



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

Mary Mosiman, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE

March 10, 2014

Contact: Andy Nielsen  
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Auditor of State Mary Mosiman today released an audit report on Taylor County, Iowa.

The County had local tax revenue of \$9,271,087 for the year ended June 30, 2013, which included \$564,788 in tax credits from the state. The County forwarded \$5,931,090 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,339,997 of the local tax revenue to finance County operations, a 20.6% increase over the prior year. Other revenues included capital grants, contributions and restricted interest of \$4,179,600, operating grants, contributions and restricted interest of \$3,438,509, charges for service of \$986,224, local option sales tax of \$197,786, gain on disposition of capital assets of \$43,798, unrestricted investment earnings of \$38,341 and other general revenues of \$79,905.

Expenses for County operations for the year ended June 30, 2013 totaled \$7,282,432, an 8.0% decrease from the prior year. Expenses included \$4,120,751 for roads and transportation, \$992,402 for physical health and social services and \$568,821 for administration.

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/1310-0087-B00F.pdf>.

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

**JUNE 30, 2013**

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**Taylor County**

**Officials**

**(Before January 2013)**

<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

**(After January 2013)**

Robert Lundquist	Board of Supervisors	Jan 2015
Charles Ambrose	Board of Supervisors	Jan 2017
Jerry Murphy	Board of Supervisors	Jan 2017
Bonny Baker	County Auditor	Jan 2017
Pam Sprague	County Treasurer	Jan 2015
Rick Sheley	County Recorder	Jan 2015
Josh Weed	County Sheriff	Jan 2017
Clinton L. Spurrier	County Attorney	Jan 2015
Sharon Dalton	County Assessor	Jan 2016

**Taylor County**



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

## Independent Auditor's Report

To the Officials of Taylor County:

### Report on the Financial Statements

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, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## 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 as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 16 and 42 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*


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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2014 on our consideration of Taylor County's internal control over financial reporting and on 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 in considering Taylor County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 19, 2014

**Taylor County**

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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, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 44.2%, or approximately \$3,774,000, from fiscal year 2012 to fiscal year 2013. Property and other county tax increased approximately \$516,000, or 19.6%. Capital grants, contributions and restricted interest increased approximately \$2,989,000, or 251.6%, primarily due to funding from the Iowa Department of Transportation for road projects and reimbursements for a county highway resurfacing project.
- Program expenses of the County's governmental activities were 8.8%, or approximately \$699,000, less in fiscal year 2013 than in fiscal year 2012. Public safety and legal services expenses decreased approximately \$369,000, or 44.4%, from fiscal year 2012 to fiscal year 2013. County environment and education expenses decreased \$356,000, or 56.2%. Roads and transportation expenses increased approximately \$300,000, or 7.9%.
- Net position increased 32.5%, or approximately \$5,022,000, from June 30, 2012 to June 30, 2013.

### **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 Position 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.

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

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

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position 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 Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position 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 years.

The County's governmental activities are presented in the Statement of Net Position 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, Secondary Roads and Rural Services, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) 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 governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

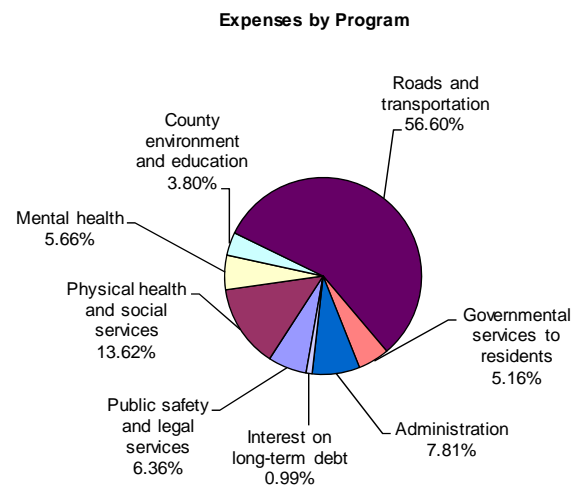
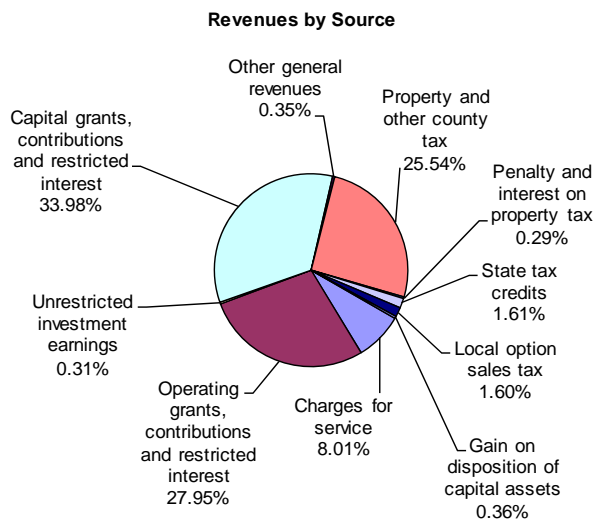
As noted earlier, net position may serve over time as a useful indicator of financial position. Taylor County's combined net position increased from approximately \$15.5 million to approximately \$20.5 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2013	2012
Current and other assets	\$ 7,717	9,291
Capital assets	22,429	16,293
Total assets	30,146	25,584
Long-term liabilities	5,793	6,483
Other liabilities	3,855	3,625
Total liabilities	9,648	10,108
Net position:		
Net investment in capital assets	17,120	12,423
Restricted	2,282	2,011
Unrestricted	1,096	1,042
Total net position	\$ 20,498	15,476

Net position of Taylor County's governmental activities increased approximately \$5,022,000, or 32.5%. The largest portion of the County's net position 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 position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$1,042,000 at June 30, 2012 to approximately \$1,096,000 at the end of this year, an increase of 5.2%.

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

	Year ended June 30,	
	2013	2012
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 986	740
Operating grants, contributions and restricted interest	3,439	3,414
Capital grants, contributions and restricted interest	4,180	1,191
<b>General revenues:</b>		
Property and other county tax	3,143	2,627
Penalty and interest on property tax	36	34
State tax credits	197	142
Local option sales tax	198	224
Unrestricted investment earnings	38	31
Gain on disposition of capital assets	44	112
Other general revenues	43	15
<b>Total revenues</b>	<b>12,304</b>	<b>8,530</b>
<b>Program expenses:</b>		
Public safety and legal services	463	832
Physical health and social services	992	1,028
Mental health	412	661
County environment and education	277	633
Roads and transportation	4,121	3,821
Governmental services to residents	376	302
Administration	569	593
Interest on long-term debt	72	43
<b>Total expenses</b>	<b>7,282</b>	<b>7,913</b>
<b>Increase in net position</b>	<b>5,022</b>	<b>617</b>
<b>Net position beginning of year</b>	<b>15,476</b>	<b>14,859</b>
<b>Net position end of year</b>	<b>\$ 20,498</b>	<b>15,476</b>



The County increased property tax rates for fiscal year 2013 by 23.2%. However, property tax valuations decreased approximately 3.2%. Property tax levied for debt service accounted for the increase. These factors combined to raise the County's property tax revenue approximately \$516,000 in fiscal year 2013. Based on increases in the tax rate and taxable valuation, property tax revenue is budgeted to increase approximately \$283,000 next year.

The cost of all governmental activities this year was approximately \$7.3 million compared to approximately \$7.9 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$1.3 million because some of the cost was paid by those directly benefited from the programs (approximately \$986,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$7,618,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2013 from approximately \$5,345,000 to approximately \$8,604,000. 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 \$3,779,223, a decrease of \$1,713,033 from last year's total fund balance of \$5,492,256. The decrease in the combined fund balance is primarily attributable to a decrease in the Capital Projects Fund. The balances of the General Fund as well as the Special Revenue, Secondary Roads Fund increased in fiscal year 2013. 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 decreased due to a decrease in property valuations. Intergovernmental receipts increased \$138,219 due to the addition of ambulance service. County environment and education function expenditures decreased \$187,032, mainly due completion of maintenance projects at Sands' Timber. Public safety and legal services expenditures increased \$129,095, primarily due to the addition of ambulance service. The ending fund balance increased \$160,804 from the prior year to \$1,933,696.
- The Special Revenue, Mental Health Fund balance at year end increased \$28,982 from the prior year to a deficit balance of \$101,585. Mental Health Fund revenues decreased approximately \$130,000 from the prior year. During the fiscal year, the County received approximately \$296,000 from the State's Transition Fund for one-time assistance with mental health and disability services not funded with Medicaid. This revenue increase was offset by a decrease in mental health property tax relief funding from the State. The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$411,244, a decrease of \$37.8% from the prior year. This decrease was due to a change in the method the State pays for Medicaid reimbursed services.
- Special Revenue, Secondary Roads Fund expenditures remained fairly steady from the prior year. Total revenues increased \$518,145, primarily due to intergovernmental reimbursements for capital projects expenditures in fiscal year 2013. The ending fund balance in the Secondary Roads Fund increased \$248,839, or 33.6%.
- The Special Revenue, Rural Services Fund ended the fiscal year with a balance of \$386,576 compared to the prior year ending balance of \$346,237. There were no significant changes in revenues or expenditures.

- The Debt Service Fund ended the fiscal year with a fund balance of \$4,087 compared to the prior year ending balance of \$294. There was an increase of debt service property tax revenues of \$606,453 and an increase in expenditures of \$642,120 to service the general obligation bond debt entered into during the fiscal year ended June 30, 2012 for reconstructing and improving County roads.
- The Capital Projects Fund ended the fiscal year with a fund balance of \$205,920. The County issued \$6 million of general obligation bonds for reconstructing and improving County roads in the prior fiscal year. The ending fund balance decreased \$2,182,172 due to continued progress on roadwork capital projects.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Taylor County amended its budget two times. The first amendment was made on October 1, 2012 and resulted in an increase in budgeted intergovernmental receipts for grant reimbursements and the receipt of insurance proceeds. The amendment also resulted in an increase in budgeted public safety and legal services and county environment and education disbursements for expenses and contributions for the Taylor County ambulance service and for lightning and roof repair.

The second amendment was made on May 30, 2013 and resulted in a decrease in budgeted capital projects disbursements. The amendment also resulted in an increase in budgeted intergovernmental receipts for grant reimbursements, an increase in charges for service and a decrease in other financing sources as bond proceeds were received in the prior year.

The County's receipts were \$163,639 more than budgeted. Actual miscellaneous receipts were \$105,820 more than budgeted. This was primarily due to insurance proceeds.

Total disbursements were \$883,681 less than the amended budget. Actual disbursements for the mental health, physical health and social services and roads and transportation functions were \$317,737, \$122,103 and \$139,495, respectively, less than budgeted. The variance in mental health disbursements was due to not receiving transitional funds until late in the year and the variance in roads and transportation disbursements was due to projects not being as far along as expected. The variance in physical health and social services disbursements was due to fewer employees for a portion of the year and more clients qualifying for state programs than in prior years.

The County did not exceed the budget amount for any function during the year ended June 30, 2013.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, Taylor County had approximately \$22.4 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 \$6,136,000, or 37.7%, from last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Land	\$ 892	892
Construction in progress - road network	557	5,007
Buildings and improvements	498	520
Equipment and vehicles	1,328	850
Infrastructure	19,154	9,024
Total	\$ 22,429	16,293

The County had depreciation expense of \$1,412,428 in fiscal year 2013 and total accumulated depreciation of \$9,640,524 at June 30, 2013. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2013, Taylor County had approximately \$5,583,000 of outstanding debt versus approximately \$6,258,000 last year, a decrease of approximately \$675,000 from June 30, 2012.

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2013	2012
Installment purchase agreement	\$ 68	-
General obligation capital loan notes	80	258
General obligation bonds	5,435	6,000
Total	\$ 5,583	6,258

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 \$24.0 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

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

Many factors were taken into account when adopting the budget for fiscal year 2014. The County had a countywide valuation increase of \$12,575,045 and the rural valuation increased \$9,554,916 for fiscal year 2014. The rollback totaled 52.8166% for residential property for fiscal year 2014, compared to the fiscal year 2013 rollback of 50.7518%.

Amounts levied for property tax are \$3,416,766, an increase of \$78,500 over fiscal year 2013. Total receipts and other financing sources for fiscal year 2014 decreased \$248,257 from the amended budget for fiscal year 2013. This decrease is mainly due to a decrease in intergovernmental receipts for mental health.

Budgeted disbursements are expected to decrease \$1,724,634 from the amended fiscal year 2013 budget. The increase is primarily due to a decrease in capital projects and debt service payments from fiscal year 2013.

The County has added no major new programs or initiatives to the fiscal year 2014 budget

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of fiscal year 2014.

## **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.

## **Basic Financial Statements**

**Exhibit A**

Taylor County  
Statement of Net Position  
June 30, 2013

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 3,626,007
Receivables:	
Property tax:	
Delinquent	6,065
Succeeding year	3,177,000
Interest and penalty on property tax	16,352
Accounts	36,741
Accrued interest	847
Due from other governments	383,670
Inventories	282,428
Prepaid items	187,962
Capital assets, net of accumulated depreciation	22,428,948
<b>Total assets</b>	<u>30,146,020</u>
<b>Liabilities</b>	
Accounts payable	237,565
Accrued interest payable	5,105
Salaries and benefits payable	32,567
Due to other governments	403,202
Deferred revenue:	
Succeeding year property tax	3,177,000
Long-term liabilities:	
Portion due or payable within one year:	
Installment purchase agreement	19,422
General obligation capital loan notes	80,083
General obligation bonds	585,000
Compensated absences	101,540
Portion due or payable after one year:	
Installment purchase agreement	48,845
General obligation bonds	4,850,000
Compensated absences	75,185
Net OPEB liability	33,009
<b>Total liabilities</b>	<u>9,648,523</u>
<b>Net Position</b>	
Net investment in capital assets	17,119,785
Restricted for:	
Supplemental levy purposes	407,997
Rural services purposes	397,453
Secondary roads purposes	884,964
Debt service	547
Other purposes	591,160
Unrestricted	1,095,591
<b>Total net position</b>	<u>\$ 20,497,497</u>

See notes to financial statements.

Taylor County  
Statement of Activities  
Year ended June 30, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 462,780	287,338	10,829	-	(164,613)
Physical health and social services	992,492	262,690	442,925	-	(286,877)
Mental health	411,768	-	299,710	-	(112,058)
County environment and education	276,929	8,197	18,990	-	(249,742)
Roads and transportation	4,120,751	303,151	2,666,055	4,179,600	3,028,055
Governmental services to residents	376,635	113,890	-	-	(262,745)
Administration	568,821	10,958	-	-	(557,863)
Interest on long-term debt	72,256	-	-	-	(72,256)
Total	\$7,282,432	986,224	3,438,509	4,179,600	1,321,901
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					2,477,923
Debt service					665,310
Penalty and interest on property tax					36,187
State tax credits					196,764
Local option sales tax					197,786
Unrestricted investment earnings					38,341
Gain on disposition of capital assets					43,798
Miscellaneous					43,718
Total general revenues					3,699,827
Change in net position					5,021,728
Net position beginning of year					15,475,769
Net position end of year					\$ 20,497,497

See notes to financial statements.

Taylor County  
Balance Sheet  
Governmental Funds

June 30, 2013

	Special Revenue			
	General	Mental Health	Secondary Roads	Rural Services
<b>Assets</b>				
Cash and pooled investments	\$ 1,670,610	298,424	730,021	369,789
Receivables:				
Property tax:				
Delinquent	4,130	317	-	22
Succeeding year	1,700,000	131,000	-	688,000
Interest and penalty on property tax	16,352	-	-	-
Accounts	19,152	-	5,639	-
Accrued interest	847	-	-	-
Due from other governments	114,229	-	235,916	19,093
Inventories	-	-	282,428	-
Prepaid items	185,591	-	2,371	-
<b>Total assets</b>	<b>\$ 3,710,911</b>	<b>429,741</b>	<b>1,256,375</b>	<b>1,076,904</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 31,089	27,236	176,484	2,306
Salaries and benefits payable	5,031	179	27,357	-
Due to other governments	10,055	372,600	20,109	-
Deferred revenue:				
Succeeding year property tax	1,700,000	131,000	-	688,000
Other	31,040	311	42,627	22
Total liabilities	1,777,215	531,326	266,577	690,328
Fund balances:				
Nonspendable:				
Inventories	-	-	282,428	-
Prepaid items	185,591	-	2,371	-
Restricted for:				
Supplemental levy purposes	416,163	-	-	-
Rural services purposes	-	-	-	386,576
Secondary roads purposes	-	-	704,999	-
Conservation land				
acquisition/capital improvements	9,237	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	107,954	-	-	-
Unassigned	1,214,751	(101,585)	-	-
Total fund balances	1,933,696	(101,585)	989,798	386,576
<b>Total liabilities and fund balances</b>	<b>\$ 3,710,911</b>	<b>429,741</b>	<b>1,256,375</b>	<b>1,076,904</b>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
4,056	205,920	347,187	3,626,007
1,596	-	-	6,065
658,000	-	-	3,177,000
-	-	-	16,352
-	-	11,950	36,741
-	-	-	847
-	-	14,432	383,670
-	-	-	282,428
-	-	-	187,962
663,652	205,920	373,569	7,717,072
-	-	450	237,565
-	-	-	32,567
-	-	438	403,202
658,000	-	-	3,177,000
1,565	-	11,950	87,515
659,565	-	12,838	3,937,849
-	-	-	282,428
-	-	-	187,962
-	-	-	416,163
-	-	-	386,576
-	-	-	704,999
-	-	-	9,237
4,087	-	-	4,087
-	205,920	-	205,920
-	-	360,731	468,685
-	-	-	1,113,166
4,087	205,920	360,731	3,779,223
663,652	205,920	373,569	7,717,072

**Taylor County**



Taylor County

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

June 30, 2013

**Total governmental fund balances (page 21)** \$ 3,779,223

***Amounts reported for governmental activities in the Statement of Net Position 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 \$32,069,472 and the accumulated depreciation is \$9,640,524. 22,428,948

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 87,515

Long-term liabilities, including general obligation capital loan notes payable, general obligation bonds 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. (5,798,189)

**Net position of governmental activities (page 18)** \$ 20,497,497

See notes to financial statements.

Taylor County

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

Year ended June 30, 2013

	Special Revenue			
	General	Mental Health	Secondary Roads	Rural Services
<b>Revenues:</b>				
Property and other county tax	\$ 1,645,122	132,056	-	701,861
Local option sales tax	-	-	-	69,225
Interest and penalty on property tax	34,621	-	-	-
Intergovernmental	991,324	308,170	2,924,288	59,066
Licenses and permits	-	-	645	17,566
Charges for service	215,080	-	-	1,552
Use of money and property	41,126	-	-	-
Miscellaneous	62,238	-	105,052	7,701
Total revenues	2,989,511	440,226	3,029,985	856,971
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	920,105	-	-	32,989
Physical health and social services	894,570	-	-	83,512
Mental health	-	411,244	-	-
County environment and education	87,510	-	-	25,215
Roads and transportation	-	-	3,018,693	29,942
Governmental services to residents	379,845	-	-	1,195
Administration	581,952	-	-	-
Debt service	-	-	135,000	-
Capital projects	-	-	318,363	-
Total expenditures	2,863,982	411,244	3,472,056	172,853
Excess (deficiency) of revenues over (under) expenditures	125,529	28,982	(442,071)	684,118
<b>Other financing sources (uses):</b>				
Installment purchase agreement	73,267	-	-	-
Operating transfers in	9,139	-	690,910	-
Operating transfers out	(47,131)	-	-	(643,779)
Total other financing sources (uses)	35,275	-	690,910	(643,779)
Change in fund balances	160,804	28,982	248,839	40,339
Fund balances beginning of year	1,772,892	(130,567)	740,959	346,237
Fund balances end of year	\$ 1,933,696	(101,585)	989,798	386,576

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
665,766	-	-	3,144,805
-	-	128,561	197,786
-	-	-	34,621
42,578	-	-	4,325,426
-	-	-	18,211
-	-	1,666	218,298
-	-	1,080	42,206
-	-	68,761	243,752
708,344	-	200,068	8,225,105
-	-	19,500	972,594
-	-	-	978,082
-	-	-	411,244
-	-	152,876	265,601
-	-	-	3,048,635
-	-	1,516	382,556
-	-	30,655	612,607
704,551	-	-	839,551
-	2,182,172	-	2,500,535
704,551	2,182,172	204,547	10,011,405
3,793	(2,182,172)	(4,479)	(1,786,300)
-	-	-	73,267
-	-	-	700,049
-	-	(9,139)	(700,049)
-	-	(9,139)	73,267
3,793	(2,182,172)	(13,618)	(1,713,033)
294	2,388,092	374,349	5,492,256
4,087	205,920	360,731	3,779,223

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, 2013

**Change in fund balances - Total governmental funds (page 25)**

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

\$(1,713,033)

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

Expenditures for capital assets	\$ 3,325,077	
Capital assets contributed by the Iowa Department of Depreciation expense	4,179,600 (1,412,428)	6,092,249

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

43,798

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	(1,572)	
Other	(114,771)	(116,343)

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

Issued	(73,267)	
Repaid	747,611	674,344

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	24,684	
Other postemployment benefits	(9)	
Interest on long-term debt	16,038	40,713

**Change in net position of governmental activities (page 19)**

\$ 5,021,728

See notes to financial statements.

Taylor County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2013

<b>Assets</b>	
Cash and pooled investments:	
County Treasurer	\$ 542,420
Other County officials	4,731
Receivables:	
Property tax:	
Delinquent	20,976
Succeeding year	5,582,000
Accounts	176
Prepaid items	5,611
<b>Total assets</b>	<b>6,155,914</b>
 <b>Liabilities</b>	
Accounts payable	12,266
Due to other funds	611
Salaries and benefits payable	116
Due to other governments	6,131,428
Trusts payable	2,749
Compensated absences	8,744
<b>Total liabilities</b>	<b>6,155,914</b>
 <b>Net position</b>	 <b>\$ -</b>

See notes to financial statements.

Taylor County

Notes to Financial Statements

June 30, 2013

**(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 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 Position 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 Position presents the County’s nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

*Net investment in capital assets* 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 position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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, intellectual disabilities 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 Fund and the Special Revenue, Rural Services Fund 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.

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

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

Additionally, the County reports the following funds:

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 position 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 and 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

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 Position. 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
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
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 Position 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, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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 Position.

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, 2013 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, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Child Health	\$ 9,139
Special Revenue: Secondary Roads	General	47,131
	Special Revenue: Rural Services	643,779
		<u>690,910</u>
Total		<u>\$ 700,049</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, 2013 is as follows:

	Balance			Balance
	Beginning	Increases	Decreases	End
	of Year			of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 891,709	-	-	891,709
Construction in progress, road network	5,006,605	6,754,096	(11,203,497)	557,204
Total capital assets not being depreciated	<u>5,898,314</u>	<u>6,754,096</u>	<u>(11,203,497)</u>	<u>1,448,913</u>
Capital assets being depreciated:				
Buildings	1,231,008	-	-	1,231,008
Improvements other than buildings	238,151	-	-	238,151
Equipment and vehicles	3,820,527	851,581	(122,166)	4,549,942
Infrastructure, road network	13,397,961	11,203,497	-	24,601,458
Total capital assets being depreciated	<u>18,687,647</u>	<u>12,055,078</u>	<u>(122,166)</u>	<u>30,620,559</u>
Less accumulated depreciation for:				
Buildings	920,363	17,318	-	937,681
Improvements other than buildings	28,578	4,763	-	33,341
Equipment and vehicles	2,970,452	316,088	(64,964)	3,221,576
Infrastructure, road network	4,373,667	1,074,259	-	5,447,926
Total accumulated depreciation	<u>8,293,060</u>	<u>1,412,428</u>	<u>(64,964)</u>	<u>9,640,524</u>
Total capital assets being depreciated, net	<u>10,394,587</u>	<u>10,642,650</u>	<u>(57,202)</u>	<u>20,980,035</u>
Governmental activities capital assets, net	<u>\$16,292,901</u>	<u>17,396,746</u>	<u>(11,260,699)</u>	<u>22,428,948</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 177,401
Physical health and social services	21,268
County environment and education	11,328
Roads and transportation	1,166,231
Administration	36,200
	<u>                    </u>
Total depreciation expense - governmental activities	<u><u>\$ 1,412,428</u></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 at June 30, 2013 is as follows:

Fund	Description	Amount
General	Services	\$ 10,055
Special Revenue:		
Mental Health	Services	372,600
Secondary Roads	Services	20,109
Care Facility Building	Services	438
		<u>393,147</u>
Total for governmental funds		<u><u>\$ 403,202</u></u>
Agency:		
County Assessor	Collections	\$ 343,473
Schools		4,051,224
Community Colleges		219,836
Corporations		1,071,244
Townships		138,059
All other		307,592
		<u>307,592</u>
Total for agency funds		<u><u>\$ 6,131,428</u></u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Install- ment Purchase Agreement	General Obligation Capital Loan Notes	General Obligation Bonds	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ -	257,694	6,000,000	192,763	33,000	6,483,457
Increases	73,267	-	-	205,222	24,589	303,078
Decreases	5,000	177,611	565,000	221,260	24,580	993,451
Balance end of year	<u>\$ 68,267</u>	<u>80,083</u>	<u>5,435,000</u>	<u>176,725</u>	<u>33,009</u>	<u>5,793,084</u>
Due within one year	<u><u>\$ 19,422</u></u>	<u><u>80,083</u></u>	<u><u>585,000</u></u>	<u><u>101,540</u></u>	<u><u>-</u></u>	<u><u>786,045</u></u>

Installment Purchase Agreement

The County has entered into an interest free installment purchase agreement for voting equipment.

A summary of the installment purchase agreement indebtedness is as follows:

Year ending June 30,	Voting Equipment
2014	\$ 19,422
2015	24,422
2016	24,423
Total	<u>\$ 68,267</u>

During the year ended June 30, 2013, the County retired \$5,000 of installment purchase agreement principal.

General Obligation Capital Loan Notes

A summary of the County's June 30, 2013 general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	Series 2006		Series 2007		Total				
	Interest Rate	Principal Interest	Interest Rate	Principal Interest	Principal	Interest Total			
2014	5.30%	<u>\$56,303</u>	3,030	5.10%	<u>\$ 23,780</u>	<u>3,217</u>	80,083	6,247	86,330

During the year ended June 30, 2013, the County retired \$177,611 of general obligation capital loan note principal.

General Obligation Bonds

A summary of the County's June 30, 2013 general obligation bond indebtedness is as follows:

Year Ending June 30,	Series 2012 County Road Reconstruction and Improvement				
	Interest Rates	Principal	Interest	Total	
2014	0.50%	\$ 585,000	62,595	647,595	
2015	0.60	585,000	59,670	644,670	
2016	0.75	590,000	56,160	646,160	
2017	0.90	595,000	51,735	646,735	
2018	1.10	600,000	46,380	646,380	
2019-2022	1.30 - 1.90	2,480,000	106,449	2,586,449	
Total		<u>\$ 5,435,000</u>	<u>382,989</u>	<u>5,817,989</u>	

During the year ended June 30, 2013, the County retired \$565,000 of general obligation bond 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 5.78% of their annual covered salary and the County is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$226,963, \$201,159 and \$173,333, 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 employees, retirees and their spouses. There are 45 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 24,580
Interest on net OPEB obligation	1,320
Adjustment to annual required contribution	<u>(1,311)</u>
Annual OPEB cost	24,589
Contributions made	<u>(24,580)</u>
Increase in net OPEB obligation	9
Net OPEB obligation beginning of year	<u>33,000</u>
Net OPEB obligation end of year	<u>\$ 33,009</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, 2013.

For the year ended June 30, 2013, the County contributed \$24,580 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 26,837	49.9%	\$ 27,000
2012	27,000	77.8	33,000
2013	24,589	99.9	33,009

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2015, the actuarial accrued liability was \$173,407, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$173,407. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,275,000 and the ratio of the UAAL to covered payroll was 7.6%. As of June 30, 2013, 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, 2012 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 5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purpose of this computation.

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, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$1,042 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 679 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 at a level determined by the Board not to exceed 300% 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, 2013 were \$124,644

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 \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington 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, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, 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 was required to establish a SIRWA Grid Sinking Reserve Fund and appropriate to the fund from the County's General Fund sufficient funds to pay the principal and interest on the loan. The County established the Special Revenue, SIRWA Grid Sinking Reserve Fund and transferred \$62,500 from the General Fund to this fund in compliance with the 28E agreement. During the year ended June 30, 2010, the County was informed the project would not proceed and the 28E agreement with SIRWA would be dissolved. The County is waiting for the final dissolution of the 28E agreement and formal termination of the project before determining the disposition of the balance in the SIRWA Grid Sinking Reserve Fund.

**(11) Deficit Fund Balance**

The Special Revenue, Mental Health Fund had a fund balance deficit of \$101,585 at June 30, 2013. The deficit will be eliminated with future state funding.

**(12) Subsequent Event**

In November 2013, the County approved the issuance of \$3,800,000 of general obligation bonds to fund the construction of a new jail.

**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, 2013

	Actual
Receipts:	
Property and other county tax	\$ 3,354,848
Interest and penalty on property tax	35,252
Intergovernmental	4,608,946
Licenses and permits	18,211
Charges for service	206,211
Use of money and property	44,332
Miscellaneous	240,131
Total receipts	8,507,931
Disbursements:	
Public safety and legal services	967,938
Physical health and social services	989,827
Mental health	220,851
County environment and education	339,144
Roads and transportation	3,286,505
Governmental services to residents	309,510
Administration	592,361
Debt service	839,552
Capital projects	2,183,202
Total disbursements	9,728,890
Excess (deficiency) of receipts over (under) disbursements	(1,220,959)
Other financing sources, net	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,220,959)
Balance beginning of year	4,846,966
Balance end of year	\$ 3,626,007

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual Variance
3,391,619	3,457,652	(102,804)
5,810	5,810	29,442
3,668,787	4,546,334	62,612
10,500	11,615	6,596
140,725	155,945	50,266
57,625	32,625	11,707
84,920	134,311	105,820
<u>7,359,986</u>	<u>8,344,292</u>	<u>163,639</u>
893,508	1,056,504	88,566
1,086,472	1,111,930	122,103
538,588	538,588	317,737
232,395	418,409	79,265
3,127,000	3,426,000	139,495
317,235	324,685	15,175
654,323	660,723	68,362
842,529	842,529	2,977
6,002,000	2,233,203	50,001
<u>13,694,050</u>	<u>10,612,571</u>	<u>883,681</u>
(6,334,064)	(2,268,279)	1,047,320
<u>6,000,000</u>	<u>-</u>	<u>-</u>
(334,064)	(2,268,279)	1,047,320
2,358,278	4,829,181	17,785
<u>2,024,214</u>	<u>2,560,902</u>	<u>1,065,105</u>

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Taylor County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,507,931	(282,826)	8,225,105
Expenditures	(9,728,890)	(282,515)	(10,011,405)
Net	(1,220,959)	(565,341)	(1,786,300)
Other financing sources, net	-	73,267	73,267
Beginning fund balances	4,846,966	645,290	5,492,256
Ending fund balances	\$ 3,626,007	153,216	3,779,223

See accompanying independent auditor's report.

Taylor County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments decreased budgeted disbursements by \$3,081,479. 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, 2013, disbursements did not exceed the amounts budgeted by function.

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	0.0%	\$ 2,168	11.2%
2011	Jul 1, 2009	-	242	242	0.0	2,409	10.0
2012	Jul 1, 2009	-	242	242	0.0	2,456	9.9
2013	Jul 1, 2012	-	173	173	0.0	2,275	7.6

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.



**Supplementary Information**

Taylor County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2013

	Special Revenue			
	County Recorder's Records Management	Forfeitures	Child Health (0-5 years)	Care Facility Building
<b>Assets</b>				
Cash and pooled investments	\$ 6,206	42,815	-	33,817
Accounts receivable	-	-	-	11,950
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 6,206</b>	<b>42,815</b>	<b>-</b>	<b>45,767</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	-	-	450
Due to other governments	-	-	-	438
Deferred revenue:				
Other	-	-	-	11,950
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,838</b>
Fund balances:				
Restricted for other purposes	6,206	42,815	-	32,929
<b>Total liabilities and fund balances</b>	<b>\$ 6,206</b>	<b>42,815</b>	<b>-</b>	<b>45,767</b>

See accompanying independent auditor's report.

Local Option Sales Tax	SIRWA Grid Sinking Reserve	Total
201,849	62,500	347,187
-	-	11,950
14,432	-	14,432
216,281	62,500	373,569
-	-	450
-	-	438
-	-	11,950
-	-	12,838
216,281	62,500	360,731
216,281	62,500	373,569

Taylor County

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

Year ended June 30, 2013

	Special Revenue			
	County Recorder's Records Management	Forfeitures	Child Health (0-5 years)	Care Facility Building
Revenues:				
Local option sales tax	\$ -	-	-	-
Charges for service	1,666	-	-	-
Use of money and property	-	-	-	1,080
Miscellaneous	-	5,000	-	-
Total revenues	1,666	5,000	-	1,080
Expenditures:				
Operating:				
Public safety and legal services	-	19,500	-	-
County environment and education	-	-	-	-
Governmental services to residents	1,516	-	-	-
Administration	-	-	-	30,655
Total expenditures	1,516	19,500	-	30,655
Excess (deficiency) of revenues over (under) expenditures	150	(14,500)	-	(29,575)
Other financing uses:				
Operating transfers out	-	-	(9,139)	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	150	(14,500)	(9,139)	(29,575)
Fund balances beginning of year	6,056	57,315	9,139	62,504
Fund balances end of year	\$ 6,206	42,815	-	32,929

See accompanying independent auditor's report.

Local Option Sales Tax	SIRWA Grid Sinking Reserve	Total
128,561	-	128,561
-	-	1,666
-	-	1,080
63,761	-	68,761
192,322	-	200,068
-	-	19,500
152,876	-	152,876
-	-	1,516
-	-	30,655
152,876	-	204,547
39,446	-	(4,479)
-	-	(9,139)
39,446	-	(13,618)
176,835	62,500	374,349
216,281	62,500	360,731

Taylor County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	1,251	221,574	60,711	3,310
Other County officials	4,731	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	198	302	8,513	526
Succeeding year	-	81,000	124,000	3,982,000	216,000
Accounts	176	-	-	-	-
Prepaid items	-	-	4,516	-	-
<b>Total assets</b>	<b>\$ 4,907</b>	<b>82,449</b>	<b>350,392</b>	<b>4,051,224</b>	<b>219,836</b>
<b>Liabilities</b>					
Accounts payable	\$ 660	-	1,342	-	-
Salaries and benefits payable	-	-	-	-	-
Due to other funds	116	-	-	-	-
Due to other governments	3,762	82,449	343,473	4,051,224	219,836
Trusts payable	369	-	-	-	-
Compensated absences	-	-	5,577	-	-
<b>Total liabilities</b>	<b>\$ 4,907</b>	<b>82,449</b>	<b>350,392</b>	<b>4,051,224</b>	<b>219,836</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Other	Total
17,814	2,054	118,697	117,009	542,420
-	-	-	-	4,731
11,430	5	-	2	20,976
1,042,000	136,000	-	1,000	5,582,000
-	-	-	-	176
-	-	-	1,095	5,611
1,071,244	138,059	118,697	119,106	6,155,914
-	-	-	10,264	12,266
-	-	-	611	611
-	-	-	-	116
1,071,244	138,059	118,697	102,684	6,131,428
-	-	-	2,380	2,749
-	-	-	3,167	8,744
1,071,244	138,059	118,697	119,106	6,155,914

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

Year ended June 30, 2013

<b>Assets and Liabilities</b>	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 5,927	80,671	350,847	3,878,830	212,427
Additions:					
Property and other county tax	-	80,796	124,520	3,988,269	216,597
E911 surcharge	-	-	-	-	-
State tax credits	-	5,051	11,840	243,774	13,373
Office fees and collections	166,023	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	29,552	-	-	-	-
Miscellaneous	3,052	-	1,663	-	-
Total additions	198,627	85,847	138,023	4,232,043	229,970
Deductions:					
Agency remittances:					
To other funds	71,460	-	-	-	-
To other governments	98,757	84,069	138,478	4,059,649	222,561
Trusts paid out	29,430	-	-	-	-
Total deductions	199,647	84,069	138,478	4,059,649	222,561
Balances end of year	\$ 4,907	82,449	350,392	4,051,224	219,836

See accompanying independent auditor's report.



Corpora- tions	Townships	Auto License and Use Tax	Other	Total
1,037,087	139,277	135,148	175,285	6,015,499
1,014,522	137,502	-	860	5,563,066
-	-	-	62,276	62,276
86,051	7,880	-	55	368,024
-	-	-	-	166,023
-	-	-	1,680	1,680
-	-	1,783,806	-	1,783,806
-	-	24,836	-	24,836
-	-	-	11,165	11,165
-	-	-	84,639	114,191
-	-	-	54,922	59,637
1,100,573	145,382	1,808,642	215,597	8,154,704
-	-	93,242	-	164,702
1,066,416	146,600	1,731,851	207,478	7,755,859
-	-	-	64,298	93,728
1,066,416	146,600	1,825,093	271,776	8,014,289
1,071,244	138,059	118,697	119,106	6,155,914

Taylor County

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

For the Last Ten Years

	2013	2012	2011	2010
<b>Revenues:</b>				
Property and other county tax	\$ 3,144,805	2,625,373	2,538,207	2,475,724
Local option sales tax	197,786	223,876	206,378	178,685
Interest and penalty on property tax	34,621	30,172	31,208	33,505
Intergovernmental	4,325,426	4,018,382	3,978,151	3,699,525
Licenses and permits	18,211	14,991	15,361	14,647
Charges for service	218,298	181,998	176,801	162,884
Use of money and property	42,206	81,394	67,272	67,190
Miscellaneous	243,752	375,840	147,965	119,191
<b>Total</b>	<b>\$ 8,225,105</b>	<b>7,552,026</b>	<b>7,161,343</b>	<b>6,751,351</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 972,594	861,724	818,628	790,102
Physical health and social services	978,082	1,001,890	954,126	888,046
Mental health	411,244	661,178	511,893	512,736
County environment and education	265,601	634,221	192,113	267,342
Roads and transportation	3,048,635	3,018,866	3,086,672	2,967,517
Governmental services to residents	382,556	299,745	285,559	272,421
Administration	612,607	594,981	584,532	570,507
Debt service	839,551	197,356	208,634	200,911
Capital projects	2,500,535	3,912,468	495,022	126,421
<b>Total</b>	<b>\$ 10,011,405</b>	<b>11,182,429</b>	<b>7,137,179</b>	<b>6,596,003</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
2,432,311	2,265,195	2,194,279	2,019,603	1,967,852	1,852,217
172,166	163,656	175,482	137,824	90,447	48,869
31,213	29,623	28,502	31,257	33,807	26,953
3,539,127	3,868,432	3,421,429	3,315,325	4,616,305	4,640,502
7,378	9,771	10,906	10,636	11,628	7,188
140,161	158,056	159,972	153,664	181,176	165,947
83,731	101,420	112,461	87,895	121,049	81,135
110,727	166,773	158,004	182,748	102,562	101,390
6,516,814	6,762,926	6,261,035	5,938,952	7,124,826	6,924,201
770,502	699,623	670,809	671,836	667,610	630,218
895,522	926,405	915,733	786,264	730,376	788,912
475,259	578,073	599,619	552,081	546,380	489,836
167,562	262,597	172,061	166,628	149,417	109,305
2,613,123	3,103,584	2,668,989	2,721,434	2,823,099	2,271,756
264,705	241,462	231,877	332,668	258,022	244,175
571,514	565,113	530,755	519,928	541,352	536,656
204,867	173,987	89,578	201,648	138,593	138,149
19,507	613,520	520,176	3,747,310	430,777	314,663
5,982,561	7,164,364	6,399,597	9,699,797	6,285,626	5,523,670

**Taylor County**



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA  
Auditor of State

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 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, the 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, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Taylor County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Taylor County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

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

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 deficiencies described in the accompanying Schedule of Findings as items (B) and (C) to be significant deficiencies.

## 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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 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 the Findings


Taylor County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Taylor County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 19, 2014

Taylor County  
Schedule of Findings  
Year ended June 30, 2013

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same person. 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 offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	County Recorder
(2) Collection, deposit preparation and reconciliation functions are not segregated from the recording and accounting for cash receipts.	Public Health
(3) Individual who signs checks is not independent of individual who approves disbursements, handles petty cash, records cash receipts and prepares checks	County Recorder

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials and personnel from other County offices, to provide additional control through review of financial transactions, reconciliations and reports. Evidence of review should be documented by the signature or initials of the independent reviewer and the date of the review.

Responses –

Public Health – Public Health changed their internal office procedures in February 2013. We have two people opening the mail. We have segregated collection, deposit, preparation, reconciling, recording and documenting cash records among the secretary, office manager and administrator.

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

Conclusions – Responses accepted.

Taylor County

Schedule of Findings

Year ended June 30, 2013

(B) Untimely Deposits – Receipts are not always deposited timely.

Recommendation – To safeguard cash, receipts should be deposited intact and on a timely basis.

Response – The County Treasurer has visited with Department Heads to get checks to the County Treasurer's Office in a timely manner. They will try to do a better job.

Conclusion – Response accepted.

(C) Disaster Recovery Plan – The County's written disaster recovery plan does not address the following items:

- (1) Identification of critical applications.
- (2) Identification of steps for recovery of the system.
- (3) Identification of computer equipment needed for temporary processing.
- (4) Identification of business location(s) which could be used to process critical applications in the event of an emergency.
- (5) Requirement a copy of the disaster recovery plan be kept off site.
- (6) Requirement to keep system backups current and off site.
- (7) An inventory of all hardware and components (i.e. make, model numbers, serial numbers, etc.).
- (8) An inventory of all software applications (i.e. operating system and software applications, release versions and vendor names).
- (9) Requirement copies of all user documentation and policy and procedures manuals be located off site.
- (10) Requirement extra stocks of paper supplies (i.e. checks, warrants, purchase orders, etc.) be located off site.
- (11) Requirement and determination of whether the disaster plan is adequately tested (i.e. annually).

Recommendation – The County should develop a written disaster recovery plan which includes the above items.

Response – We have started on developing a written disaster recovery plan which includes the above items.

Conclusion – Response accepted

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



Taylor County  
Schedule of Findings  
Year ended June 30, 2013

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted by function.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lori Hughes, Deputy Recorder, spouse is the County Auditor's brother and owns Hughes Feed and Supply	Corrugated pipe, seed and miscellaneous items	\$ 35,852
Josh Weed, County Sheriff, owns Hawn Sanitation	Garbage and sanitation services	2,050
Andy Thomas, spouse of public health nurse Julie Thomas, independent contractor	Various handyman work	3,834
Jerry Baker, spouse of County Auditor Bonny Baker	General election worker	60
Phillip Godden, spouse of Bonnie Godden, former Board of Supervisor member	General election worker	96

The purchases of corrugated pipe, seed and miscellaneous items from Hughes Feed and Supply, the garbage and sanitation services purchased from Hawn Sanitation and handyman work purchased from Andy Thomas may represent conflicts of interest as defined in Chapter 331.342 of the Code of Iowa since the transactions with each individual were greater than \$1,500 during the fiscal year and were not competitively bid.

The transactions with Jerry Baker and Phillip Godden do not appear to represent a conflict of interest in accordance with Chapter 31.342(2)(j) of the Code of Iowa since the total transactions did not exceed \$1,500 during the fiscal year.

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.

Taylor County

Schedule of Findings

Year ended June 30, 2013

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2013 for the County Extension Office did not exceed the amount budgeted.

- (10) Mental Health Fund Deficit Balance – The Special Revenue, Mental Health Fund had a deficit fund balance of \$101,585 at June 30, 2013.

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 \$298,424. 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 the law would allow to try to keep it in a sound financial position, including cutting services to the mentally ill.

Conclusion – Response accepted.

- (11) Voting Equipment Loan – The County did not hold a public hearing prior to entering into a \$73,267 installment purchase agreement for a voting tabulation system as required by Chapter 331.479 of the Code of Iowa.

Recommendation – The County should follow the statutory authorization requirements before entering into non-current debt.

Response – We regret we failed to hold a public hearing prior to entering into a three year installment purchase agreement with no interest for voting machines. We will follow the statutory authorization requirement before entering into any future debt.

Conclusion – Response accepted.

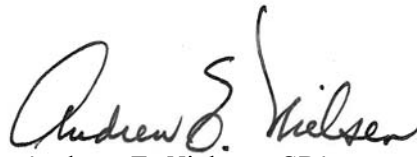
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Taylor County

Staff

This audit was performed by:

Timothy D. Houlette , CPA, Manager  
Daniel J. Mikels, Staff Auditor  
Tiffany M. Ainger, Senior Auditor II, CPA  
Dorothy O. Stover, Senior Auditor  
Tyler J. Guffy, Staff Auditor  
Kyle C. Smith, 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