year 2011. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund property and other county tax revenues increased due to an increase in property valuations. The ending fund balance increased \$91,333 over the prior year to \$1,796,890.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$511,893, a decrease of .2% from the prior year. However, intergovernmental revenues decreased 46.7% due to the County not receiving the allowable growth factor during fiscal year 2011. The Special Revenue, Mental Health Fund balance at year end decreased \$169,145 from the prior year.
- Special Revenue, Secondary Roads Fund expenditures increased \$496,804 over the prior year, primarily due to costs for capital projects. Total revenues increased \$531,535, primarily due to intergovernmental reimbursements for capital projects expenditures. The ending fund balance in the Secondary Roads Fund decreased \$2,041, or .3%.
- The Special Revenue, Rural Services Fund ended the fiscal year with a balance of \$312,722 compared to the prior year ending balance of \$271,914. 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 March 21, 2011 and resulted in an increase in intergovernmental receipts for grant reimbursements received from the Natural Resources Conservation Service. The amendment also resulted in an increase in capital projects disbursements for a bridge replacement.

The second amendment was made on June 13, 2011 and resulted in a decrease in receipts to correct an error. The amendment also resulted in an increase in disbursements relating to juvenile legal fees, Care Facility Building expenses and grant expenses.

The County's receipts were \$64,254 less than budgeted. Actual intergovernmental receipts were \$313,547 less than budgeted. This was primarily due to grant 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 \$356,980 less than the amended budget. Actual disbursements for the physical health and social services, administration and county environment and education functions were \$89,417, \$65,887 and \$55,358 respectively, less than budgeted. The variance in physical health and social services was due to fewer clients for services than expected. The variance in administration was due to budgeted courthouse maintenance expenses which were less than anticipated. County environment and education disbursements were less than budgeted due to a project not completed as anticipated in fiscal year 2011.

The County did not exceed the budget amount for any function during the year ended June 30, 2011.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2011, Taylor County had approximately \$12.3 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$404,000, or 3.4 %, from last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	Year ended June 30,	
	2011	2010
Land	\$ 892	892
Construction in progress	310	247
Buildings and improvements	542	564
Equipment and vehicles	791	820
Infrastructure	9,746	9,354
Total	\$ 12,281	11,877

The County had depreciation expense of \$882,978 in fiscal year 2011 and total accumulated depreciation of \$7,444,054 at June 30, 2011. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### **Long-Term Debt**

At June 30, 2011, Taylor County had approximately \$429,000 of general obligation capital loan notes and other debt outstanding, compared to approximately \$606,000 at June 30, 2010.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2011	2010
General obligation capital loan notes	\$ 403	555
Bank loans	26	51
Total	\$ 429	606

Debt decreased as a result of making the scheduled payments in fiscal year 2011.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Taylor County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$22.8 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 2012. The County had a countywide valuation increase of \$13,389,389 and a rural valuation increase of \$9,572,995 for fiscal year 2012. The rollback totaled 48.5299% for residential property for fiscal year 2012, compared to the fiscal year 2011 rollback of 46.9094%.

Amounts levied for property tax are \$2,774,095, an increase of \$95,911 over fiscal year 2011. Total receipts and other sources for fiscal year 2012 will decrease \$532,441 from the amended budget for fiscal year 2011. This decrease is mainly due to a decrease in grant receipts.

Budgeted disbursements are also expected to decrease \$327,529 from the amended fiscal year 2011 budget. The decrease is primarily due to a decrease in capital projects for fiscal year 2012.

The County has added no major new programs or initiatives to the fiscal year 2012 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of fiscal year 2012.

### **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, 2011

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 2,707,148
Receivables:	
Property tax:	
Delinquent	6,705
Succeeding year	2,621,000
Interest and penalty on property tax	12,023
Accounts	19,921
Due from other governments	412,846
Inventories	262,492
Prepaid items	200,335
Capital assets (net of accumulated depreciation)	12,281,079
<b>Total assets</b>	<u>18,523,549</u>
<b>Liabilities</b>	
Accounts payable	248,599
Accrued interest payable	12,162
Salaries and benefits payable	25,594
Due to other governments	122,477
Deferred revenue:	
Succeeding year property tax	2,621,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	98,002
Bank loans	26,262
Compensated absences	104,433
Portion due or payable after one year:	
General obligation capital loan notes	305,469
Compensated absences	73,931
Net OPEB liability	27,000
<b>Total liabilities</b>	<u>3,664,929</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	11,851,346
Restricted for:	
Supplemental levy purposes	460,652
Rural services purposes	312,855
Secondary roads purposes	605,074
Other purposes	481,221
Unrestricted	1,147,472
<b>Total net assets</b>	<u>\$ 14,858,620</u>

See notes to financial statements.

Taylor County  
Statement of Activities  
Year ended June 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	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	\$ 809,324	98,363	6,473	-	(704,488)
Physical health and social services	976,555	327,151	398,471	-	(250,933)
Mental health	511,893	-	205,123	-	(306,770)
County environment and education	202,406	9,904	15,589	-	(176,913)
Roads and transportation	4,113,773	102,095	2,673,121	1,048,222	(290,335)
Governmental services to residents	286,947	108,663	-	-	(178,284)
Administration	586,275	6,392	-	-	(579,883)
Interest on long-term debt	30,288	-	-	-	(30,288)
<b>Total</b>	<b>\$ 7,517,461</b>	<b>652,568</b>	<b>3,298,777</b>	<b>1,048,222</b>	<b>(2,517,894)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					2,479,007
Debt service					60,528
Penalty and interest on property tax					35,022
State tax credits					136,835
Local option sales tax					206,378
Unrestricted investment earnings					24,103
Miscellaneous					6,807
<b>Total general revenues</b>					<b>2,948,680</b>
Change in net assets					430,786
Net assets beginning of year					14,427,834
Net assets end of year					<b>\$ 14,858,620</b>

See notes to financial statements.

Taylor County  
Balance Sheet  
Governmental Funds

June 30, 2011

	Special Revenue			
	General	Mental Health	Secondary Roads	Rural Services
<b>Assets</b>				
Cash and pooled investments	\$ 1,434,559	62,379	552,814	301,118
Receivables:				
Property tax:				
Delinquent	5,826	440	-	240
Succeeding year	1,731,000	131,000	-	700,000
Interest and penalty on property tax	12,023	-	-	-
Accounts	8,193	-	10	1,808
Due from other governments	193,110	-	189,304	10,650
Inventories	-	-	262,492	-
Prepaid items	198,035	-	2,300	-
<b>Total assets</b>	<b>\$ 3,582,746</b>	<b>193,819</b>	<b>1,006,920</b>	<b>1,013,816</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 28,719	5,755	209,442	944
Salaries and benefits payable	2,271	576	22,747	-
Due to other governments	4,202	96,176	22,099	-
Deferred revenue:				
Succeeding year property tax	1,731,000	131,000	-	700,000
Other	19,664	377	-	150
Total liabilities	1,785,856	233,884	254,288	701,094
Fund balances:				
Nonspendable:				
Inventories	-	-	262,492	-
Prepaid items	198,035	-	2,300	-
Restricted for:				
Supplemental levy purposes	467,733	-	-	-
Rural services purposes	-	-	-	312,722
Secondary roads purposes	-	-	487,840	-
Conservation land				
acquisition/capital improvements	9,233	-	-	-
Debt Service	-	-	-	-
Other purposes	89,757	-	-	-
Unassigned	1,032,132	(40,065)	-	-
Total fund balances	1,796,890	(40,065)	752,632	312,722
<b>Total liabilities and fund balances</b>	<b>\$ 3,582,746</b>	<b>193,819</b>	<b>1,006,920</b>	<b>1,013,816</b>

See notes to financial statements.

Nonmajor	Total
356,278	2,707,148
199	6,705
59,000	2,621,000
-	12,023
9,910	19,921
19,782	412,846
-	262,492
-	200,335
445,169	6,242,470
3,739	248,599
-	25,594
-	122,477
59,000	2,621,000
6,950	27,141
69,689	3,044,811
-	262,492
-	200,335
-	467,733
-	312,722
-	487,840
-	9,233
29	29
375,451	465,208
-	992,067
375,480	3,197,659
445,169	6,242,470

**Taylor County**

Taylor County

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets

June 30, 2011

**Total governmental fund balances (page 19)** \$ 3,197,659

***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 \$19,725,133 and the accumulated depreciation is \$7,444,054. 12,281,079

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 27,141

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. (647,259)

**Net assets of governmental activities (page 16)** \$ 14,858,620

See notes to financial statements.

Taylor County

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

Year ended June 30, 2011

	Special Revenue			
	General	Mental Health	Secondary Roads	Rural Services
Revenues:				
Property and other county tax	\$ 1,653,652	130,442	-	693,616
Local option sales tax	-	-	-	72,230
Interest and penalty on property tax	31,208	-	-	-
Intergovernmental	798,404	212,306	2,918,198	45,915
Licenses and permits	-	-	1,645	13,716
Charges for service	175,044	-	-	150
Use of money and property	26,607	-	-	-
Miscellaneous	42,203	-	93,079	952
Total revenues	2,727,118	342,748	3,012,922	826,579
Expenditures:				
Operating:				
Public safety and legal services	781,258	-	-	30,314
Physical health and social services	888,159	-	-	65,967
Mental health	-	511,893	-	-
County environment and education	91,918	-	-	32,606
Roads and transportation	-	-	3,056,672	30,000
Governmental services to residents	282,604	-	-	1,357
Administration	545,692	-	-	-
Debt service	-	-	144,669	-
Capital projects	-	-	495,022	-
Total expenditures	2,589,631	511,893	3,696,363	160,244
Excess (deficiency) of revenues over (under) expenditures	137,487	(169,145)	(683,441)	666,335
Other financing sources (uses):				
Sale of capital assets	900	-	8,830	-
Operating transfers in	-	-	672,570	-
Operating transfers out	(47,054)	-	-	(625,527)
Total other financing sources (uses)	(46,154)	-	681,400	(625,527)
Net change in fund balances	91,333	(169,145)	(2,041)	40,808
Fund balances beginning of year, as restated	1,705,557	129,080	754,673	271,914
Fund balances end of year	\$ 1,796,890	(40,065)	752,632	312,722

See notes to financial statements.



Nonmajor	Total
60,497	2,538,207
134,148	206,378
-	31,208
3,328	3,978,151
-	15,361
1,607	176,801
40,665	67,272
11,731	147,965
<u>251,976</u>	<u>7,161,343</u>
7,056	818,628
-	954,126
-	511,893
67,589	192,113
-	3,086,672
1,598	285,559
38,840	584,532
63,965	208,634
-	495,022
<u>179,048</u>	<u>7,137,179</u>
<u>72,928</u>	<u>24,164</u>
-	9,730
12,511	685,081
(12,500)	(685,081)
<u>11</u>	<u>9,730</u>
72,939	33,894
<u>302,541</u>	<u>3,163,765</u>
<u>375,480</u>	<u>3,197,659</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, 2011

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

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

\$ 33,894

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

Expenditures for capital assets	\$ 353,848	
Capital assets contributed by the Iowa Department of Transportation	946,017	
Depreciation expense	<u>(882,978)</u>	416,887

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (13,391)

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	5,142	
Other	<u>(164,255)</u>	(159,113)

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. 176,941

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	(12,390)	
Other postemployment benefits	(13,447)	
Interest on long-term debt	<u>1,405</u>	<u>(24,432)</u>

**Change in net assets of governmental activities (page 17) \$ 430,786**

See notes to financial statements.

Taylor County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2011

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 479,581
Other County officials	3,577
Receivables:	
Property tax:	
Delinquent	28,135
Succeeding year	5,727,000
Accounts	97
Prepaid items	5,764
<b>Total assets</b>	<u>6,244,154</u>

**Liabilities**

Accounts payable	668
Salaries and benefits payable	64
Due to other governments	6,234,873
Trusts payable	2,461
Compensated absences	6,088
<b>Total liabilities</b>	<u>6,244,154</u>

<b>Net assets</b>	\$ -
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See notes to financial statements.

Taylor County

Notes to Financial Statements

June 30, 2011

**(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 the following 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 to be used to fund mental health, mental retardation and developmental disabilities services.

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

The 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.

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

The 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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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

Due from 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, 2011. 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, fund balances are classified as follows:

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

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

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

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, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 11
Special Revenue:		
Secondary Roads	General	47,043
	Special Revenue:	
	Rural Services	625,527
SIRWA Grid Sinking Reserve	Local Option Sales Tax	<u>12,500</u>
Total		<u>\$ 685,081</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, 2011 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 891,709	-	-	891,709
Construction in progress, road network	247,255	1,160,375	(1,097,925)	309,705
Total capital assets not being depreciated	<u>1,138,964</u>	<u>1,160,375</u>	<u>(1,097,925)</u>	<u>1,201,414</u>
Capital assets being depreciated:				
Buildings	1,231,008	-	-	1,231,008
Improvements other than buildings	238,151	-	-	238,151
Equipment and vehicles	3,659,646	141,290	(144,337)	3,656,599
Infrastructure, road network	12,300,036	1,097,925	-	13,397,961
Total capital assets being depreciated	<u>17,428,841</u>	<u>1,239,215</u>	<u>(144,337)</u>	<u>18,523,719</u>
Less accumulated depreciation for:				
Buildings	885,727	17,318	-	903,045
Improvements other than buildings	19,052	4,763	-	23,815
Equipment and vehicles	2,839,159	154,879	(129,146)	2,864,892
Infrastructure, road network	2,946,284	706,018	-	3,652,302
Total accumulated depreciation	<u>6,690,222</u>	<u>882,978</u>	<u>(129,146)</u>	<u>7,444,054</u>
Total capital assets being depreciated, net	<u>10,738,619</u>	<u>356,237</u>	<u>(15,191)</u>	<u>11,079,665</u>
Governmental activities capital assets, net	<u>\$ 11,877,583</u>	<u>1,516,612</u>	<u>(1,113,116)</u>	<u>12,281,079</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 20,495
Physical health and social services	21,268
County environment and education	10,293
Roads and transportation	830,333
Administration	589
Total depreciation expense - governmental activities	<u>\$ 882,978</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>\$ 4,202</u>
Special Revenue:		
Mental Health	Services	96,176
Secondary Roads	Services	22,099
		<u>118,275</u>
Total for governmental funds		<u>\$ 122,477</u>
Agency:		
County Assessor	Collections	\$ 281,831
Schools		4,101,145
Community Colleges		224,875
Corporations		1,130,361
Townships		141,610
All other		355,051
Total for agency funds		<u>\$ 6,234,873</u>

**(6) Long-Term Liabilities**

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

	General Obligation Capital Loan Notes	Bank Loans	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 555,442	51,232	165,974	13,553	786,201
Increases	-	-	170,303	26,837	197,140
Decreases	151,971	24,970	157,913	13,390	348,244
Balance end of year	<u>\$ 403,471</u>	<u>26,262</u>	<u>178,364</u>	<u>27,000</u>	<u>635,097</u>
Due within one year	<u>\$ 98,002</u>	<u>26,262</u>	<u>104,433</u>	<u>-</u>	<u>228,697</u>

General Obligation Capital Loan Notes

A summary of the County's June 30, 2011 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
2012	5.30%	\$ 53,544	8,892	5.10%	\$ 44,458	14,461	98,002	23,353
2013	5.30	55,003	5,991	5.10	48,816	10,104	103,819	16,095
2014	5.30	56,476	3,035	5.10	145,174	7,552	201,650	10,587
Total		\$ 165,023	17,918		\$ 238,448	32,117	403,471	50,035

During the year ended June 30, 2011, the County retired \$151,971 of general obligation capital loan note principal.

Bank Loans

A summary of the County's June 30, 2011 bank loans payable is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	5.10%	\$ 26,262	1,358	27,620

During the year ended June 30, 2011, the County repaid \$24,970 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 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$173,333, \$160,494 and \$167,355, 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 49 active and no 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 would 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, 2011, 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	542
Adjustment to annual required contribution	<u>(648)</u>
Annual OPEB cost	26,837
Contributions made	<u>(13,390)</u>
Increase in net OPEB obligation	13,447
Net OPEB obligation beginning of year	<u>13,553</u>
Net OPEB obligation end of year	<u>\$ 27,000</u>

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

For the year ended June 30, 2011, the County contributed \$13,390 to the medical plan and there were no contributions from plan members eligible for benefits.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 26,943	49.7%	\$ 13,553
2011	\$ 26,837	49.9%	\$ 27,000

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 \$2,408,962 and the ratio of the UAAL to covered payroll was 10.0%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include 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 for the Retiree Health Plan, 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 was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. 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 of 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 645 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, 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 150 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, 2011 were \$114,622.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, 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, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, 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% 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 is required to establish a SIRWA Grid Sinking Reserve Fund, into which there shall be deposited sufficient funds to pay the principal and interest on the loan. As of June 30, 2011, the County has transferred \$62,500 to this fund. 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) Subsequent Event**

The County held a special election on November 8, 2011, at which the citizens approved entering into a loan agreement and issuing general obligation bonds, not to exceed \$6,000,000, for the purpose of reconstructing and improving county roads as designated in the County's urban renewal plan.

**(12) Deficit Balance**

The Special Revenue, Mental Health Fund had a deficit balance of \$40,065 at June 30, 2011. The deficit will be eliminated with future state funding.

**(13) Accounting Change/Restatement**

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

	General	Nonmajor - Conservation Land Acquisition
Balances June 30, 2010, as previously reported	\$ 1,696,325	9,232
Change in fund type classification per implementation of GASB No. 54	9,232	(9,232)
Balances July 1, 2010, as restated	<u>\$ 1,705,557</u>	<u>-</u>



**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, 2011

	Actual
Receipts:	
Property and other county tax	\$ 2,744,341
Interest and penalty on property tax	32,918
Intergovernmental	4,027,637
Licenses and permits	14,861
Charges for service	178,642
Use of money and property	67,804
Miscellaneous	151,172
Total receipts	7,217,375
Disbursements:	
Public safety and legal services	817,406
Physical health and social services	961,236
Mental health	505,220
County environment and education	173,144
Roads and transportation	2,980,114
Governmental services to residents	285,914
Administration	601,417
Debt service	208,634
Capital projects	603,301
Total disbursements	7,136,386
Excess (deficiency) of receipts over (under) disbursements	80,989
Other financing sources, net	6,861
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	87,850
Balance beginning of year	2,619,298
Balance end of year	\$ 2,707,148

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
2,681,597	2,681,597	62,744
4,510	4,510	28,408
4,185,876	4,341,184	(313,547)
11,550	11,550	3,311
121,500	118,500	60,142
63,905	63,905	3,899
60,383	60,383	90,789
<u>7,129,321</u>	<u>7,281,629</u>	<u>(64,254)</u>
867,143	870,143	52,737
1,036,156	1,050,653	89,417
555,706	555,706	50,486
212,100	228,502	55,358
3,003,000	3,003,000	22,886
302,872	306,122	20,208
658,304	667,304	65,887
199,447	208,635	1
535,000	603,301	-
<u>7,369,728</u>	<u>7,493,366</u>	<u>356,980</u>
(240,407)	(211,737)	292,726
-	-	6,861
(240,407)	(211,737)	299,587
<u>1,947,287</u>	<u>1,947,287</u>	<u>672,011</u>
<u>1,706,880</u>	<u>1,735,550</u>	<u>971,598</u>

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Taylor County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,217,375	(56,032)	7,161,343
Expenditures	7,136,386	793	7,137,179
Net	80,989	(56,825)	24,164
Other financing sources, net	6,861	2,869	9,730
Beginning fund balances	2,619,298	544,467	3,163,765
Ending fund balances	\$ 2,707,148	490,511	3,197,659

See accompanying independent auditor's report.

Taylor County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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 \$123,638. 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, 2011, 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

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%
2011	Jul 1, 2009	-	242	242	0.00	2,409	10.0

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.

See accompanying independent auditor's report.

**Other Supplementary Information**

Taylor County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2011

				Special
	County Recorder's Records Management	Forfeitures	Child Health (0-5 years)	Care Facility Building
<b>Assets</b>				
Cash and pooled investments	\$ 6,841	11,397	19,139	26,452
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	9,910
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 6,841</b>	<b>11,397</b>	<b>19,139</b>	<b>36,362</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	-	-	995
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	6,780
Total liabilities	-	-	-	7,775
Fund balances:				
Restricted for:				
Debt service	-	-	-	-
Other purposes	6,841	11,397	19,139	28,587
Total fund balances	6,841	11,397	19,139	28,587
<b>Total liabilities and fund balances</b>	<b>\$ 6,841</b>	<b>11,397</b>	<b>19,139</b>	<b>36,362</b>

See accompanying independent auditor's report.



Revenue			
Local Option Sales Tax	SIRWA Grid Sinking Reserve	Debt Service	Total
229,949	62,500	-	356,278
-	-	199	199
-	-	59,000	59,000
-	-	-	9,910
19,782	-	-	19,782
249,731	62,500	59,199	445,169
2,744	-	-	3,739
-	-	59,000	59,000
-	-	170	6,950
2,744	-	59,170	69,689
-	-	29	29
246,987	62,500	-	375,451
246,987	62,500	29	375,480
249,731	62,500	59,199	445,169

Taylor County

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

Year ended June 30, 2011

	County Recorder's Records Management	Forfeitures	Child Health (0-5 years)	Special Care Facility Building
Revenues:				
Property and other county tax	\$ -	-	-	-
Local option sales tax	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service	1,607	-	-	-
Use of money and property	-	-	-	40,665
Miscellaneous	-	5,000	-	-
Total revenues	1,607	5,000	-	40,665
Expenditures:				
Operating:				
Public safety and legal services	-	7,056	-	-
County environment and education	-	-	-	-
Governmental services to residents	1,598	-	-	-
Administration	-	-	-	38,840
Debt service	-	-	-	-
Total expenditures	1,598	7,056	-	38,840
Excess (deficiency) of revenues over (under) expenditures	9	(2,056)	-	1,825
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	9	(2,056)	-	1,825
Fund balances beginning of year	6,832	13,453	19,139	26,762
Fund balances end of year	\$ 6,841	11,397	19,139	28,587

See accompanying independent auditor's report.

Revenue				
Local Option Sales Tax	SIRWA Grid Sinking Reserve	Debt Service		Total
-	-	60,497		60,497
134,148	-	-		134,148
-	-	3,328		3,328
-	-	-		1,607
-	-	-		40,665
6,731	-	-		11,731
140,879	-	63,825		251,976
-	-	-		7,056
67,589	-	-		67,589
-	-	-		1,598
-	-	-		38,840
-	-	63,965		63,965
67,589	-	63,965		179,048
73,290	-	(140)		72,928
-	12,500	11		12,511
(12,500)	-	-		(12,500)
(12,500)	12,500	11		11
60,790	12,500	(129)		72,939
186,197	50,000	158		302,541
246,987	62,500	29		375,480

Taylor County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	1,752	82,011	86,194	4,135
Other County officials	3,577	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	279	666	12,951	740
Succeeding year	-	83,000	198,000	4,002,000	220,000
Accounts	97	-	-	-	-
Prepaid items	-	-	4,754	-	-
<b>Total assets</b>	<b>\$ 3,674</b>	<b>85,031</b>	<b>285,431</b>	<b>4,101,145</b>	<b>224,875</b>
<b>Liabilities</b>					
Accounts payable	\$ 541	-	-	-	-
Salaries and benefits payable	-	-	-	-	-
Due to other governments	2,751	85,031	281,831	4,101,145	224,875
Trusts payable	382	-	-	-	-
Compensated absences	-	-	3,600	-	-
<b>Total liabilities</b>	<b>\$ 3,674</b>	<b>85,031</b>	<b>285,431</b>	<b>4,101,145</b>	<b>224,875</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Other	Total
32,925	2,550	142,935	127,079	479,581
-	-	-	-	3,577
13,436	60	-	3	28,135
1,084,000	139,000	-	1,000	5,727,000
-	-	-	-	97
-	-	-	1,010	5,764
<b>1,130,361</b>	<b>141,610</b>	<b>142,935</b>	<b>129,092</b>	<b>6,244,154</b>
-	-	-	127	668
-	-	-	64	64
1,130,361	141,610	142,935	124,334	6,234,873
-	-	-	2,079	2,461
-	-	-	2,488	6,088
<b>1,130,361</b>	<b>141,610</b>	<b>142,935</b>	<b>129,092</b>	<b>6,244,154</b>

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

Year ended June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 4,029	80,518	259,017	3,867,135	190,579
Additions:					
Property and other county tax	-	83,302	198,335	4,007,918	220,245
E911 surcharge	-	-	-	-	-
State tax credits	-	4,364	10,144	209,290	10,300
Office fees and collections	149,698	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	29,018	-	-	-	-
Miscellaneous	741	-	1,065	-	-
Total additions	179,457	87,666	209,544	4,217,208	230,545
Deductions:					
Agency remittances:					
To other funds	73,339	-	-	-	-
To other governments	77,366	83,153	183,130	3,983,198	196,249
Trusts paid out	29,107	-	-	-	-
Total deductions	179,812	83,153	183,130	3,983,198	196,249
Balances end of year	\$ 3,674	85,031	285,431	4,101,145	224,875

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Other	Total
1,064,225	138,078	122,001	100,099	5,825,681
1,061,955	140,024	-	892	5,712,671
-	-	-	46,532	46,532
69,059	7,015	-	50	310,222
-	-	-	-	149,698
-	-	-	4,695	4,695
-	-	1,716,608	-	1,716,608
-	-	20,896	-	20,896
-	-	-	4,683	4,683
-	-	-	76,392	105,410
-	-	-	47,274	49,080
1,131,014	147,039	1,737,504	180,518	8,120,495
-	-	84,688	-	158,027
1,064,878	143,507	1,631,882	107,669	7,471,032
-	-	-	43,856	72,963
1,064,878	143,507	1,716,570	151,525	7,702,022
1,130,361	141,610	142,935	129,092	6,244,154

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

For the Last Ten Years

	2011	2010	2009	2008
Revenues:				
Property and other county tax	\$ 2,538,207	2,475,724	2,432,311	2,265,195
Local option sales tax	206,378	178,685	172,166	163,656
Interest and penalty on property tax	31,208	33,505	31,213	29,623
Intergovernmental	3,978,151	3,699,525	3,539,127	3,868,432
Licenses and permits	15,361	14,647	7,378	9,771
Charges for service	176,801	162,884	140,161	158,056
Use of money and property	67,272	67,190	83,731	101,420
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	147,965	119,191	110,727	166,773
Total	\$ 7,161,343	6,751,351	6,516,814	6,762,926
Expenditures:				
Operating:				
Public safety and legal services	\$ 818,628	790,102	770,502	699,623
Physical health and social services	954,126	888,046	895,522	926,405
Mental health	511,893	512,736	475,259	578,073
County environment and education	192,113	267,342	167,562	262,597
Roads and transportation	3,086,672	2,967,517	2,613,123	3,103,584
Governmental services to residents	285,559	272,421	264,705	241,462
Administration	584,532	570,507	571,514	565,113
Debt service	208,634	200,911	204,867	173,987
Capital projects	495,022	126,421	19,507	613,520
Total	\$ 7,137,179	6,596,003	5,982,561	7,164,364

See accompanying independent auditor's report.



Modified Accrual Basis					
2007	2006	2005	2004	2003	2002
2,194,279	2,019,603	1,967,852	1,852,217	1,765,389	1,581,492
175,482	137,824	90,447	48,869	-	-
28,502	31,257	33,807	26,953	30,749	28,427
3,421,429	3,315,325	4,616,305	4,640,502	4,526,047	3,230,238
10,906	10,636	11,628	7,188	7,517	5,949
159,972	153,664	181,176	165,947	167,913	128,293
112,461	87,895	121,049	81,135	43,031	68,525
-	-	-	-	-	1,593
158,004	182,748	102,562	101,390	35,844	27,884
6,261,035	5,938,952	7,124,826	6,924,201	6,576,490	5,072,401
670,809	671,836	667,610	630,218	618,784	608,862
915,733	786,264	730,376	788,912	829,081	741,172
599,619	552,081	546,380	489,836	561,049	583,944
172,061	166,628	149,417	109,305	102,044	119,392
2,668,989	2,721,434	2,823,099	2,271,756	2,161,540	2,667,618
231,877	332,668	258,022	244,175	228,899	221,911
530,755	519,928	541,352	536,656	499,680	469,669
89,578	201,648	138,593	138,149	131,049	164,511
520,176	3,747,310	430,777	314,663	100,100	406,549
6,399,597	9,699,797	6,285,626	5,523,670	5,232,226	5,983,628

**Schedule 6**

Taylor County  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture: Emergency Watershed Protection Program	10.923	69-6114-10-17	\$ 217,895
U.S. Department of the Interior: Partners for Fish and Wildlife	15.631		2,295
Total direct			220,190
Indirect:			
U.S. Department of Agriculture: Iowa Department of Human Services: Human Services Administrative Reimbursements: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		4,607
U.S. Department of Transportation: Iowa Department of Public Safety: Governor's Traffic Safety Bureau: Occupant Protection Incentive Grants	20.602	PAP 11-03, Task 0571	4,000
U.S. Environmental Protection Agency: Iowa Department of Public Health: State Indoor Radon Grants	66.032	MOU-2011-RC13	1,305
U.S. Department of Health and Human Services: Iowa Department of Public Health: Public Health Emergency Preparedness Immunization Grants	93.069 93.268	5881BT387 5881I473	31,952 4,359
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5881NB22	26,821
ARRA - Immunization	93.712	5880I473	2,082
Maternal and Child Health Services Block Grant to the States	93.994	5881MH25	36,233

Taylor County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U. S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs	93.566		<u>3</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>1,126</u>
Foster Care - Title IV-E	93.658		<u>1,828</u>
Adoption Assistance	93.659		<u>443</u>
Children's Health Insurance Program	93.767		<u>21</u>
Medical Assistance Program	93.778		<u>4,423</u>
Social Services Block Grant	93.667		<u>1,576</u>
Social Services Block Grant	93.667		<u>29,768</u>
			<u>31,344</u>
U. S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-IA 1763	<u>192,923</u>
Hazard Mitigation Grant	97.039	DR-1737-0019-01	<u>14,339</u>
Emergency Management Performance Grants	97.042	EMPG-11-PT-87	<u>8,595</u>
Total indirect			<u>366,404</u>
Total			<u>\$ 586,594</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Taylor County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**Taylor County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 28, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Taylor County is responsible for establishing and maintaining effective 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 an 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 and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-11 to be a significant deficiency.

## 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 which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

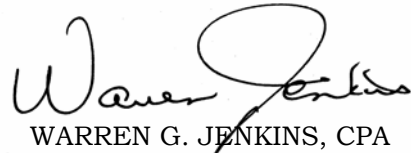
Taylor County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Taylor County's responses and, accordingly, we express no opinion on them.

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, including federal awarding agencies and pass-through entities, and 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, 2012

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133**

**Taylor County**





# OFFICE OF AUDITOR OF STATE

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Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

To the Officials of Taylor County:

Compliance

We have audited Taylor County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Taylor County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Taylor County's management. Our responsibility is to express an opinion on Taylor County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Taylor County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Taylor County's compliance with those requirements.

In our opinion, Taylor County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

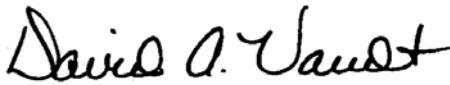
The management of Taylor County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Taylor County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Taylor County's internal control over compliance.

A deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

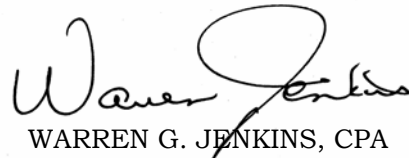
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11, we consider to be a significant deficiency. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Taylor County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the County's response, we did not audit Taylor County's response and, accordingly, we express no opinion on it.

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, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 28, 2012

Taylor County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over a major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
  - CFDA Number 10.923 – Emergency Watershed Protection Program
  - CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Taylor County did not qualify as a low-risk auditee.

Taylor County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-11 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 currently available personnel, including elected officials, 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.

II-B-11 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 individual in the County Engineer'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.
- (2) Generally, one individual may have control over the listing of mail receipts, collecting and depositing for which no compensating control exists. The initial listing is not compared to receipt records by an independent person.

Taylor County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the County Engineer should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances. The County Engineer should utilize currently available personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by an independent person to the extent possible and should be evidenced by initials or signature of the reviewer and the date of review.

Response – Operating procedures will be reviewed to obtain maximum internal control utilizing current personnel.

Conclusion – Response accepted.

II-C-11 Unsupported Expenditures – All federal costs are to be properly documented and supported in accordance with OMB Circular A-87. Of \$217,895 of federal expenditures tested under the Emergency Watershed Protection program, \$3,629 of payroll expenditures claimed were not properly supported.

Recommendation – The County should implement procedures to ensure expenditures are properly supported.

Response and Corrective Action Planned – Procedures will be implemented to ensure expenditures are properly supported.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Taylor County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY**

**CFDA Number 10.923: Emergency Watershed Protection Program**

**Agency Number: 69-6114-10-17**

**Federal Award Year: 2011**

**U.S. Department of Agriculture**

- III-A-11 Unsupported Expenditures – All federal costs are to be properly documented and supported in accordance with OMB Circular A-87. Of \$217,895 of federal expenditures tested under the Emergency Watershed Protection program, \$3,629 of payroll expenditures claimed were not properly supported. See item II-C-11.

Taylor County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted by function.
- IV-B-11 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.
- IV-C-11 Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-11 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	\$ 2,865
Lori Hughes, Deputy Recorder, spouse owns Hughes Feed and Supply and is County Auditor's brother	Corrugated pipe and miscellaneous items	40,538
Julie Thomas, County Nurse, spouse is Andy Thomas	Carpentry work around Courthouse and care facility	11,560
Josh Weed, County Sheriff, owns Hawn Sanitation	Garbage and sanitation services	2,050

The mowing by Eagan Services, the purchases of corrugated pipe and miscellaneous items from Hughes Feed and Supply, carpentry work performed by Andy Thomas and garbage and sanitation services purchased from Hawn Sanitation 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.

- IV-E-11 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.
- IV-F-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Taylor County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- IV-G-11 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.
- IV-H-11 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).
- IV-I-11 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.

- IV-J-11 Mental Health Fund Deficit Balance – The Special Revenue, Mental Health Fund had a deficit fund balance of \$40,065 at June 30, 2011.

Recommendation – The County should continue to investigate alternatives to eliminate this deficit and return this fund to a sound financial position.

Response – Taylor County’s Mental Health Fund had a cash balance of \$62,379. It was only in the accrual balance where there was a deficit. No checks were written until there was cash to pay for it. Taylor County has levied the maximum for several years and has done everything that the law would allow to try to keep it in a sound financial position including cutting services to the mentally ill.

Conclusion – Response accepted.



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Taylor County

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager  
Selina V. Johnson, CPA, Senior Auditor II  
Jenny M. Podrebarac, Staff Auditor  
Ann C. McMinimee, Assistant Auditor  
Todd E. Pudenz, Assistant Auditor  
Ryan A. Yeager, CPA, 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