



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

March 30, 2015

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$9,475,536 for the year ended June 30, 2014, which included \$640,846 in tax credits from the state. The County forwarded \$6,056,616 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,418,920 of the local tax revenue to finance County operations, a 2.4% increase over the prior year. Other revenues included charges for service of \$995,827, operating grants, contributions and restricted interest of \$3,165,022, capital grants, contributions and restricted interest of \$420,337, local option sales tax of \$174,982, gain on disposition of capital assets of \$192,450, unrestricted investment earnings of \$51,128 and other general revenues of \$31,695.

Expenses for County operations for the year ended June 30, 2014 totaled \$8,894,074, a 22.1% increase over the prior year. Expenses included \$4,839,750 for roads and transportation, \$1,356,509 for public safety and legal services and \$1,050,479 for physical health and social services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1410-0087-B00F.pdf>.

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TAYLOR COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2014

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Taylor County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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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Mary Mosiman, CPA
Auditor of State

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, 2014, 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, 2014, and the respective changes in its financial position 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, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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, 2015 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, 2015

Taylor County

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 34.7%, or approximately \$4,494,000, from fiscal year 2013 to fiscal year 2014. Property and other county tax increased approximately \$58,000, or 1.9%. Capital grants, contributions and restricted interest decreased approximately \$4,400,000, or 91.3%, primarily due to a decrease in 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 12.3%, or approximately \$972,000, more in fiscal year 2014 than in fiscal year 2013. Roads and transportation expenses increased \$719,000, or 17.5%, from fiscal year 2013 to fiscal year 2014. Public safety and legal services expenses increased approximately \$254,000, or 23%. Mental health expenses decreased \$192,000, or 46.6%.
- Net position decreased 2.2%, or approximately \$444,000, from June 30, 2013 to June 30, 2014.

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 financial statements provide 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 financial information on all the County's assets, liabilities and deferred inflows of resources, with the difference 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 decreased from approximately \$20.5 million to approximately \$20.1 million during the year. The analysis that follows focuses on the changes in the net position of governmental activities.

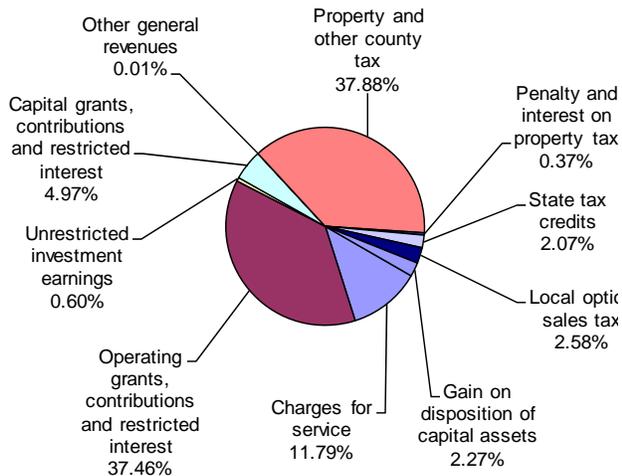
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2014	2013
Current and other assets	\$ 11,334	7,717
Capital assets	21,768	22,429
Total assets	<u>33,102</u>	<u>30,146</u>
Long-term liabilities	8,938	2,616
Other liabilities	615	3,855
Total liabilities	<u>9,553</u>	<u>6,471</u>
Deferred inflows of resources	<u>3,495</u>	<u>3,177</u>
Net position:		
Net investment in capital assets	16,741	17,120
Restricted	2,217	2,282
Unrestricted	1,096	1,096
Total net position	<u>\$ 20,054</u>	<u>20,498</u>

Net position of Taylor County's governmental activities decreased approximately \$444,000, or 2.2%. 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 – remained steady at approximately \$1,096,000 at June 30, 2013 and June 30, 2014.

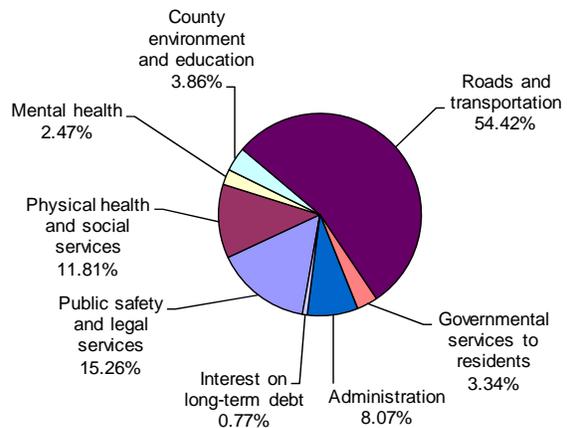
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2014	2013
Revenues:		
Program revenues:		
Charges for service	\$ 996	986
Operating grants, contributions and restricted interest	3,165	3,439
Capital grants, contributions and restricted interest	420	4,820
General revenues:		
Property and other county tax	3,201	3,143
Penalty and interest on property tax	31	36
State tax credits	218	197
Local option sales tax	175	198
Unrestricted investment earnings	51	38
Gain on disposition of capital assets	192	44
Other general revenues	1	43
Total revenues	8,450	12,944
Program expenses:		
Public safety and legal services	1,357	1,103
Physical health and social services	1,050	992
Mental health	220	412
County environment and education	343	277
Roads and transportation	4,840	4,121
Governmental services to residents	297	376
Administration	718	569
Interest on long-term debt	69	72
Total expenses	8,894	7,922
Change in net position	(444)	5,022
Net position beginning of year	20,498	15,476
Net position end of year	\$ 20,054	20,498

Revenues by Source



Expenses by Program



The County decreased property tax rates for fiscal year 2014 by 2.2%. However, property tax valuations increased approximately 4.5%. These factors combined to raise the County's property tax revenue approximately \$58,000 in fiscal year 2014. Property tax levied for debt service accounted for the increase. Based on increases in the tax rate and taxable valuations, property tax revenue is budgeted to increase approximately \$383,000 next year.

The cost of all governmental activities this year was approximately \$8.9 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 \$4.3 million because some of the cost was paid by those directly benefited from the programs (approximately \$996,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$3,585,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2014 from approximately \$9,245,000 to approximately \$4,581,000. 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 \$7,203,951, an increase of \$3,424,728 from last year's total fund balance of \$3,779,223. The increase in the combined fund balance is primarily attributable to a increase in the Capital Projects Fund. The balances of the General Fund as well as the Special Revenue, Mental Health Fund increased in fiscal year 2014. 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 revenue increased due to an increase in property valuations. Intergovernmental revenue increased approximately \$209,000 due to the increase of ambulance services for the entire fiscal year, the addition of the reimbursement of costs for administering and staffing law enforcement for the City of Bedford and an increase in grants from the State of Iowa. In addition, miscellaneous revenue increased approximately \$46,000 as a result of insurance proceeds received for damaged cars as well as an increase in attorney recovery fees. Public safety and legal services function expenditures increased approximately \$294,000 due to the increase in ambulance service for the entire fiscal year and administering and staffing law enforcement services for the City of Bedford. Administration function expenditures increased approximately \$43,000 due to filling an Information Technology position and an increase in health insurance costs. The ending fund balance increased \$110,466 from the prior year to \$2,044,162.
- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2014, the Special Revenue, Mental Health Fund expenditures totaled approximately \$220,000, a decrease of 46.4% from the prior year, primarily due to the statewide mental health redesign. The ending fund balance increased from approximately (\$102,000) to approximately (\$20,000). The increase is primarily due to the County using its mental health property tax levy and applying State equalization dollars to pay claims incurred prior to the statewide mental health redesign, which shifted Medicaid funding to the regional level instead of the County level. The redesign led to a significant decrease in mental health expenditures.
- Special Revenue, Secondary Roads Fund expenditures increased approximately \$397,000, or 11.4%, primarily due to construction of the Nodaway 5 Bridge and the purchase of 2 motor graders. Total revenues decreased approximately \$9,000. The ending fund balance in the Secondary Roads Fund decreased \$126,607, or 12.8%.

- The Special Revenue, Rural Services Fund ended the fiscal year with a balance of \$383,841 compared to the prior year ending balance of \$386,576. There were no significant changes in revenues or expenditures.
- The Debt Service Fund ended the fiscal year with a fund balance of \$5,705 compared to the prior year ending balance of \$4,087. There were no significant changes in revenues or expenditures.
- The Capital Projects Fund ended the fiscal year with a fund balance of \$3,623,244. The County issued \$3.8 million of general obligation bonds for constructing the County law enforcement center. The ending fund balance at June 30 is due to unspent bond proceeds.

BUDGETARY HIGHLIGHTS

Over the course of the year, Taylor County amended its budget four times. The first amendment was made on September 16, 2013 and resulted in an increase in budgeted county environment and education disbursements as well as the capital project disbursements budgeted for the Sands Timber conservation project.

The second amendment was made on December 9, 2013. The amendment increased budgeted intergovernmental receipts as a result of the County taking over administration of law enforcement for the City of Bedford. In addition, budgeted miscellaneous receipts increased as insurance proceeds were received due to damage to the Sheriff's vehicles. The amendment also increased the public safety and legal services budget due to an increase in the number of deaths in the County and costs associated with the Medical Examiner. The mental health budget increased to pay back the State of Iowa for mental health service costs.

The third amendment was made on March 3, 2014. The amendment was for an increase in other financing sources as bond proceeds were received for the construction of a new law enforcement center. The amendment also increased budgeted disbursements for mental health, county environment and education and capital projects for the new law enforcement center.

The final amendment was made on May 29, 2014. The amendment resulted in an increase in budgeted intergovernmental receipts due to receiving various additional health grants. The amendment also increased budgeted disbursements for public safety and legal services, physical health and social services, roads and transportation and administration for expenses related to information technology and courthouse and jail repair.

The County's receipts were \$372,151 less than budgeted. Actual intergovernmental receipts were \$526,864 less than budgeted. This was primarily due to conservation funds not being received for the State Watershed Improvement Review Board Project (WIRB Project) and less work being completed on the Nodaway 5 Bridge Project than anticipated.

Total disbursements were \$1,304,408 less than the amended budget. Actual disbursements for the capital projects, roads and transportation and public safety and legal services functions were \$548,198, \$186,462 and \$179,167, respectively, less than budgeted. The variance in capital projects and roads and transportation disbursements was due to less progress on projects than anticipated for fiscal year 2014. The variance in public safety and legal services disbursements was due to the salaries and administration cost for patrolling the City of Bedford being less than anticipated. Additionally, the Sheriff's Office insurance and regular salaries were less than expected due to staff fluctuations.

The County did not exceed the budgeted amount for any function during the year ended June 30, 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, Taylor County had approximately \$21.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$661,000, or 2.9%, from last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Land	\$ 892	892
Construction in progress	506	557
Buildings and improvements	476	498
Equipment and vehicles	1,573	1,328
Infrastructure	18,321	19,154
Total	\$ 21,768	22,429

The County had depreciation expense of \$1,715,698 in fiscal year 2014 and total accumulated depreciation of \$11,016,005 at June 30, 2014. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2014, Taylor County had approximately \$8,699,000 of outstanding debt versus approximately \$5,583,000 last year, an increase of \$3,116,000 from June 30, 2013.

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2014	2013
Installment purchase agreement	\$ 49	68
General obligation capital loan notes	-	80
General obligation bonds	8,650	5,435
Total	\$ 8,699	5,583

Debt increased as a result of \$3.8 million of general obligation bonds issued in fiscal year 2014 for constructing the County law enforcement center.

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 \$31.8 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were taken into account when adopting the budget for fiscal year 2015. The County had a countywide valuation increase of \$22,052,168 and the rural valuation increased \$13,029,167 for fiscal year 2015. The rollback totaled 54.4002% for residential property for fiscal year 2014, compared to the fiscal year 2013 rollback of 52.8166%.

Amounts levied for property tax are \$3,799,487, an increase of \$382,721 over fiscal year 2014. Total receipts and other financing sources for fiscal year 2015 increased \$370,229 from the amended budget for fiscal year 2014. This increase is mainly due to an increase in property tax levied for the 2014 bond issue.

Budgeted disbursements are expected to increase \$3,083,027 from the amended fiscal year 2014 budget. The increase is primarily due to an increase in capital projects and debt service payments from fiscal year 2014.

The County has added no major new programs or initiatives to the fiscal year 2015 budget

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of fiscal year 2015.

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, 2014

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,861,765
Receivables:	
Property tax:	
Delinquent	5,051
Succeeding year	3,495,000
Interest and penalty on property tax	11,286
Accounts	25,194
Accrued interest	950
Due from other governments	482,066
Inventories	253,959
Prepaid items	198,702
Capital assets, net of accumulated depreciation	21,768,088
Total assets	<u>33,102,061</u>
Liabilities	
Accounts payable	516,292
Accrued interest payable	8,686
Salaries and benefits payable	48,026
Due to other governments	42,523
Long-term liabilities:	
Portion due or payable within one year:	
Installment purchase agreement	24,422
General obligation bonds	805,000
Compensated absences	112,559
Portion due or payable after one year:	
Installment purchase agreement	24,423
General obligation bonds	7,845,000
Compensated absences	93,206
Net OPEB liability	33,140
Total liabilities	<u>9,553,277</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	<u>3,495,000</u>
Net Position	
Net investment in capital assets	16,741,332
Restricted for:	
Supplemental levy purposes	418,852
Rural services purposes	389,930
Secondary roads purposes	695,829
Conservation purposes	107,536
Other purposes	604,434
Unrestricted	1,095,871
Total net position	<u>\$ 20,053,784</u>

See notes to financial statements.

Taylor County

Statement of Activities

Year ended June 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Contributions and Restricted Interest	Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$1,356,509	506,842	12,042	-	(837,625)
Physical health and social services	1,050,479	266,814	501,545	-	(282,120)
Mental health	219,737	192	160,925	-	(58,620)
County environment and education	343,654	7,273	11,851	-	(324,530)
Roads and transportation	4,839,750	93,942	2,478,659	420,337	(1,846,812)
Governmental services to residents	296,527	112,805	-	-	(183,722)
Administration	718,161	7,959	-	-	(710,202)
Interest on long-term debt	69,257	-	-	-	(69,257)
Total	\$8,894,074	995,827	3,165,022	420,337	(4,312,888)
General Revenues:					
Property and other county tax levied for:					
General purposes					2,539,611
Debt service					661,805
Penalty and interest on property tax					31,079
State tax credits					217,504
Local option sales tax					174,982
Unrestricted investment earnings					51,128
Gain on disposition of capital assets					192,450
Miscellaneous					616
Total general revenues					3,869,175
Change in net position					(443,713)
Net position beginning of year					20,497,497
Net position end of year					\$ 20,053,784

See notes to financial statements.

Taylor County
Balance Sheet
Governmental Funds

June 30, 2014

	Special Revenue			
	General	Mental Health	Secondary Roads	Rural Services
Assets				
Cash and pooled investments	\$ 1,794,379	11,019	765,942	370,737
Receivables:				
Property tax:				
Delinquent	3,224	230	-	36
Succeeding year	1,808,000	129,000	-	681,000
Interest and penalty on property tax	11,286	-	-	-
Accounts	13,302	-	5,489	350
Accrued interest	950	-	-	-
Due from other governments	105,330	-	340,672	16,702
Inventories	-	-	253,959	-
Prepaid items	196,402	-	2,300	-
Total assets	\$ 3,932,873	140,249	1,368,362	1,068,825
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 30,254	6,812	471,198	2,904
Salaries and benefits payable	17,689	-	29,293	1,044
Due to other governments	12,387	24,433	4,680	-
Total liabilities	60,330	31,245	505,171	3,948
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,808,000	129,000	-	681,000
Other	20,381	220	-	36
Total deferred inflows of resources	1,828,381	129,220	-	681,036
Fund balances:				
Nonspendable:				
Inventories	-	-	253,959	-
Prepaid items	196,402	-	2,300	-
Restricted for:				
Supplemental levy purposes	428,397	-	-	-
Rural services purposes	-	-	-	383,841
Secondary roads purposes	-	-	606,932	-
Conservation land acquisition/capital improvements	9,238	-	-	-
REAP	107,536	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	253,591	-	-	-
Unassigned	1,048,998	(20,216)	-	-
Total fund balances	2,044,162	(20,216)	863,191	383,841
Total liabilities, deferred inflows of resources and fund balances	\$ 3,932,873	140,249	1,368,362	1,068,825

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
5,635	3,623,244	290,809	6,861,765
1,561	-	-	5,051
877,000	-	-	3,495,000
-	-	-	11,286
-	-	6,053	25,194
-	-	-	950
-	-	19,362	482,066
-	-	-	253,959
-	-	-	198,702
884,196	3,623,244	316,224	11,333,973
-	-	5,124	516,292
-	-	-	48,026
-	-	1,023	42,523
-	-	6,147	606,841
877,000	-	-	3,495,000
1,491	-	6,053	28,181
878,491	-	6,053	3,523,181
-	-	-	253,959
-	-	-	198,702
-	-	-	428,397
-	-	-	383,841
-	-	-	606,932
-	-	-	9,238
-	-	-	107,536
5,705	-	-	5,705
-	3,623,244	-	3,623,244
-	-	304,024	557,615
-	-	-	1,028,782
5,705	3,623,244	304,024	7,203,951
884,196	3,623,244	316,224	11,333,973

Taylor County

Taylor County

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

June 30, 2014

Total governmental fund balances (page 21)	\$ 7,203,951
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
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 \$32,784,093 and the accumulated depreciation is \$11,016,005.	21,768,088
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	28,181
Long-term liabilities, including the installment purchase agreement 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.	(8,946,436)
Net position of governmental activities (page 18)	<u><u>\$ 20,053,784</u></u>

See notes to financial statements.

Taylor County

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

Year ended June 30, 2014

	Special Revenue			
	General	Mental Health	Secondary Roads	Rural Services
Revenues:				
Property and other county tax	\$ 1,709,503	131,311	-	699,845
Local option sales tax	-	-	-	60,543
Interest and penalty on property tax	36,407	-	-	-
Intergovernmental	1,200,106	170,127	2,921,526	52,558
Licenses and permits	-	-	900	10,476
Charges for service	252,082	-	-	793
Use of money and property	45,317	-	-	-
Miscellaneous	108,529	192	98,410	18
Total revenues	3,351,944	301,630	3,020,836	824,233
Expenditures:				
Operating:				
Public safety and legal services	1,214,136	-	-	20,922
Physical health and social services	958,179	-	-	71,475
Mental health	-	220,261	-	-
County environment and education	82,790	-	-	30,848
Roads and transportation	-	-	3,390,329	29,970
Governmental services to residents	312,169	-	-	1,274
Administration	624,951	-	-	-
Debt service	-	-	24,218	-
Capital projects	-	-	454,628	-
Total expenditures	3,192,225	220,261	3,869,175	154,489
Excess (deficiency) of revenues over (under) expenditures	159,719	81,369	(848,339)	669,744
Other financing sources (uses):				
Transfers in	-	-	721,732	-
Transfers out	(49,253)	-	-	(672,479)
General obligation bonds issued	-	-	-	-
Discount on general obligation bonds issued	-	-	-	-
Total other financing sources (uses)	(49,253)	-	721,732	(672,479)
Change in fund balances	110,466	81,369	(126,607)	(2,735)
Fund balances beginning of year	1,933,696	(101,585)	989,798	386,576
Fund balances end of year	\$ 2,044,162	(20,216)	863,191	383,841

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
661,880	-	-	3,202,539
-	-	114,439	174,982
-	-	-	36,407
46,279	-	-	4,390,596
-	-	-	11,376
-	-	1,289	254,164
-	8,531	15,800	69,648
-	-	5,630	212,779
708,159	8,531	137,158	8,352,491
-	-	5,283	1,240,341
-	-	-	1,029,654
-	-	-	220,261
-	-	218,688	332,326
-	-	-	3,420,299
-	-	1,232	314,675
-	-	20,378	645,329
706,541	-	-	730,759
-	288,331	-	742,959
706,541	288,331	245,581	8,676,603
1,618	(279,800)	(108,423)	(324,112)
-	-	51,716	773,448
-	(51,716)	-	(773,448)
-	3,800,000	-	3,800,000
-	(51,160)	-	(51,160)
-	3,697,124	51,716	3,748,840
1,618	3,417,324	(56,707)	3,424,728
4,087	205,920	360,731	3,779,223
5,705	3,623,244	304,024	7,203,951

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, 2014

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

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

\$ 3,424,728

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

Expenditures for capital assets	\$ 847,336	
Capital assets contributed by the Iowa Department of	15,052	
Depreciation expense	<u>(1,715,698)</u>	(853,310)

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.

192,450

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

Property tax	(1,123)	
Other	<u>(58,211)</u>	(59,334)

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. Current year issuances exceeded repayments, as follows:

Issued	(3,800,000)	
Repaid	<u>684,505</u>	(3,115,495)

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

Compensated absences	(3,581)	
Other postemployment benefits	(131)	
Interest on long-term debt	<u>(29,040)</u>	<u>(32,752)</u>

Change in net position of governmental activities (page 19)

\$ (443,713)

See notes to financial statements.

Taylor County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2014

Assets	
Cash and pooled investments:	
County Treasurer	\$ 546,400
Other County officials	9,444
Receivables:	
Property tax:	
Delinquent	15,261
Succeeding year	5,655,000
Accounts	115
Prepaid items	5,894
Total assets	6,232,114
 Liabilities	
Accounts payable	3,505
Due to other funds	659
Salaries and benefits payable	3
Due to other governments	6,218,752
Trusts payable	3,349
Compensated absences	5,846
Total liabilities	6,232,114
 Net position	 \$ -

See notes to financial statements.

Taylor County

Notes to Financial Statements

June 30, 2014

(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, liabilities and deferred inflows of resources, 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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

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.

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, 2014. 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.

Deferred Inflows of Resources – 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 inflows of resources 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 inflows of resources consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources 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.

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, 2014 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, 2014 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Local Option Sales Tax	Capital Projects	\$ 51,716
Special Revenue: Secondary Roads	General	49,253
	Special Revenue: Rural Services	672,479
		<u>721,732</u>
Total		<u>\$ 773,448</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, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 891,709	-	-	891,709
Construction in progress	557,204	479,609	(531,016)	505,797
Total capital assets not being depreciated	<u>1,448,913</u>	<u>479,609</u>	<u>(531,016)</u>	<u>1,397,506</u>
Capital assets being depreciated:				
Buildings	1,231,008	-	-	1,231,008
Improvements other than buildings	238,151	-	-	238,151
Equipment and vehicles	4,549,942	595,077	(360,065)	4,784,954
Infrastructure, road network	24,601,458	531,016	-	25,132,474
Total capital assets being depreciated	<u>30,620,559</u>	<u>1,126,093</u>	<u>(360,065)</u>	<u>31,386,587</u>
Less accumulated depreciation for:				
Buildings	937,681	17,318	-	954,999
Improvements other than buildings	33,341	4,763	-	38,104
Equipment and vehicles	3,221,576	330,912	(340,217)	3,212,271
Infrastructure, road network	5,447,926	1,362,705	-	6,810,631
Total accumulated depreciation	<u>9,640,524</u>	<u>1,715,698</u>	<u>(340,217)</u>	<u>11,016,005</u>
Total capital assets being depreciated, net	<u>20,980,035</u>	<u>(589,605)</u>	<u>(19,848)</u>	<u>20,370,582</u>
Governmental activities capital assets, net	<u>\$22,428,948</u>	<u>(109,996)</u>	<u>(550,864)</u>	<u>21,768,088</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 186,922
Physical health and social services	21,268
County environment and education	11,328
Roads and transportation	1,474,709
Administration	21,471
Total depreciation expense - governmental activities	<u>\$ 1,715,698</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, 2014 is as follows:

Fund	Description	Amount
General	Services	\$ 12,387
Special Revenue:		
Mental Health	Services	24,433
Secondary Roads	Services	4,680
Care Facility Building	Services	661
Local Option Sales Tax	Services	362
		<u>30,136</u>
Total for governmental funds		<u>\$ 42,523</u>
Agency:		
County Assessor	Collections	\$ 372,295
Schools		4,021,353
Community Colleges		234,154
Corporations		1,110,004
Townships		139,122
All other		341,824
Total for agency funds		<u>\$ 6,218,752</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 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	\$ 68,267	80,083	5,435,000	176,725	33,009	5,793,084
Increases	-	-	3,800,000	240,928	24,711	4,065,639
Decreases	19,422	80,083	585,000	211,888	24,580	920,973
Balance end of year	<u>\$ 48,845</u>	<u>-</u>	<u>8,650,000</u>	<u>205,765</u>	<u>33,140</u>	<u>8,937,750</u>
Due within one year	<u>\$ 24,422</u>	<u>-</u>	<u>805,000</u>	<u>112,559</u>	<u>-</u>	<u>941,981</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,	Amount
2015	\$ 24,422
2016	24,423
Total	<u>\$ 48,845</u>

During the year ended June 30, 2014, the County retired \$19,422 of installment purchase agreement principal.

General Obligation Capital Loan Notes

During the year ended June 30, 2014, the County retired \$80,083 of general obligation capital loan note principal.

General Obligation Bonds

A summary of the County's June 30, 2014 general obligation bond indebtedness is as follows:

Year Ending June 30,	Series 2102 County Road Reconstruction and Improvement Issued March 9, 2012			
	Interest Rates	Principal	Interest	Total
	2015	0.60%	\$ 585,000	59,670
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	1.30	605,000	39,780	644,780
2020-2022	1.50 - 1.90	1,875,000	66,669	1,941,669
Total		<u>\$ 4,850,000</u>	<u>320,394</u>	<u>5,170,394</u>

Year Ending June 30,	Series 2014 County Law Enforcement Facility Issued March 28, 2014				Total		
	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
	2015		\$ 220,000	86,439	306,439	805,000	146,109
2016		230,000	72,905	302,905	820,000	129,065	949,065
2017	1.20%	235,000	71,870	306,870	830,000	123,605	953,605
2018	1.30	235,000	70,343	305,343	835,000	116,723	951,723
2019	1.55	235,000	68,110	303,110	840,000	107,890	947,890
2020-2024	1.70-2.10	1,250,000	281,150	1,531,150	3,125,000	347,819	3,472,819
2025-2029	2.25-2.75	1,395,000	125,202	1,520,202	1,395,000	125,202	1,520,202
Total		<u>\$ 3,800,000</u>	<u>776,019</u>	<u>4,576,019</u>	<u>8,650,000</u>	<u>1,096,413</u>	<u>9,746,413</u>

During the year ended June 30, 2014, the County issued \$3,800,000 of general obligation bonds and retired \$585,000 of 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 5.95% of their annual covered salary and the County is required to contribute 8.93% 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, 2014, 2013 and 2012 were \$237,848, \$226,963 and \$201,159, 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 49 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2014, 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>(1,189)</u>
Annual OPEB cost	24,711
Contributions made	<u>(24,580)</u>
Increase in net OPEB obligation	131
Net OPEB obligation beginning of year	<u>33,009</u>
Net OPEB obligation end of year	<u>\$ 33,140</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, 2014.

For the year ended June 30, 2014, 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
2012	\$ 27,000	77.8%	\$33,000
2013	24,589	99.9	33,009
2014	24,711	99.5	33,140

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 \$2,375,000 and the ratio of the UAAL to covered payroll was 7.3%. As of June 30, 2014, 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 9.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .05% 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 700 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, losses and loss expenses for property risks estimated for the fiscal 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, 2014 were \$140,512.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or loss was incurred.

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, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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 \$20,216 at June 30, 2014. The County plans to eliminate this deficit by decreasing fund expenditures.

(12) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's proportionate share of the employee pension plan.

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, 2014

	Actual	Budgeted Original
Receipts:		
Property and other county tax	\$ 3,369,829	3,422,295
Interest and penalty on property tax	36,145	5,770
Intergovernmental	4,086,887	4,391,081
Licenses and permits	10,826	10,234
Charges for service	261,447	153,950
Use of money and property	69,545	32,905
Miscellaneous	219,850	79,800
Total receipts	<u>8,054,529</u>	<u>8,096,035</u>
Disbursements:		
Public safety and legal services	1,249,986	1,152,653
Physical health and social services	1,000,783	1,025,085
Mental health	431,277	192,538
County environment and education	329,843	430,225
Roads and transportation	3,110,538	3,297,000
Governmental services to residents	314,278	343,719
Administration	657,188	667,490
Debt service	730,759	747,308
Capital projects	742,959	1,031,919
Total disbursements	<u>8,567,611</u>	<u>8,887,937</u>
Excess (deficiency) of receipts over (under) disbursements	(513,082)	(791,902)
Other financing sources, net	3,748,840	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,235,758	(791,902)
Balance beginning of year	3,626,007	2,782,511
Balance end of year	<u>\$ 6,861,765</u>	<u>1,990,609</u>

See accompanying independent auditor's report.

Amounts	Final to
Final	Actual Variance
3,455,795	(85,966)
5,770	30,375
4,613,751	(526,864)
10,234	592
153,950	107,497
32,905	36,640
154,875	64,975
<u>8,427,280</u>	<u>(372,751)</u>
1,429,153	179,167
1,127,999	127,216
448,566	17,289
494,227	164,384
3,297,000	186,462
343,719	29,441
692,890	35,702
747,308	16,549
1,291,157	548,198
<u>9,872,019</u>	<u>1,304,408</u>
(1,444,739)	931,657
<u>3,730,255</u>	<u>18,585</u>
2,285,516	950,242
<u>2,782,511</u>	<u>843,496</u>
<u><u>5,068,027</u></u>	<u><u>1,793,738</u></u>

Taylor County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,054,529	297,962	8,352,491
Expenditures	8,567,611	108,992	8,676,603
Net	(513,082)	188,970	(324,112)
Other financing sources, net	3,748,840	-	3,748,840
Beginning fund balances	3,626,007	153,216	3,779,223
Ending fund balances	\$ 6,861,765	342,186	7,203,951

See accompanying independent auditor's report.

Taylor County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

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, four budget amendments increased budgeted disbursements by \$984,082. 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, 2014, 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
2014	Jul 1, 2012	-	173	173	0.0	2,375	7.3

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, 2014

	Special Revenue		
	County Recorder's Records Management	Forfeitures	Care Facility Building
Assets			
Cash and pooled investments	\$ 6,263	43,908	33,390
Accounts receivable	-	-	6,053
Due from other governments	-	-	-
Total assets	\$ 6,263	43,908	39,443
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	746	4,378
Due to other governments	-	-	661
Total liabilities	-	746	5,039
Deferred inflows of resources:			
Unavailable other revenues	-	-	6,053
Fund balances:			
Restricted for other purposes	6,263	43,162	28,351
Total liabilities, deferred inflows of resources and fund balances	\$ 6,263	43,908	39,443

See accompanying independent auditor's report.

Local Option Sales Tax	SIRWA Grid Sinking Reserve	Total
144,748	62,500	290,809
-	-	6,053
19,362	-	19,362
164,110	62,500	316,224
-	-	5,124
362	-	1,023
362	-	6,147
-	-	6,053
163,748	62,500	304,024
164,110	62,500	316,224

Taylor County

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

Year ended June 30, 2014

	Special Revenue		
	County Recorder's Records Management	Forfeitures	Care Facility Building
Revenues:			
Local option sales tax	\$ -	-	-
Charges for service	1,289	-	-
Use of money and property	-	-	15,800
Miscellaneous	-	5,630	-
Total revenues	1,289	5,630	15,800
Expenditures:			
Operating:			
Public safety and legal services	-	5,283	-
County environment and education	-	-	-
Governmental services to residents	1,232	-	-
Administration	-	-	20,378
Total expenditures	1,232	5,283	20,378
Excess (deficiency) of revenues over (under) expenditures	57	347	(4,578)
Other financing sources:			
Transfers in	-	-	-
Change in fund balances	57	347	(4,578)
Fund balances beginning of year	6,206	42,815	32,929
Fund balances end of year	\$ 6,263	43,162	28,351

See accompanying independent auditor's report.

Local Option Sales Tax	SIRWA Grid Sinking Reserve	Total
114,439	-	114,439
-	-	1,289
-	-	15,800
	-	5,630
114,439	-	137,158
-	-	5,283
218,688	-	218,688
-	-	1,232
-	-	20,378
218,688	-	245,581
(104,249)	-	(108,423)
51,716	-	51,716
(52,533)	-	(56,707)
216,281	62,500	360,731
163,748	62,500	304,024

Taylor County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,410	204,083	66,804	3,744
Other County officials	9,444	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	155	304	6,549	410
Succeeding year	-	87,000	170,000	3,948,000	230,000
Accounts	115	-	-	-	-
Prepaid items	-	-	4,678	-	-
Total assets	\$ 9,559	88,565	379,065	4,021,353	234,154
Liabilities					
Accounts payable	\$ 660	-	924	-	-
Salaries and benefits payable	-	-	-	-	-
Due to other funds	3	-	-	-	-
Due to other governments	8,527	88,565	372,295	4,021,353	234,154
Trusts payable	369	-	-	-	-
Compensated absences	-	-	5,846	-	-
Total liabilities	\$ 9,559	88,565	379,065	4,021,353	234,154

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Other	Total
20,172	2,113	144,939	103,135	546,400
-	-	-	-	9,444
7,832	9	-	2	15,261
1,082,000	137,000	-	1,000	5,655,000
-	-	-	-	115
-	-	-	1,216	5,894
1,110,004	139,122	144,939	105,353	6,232,114
-	-	-	1,921	3,505
-	-	-	659	659
-	-	-	-	3
1,110,004	139,122	144,939	99,793	6,218,752
-	-	-	2,980	3,349
-	-	-	-	5,846
1,110,004	139,122	144,939	105,353	6,232,114

Taylor County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 4,907	82,449	350,392	4,051,224	219,836
Additions:					
Property and other county tax	-	87,877	170,808	3,957,976	231,443
E911 surcharge	-	-	-	-	-
State tax credits	-	5,741	8,746	279,392	15,246
Office fees and collections	121,024	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	31,074	-	-	-	-
Miscellaneous	5,019	-	1,071	-	-
Total additions	157,117	93,618	180,625	4,237,368	246,689
Deductions:					
Agency remittances:					
To other funds	60,439	-	-	-	-
To other governments	60,952	87,502	151,952	4,267,239	232,371
Trusts paid out	31,074	-	-	-	-
Total deductions	152,465	87,502	151,952	4,267,239	232,371
Balances end of year	\$ 9,559	88,565	379,065	4,021,353	234,154

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Other	Total
1,071,244	138,059	118,697	119,106	6,155,914
1,045,200	139,077	-	893	5,633,274
-	-	-	68,015	68,015
105,888	8,266	-	63	423,342
-	-	-	-	121,024
-	-	-	1,290	1,290
-	-	1,828,155	-	1,828,155
-	-	34,653	-	34,653
-	-	-	10,538	10,538
-	-	-	42,768	73,842
-	-	-	36,060	42,150
1,151,088	147,343	1,862,808	159,627	8,236,283
-	-	103,974	140,608	305,021
1,112,328	146,280	1,732,592	32,772	7,823,988
-	-	-	-	31,074
1,112,328	146,280	1,836,566	173,380	8,160,083
1,110,004	139,122	144,939	105,353	6,232,114

Taylor County

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

For the Last Ten Years

	2014	2013	2012	2011
Revenues:				
Property and other county tax	\$ 3,202,539	3,144,805	2,625,373	2,538,207
Local option sales tax	174,982	197,786	223,876	206,378
Interest and penalty on property tax	36,407	34,621	30,172	31,208
Intergovernmental	4,390,596	4,325,426	4,018,382	3,978,151
Licenses and permits	11,376	18,211	14,991	15,361
Charges for service	254,164	218,298	181,998	176,801
Use of money and property	69,648	42,206	81,394	67,272
Miscellaneous	212,779	243,752	375,840	147,965
Total	<u>\$ 8,352,491</u>	<u>8,225,105</u>	<u>7,552,026</u>	<u>7,161,343</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,240,341	972,594	861,724	818,628
Physical health and social services	1,029,654	978,082	1,001,890	954,126
Mental health	220,261	411,244	661,178	511,893
County environment and education	332,326	265,601	634,221	192,113
Roads and transportation	3,420,299	3,048,635	3,018,866	3,086,672
Governmental services to residents	314,675	382,556	299,745	285,559
Administration	645,329	612,607	594,981	584,532
Debt service	730,759	839,551	197,356	208,634
Capital projects	742,959	2,500,535	3,912,468	495,022
Total	<u>\$ 8,676,603</u>	<u>10,011,405</u>	<u>11,182,429</u>	<u>7,137,179</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
2,475,724	2,432,311	2,265,195	2,194,279	2,019,603	1,967,852
178,685	172,166	163,656	175,482	137,824	90,447
33,505	31,213	29,623	28,502	31,257	33,807
3,699,525	3,539,127	3,868,432	3,421,429	3,315,325	4,616,305
14,647	7,378	9,771	10,906	10,636	11,628
162,884	140,161	158,056	159,972	153,664	181,176
67,190	83,731	101,420	112,461	87,895	121,049
119,191	110,727	166,773	158,004	182,748	102,562
6,751,351	6,516,814	6,762,926	6,261,035	5,938,952	7,124,826
790,102	770,502	699,623	670,809	671,836	667,610
888,046	895,522	926,405	915,733	786,264	730,376
512,736	475,259	578,073	599,619	552,081	546,380
267,342	167,562	262,597	172,061	166,628	149,417
2,967,517	2,613,123	3,103,584	2,668,989	2,721,434	2,823,099
272,421	264,705	241,462	231,877	332,668	258,022
570,507	571,514	565,113	530,755	519,928	541,352
200,911	204,867	173,987	89,578	201,648	138,593
126,421	19,507	613,520	520,176	3,747,310	430,777
6,596,003	5,982,561	7,164,364	6,399,597	9,699,797	6,285,626

Taylor County

Taylor County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 4,983
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C087(49)--8J-87	366,938
Highway Planning and Construction	20.205	STP-E-CO02(64)--8V-02	12,110
			<u>379,048</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 14-402-M00P	<u>3,790</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5884BT78	19,580
Immunization Cooperative Agreements	93.268	5884I473	<u>4,491</u>
Centers for Disease Control and Prevention_			
Investigations and Technical Assistance	93.283	5884NB22	<u>10,580</u>
Maternal and Child Health Services Block Grant to the States	93.994	5884MH25	<u>63,151</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_			
State Administered Programs	93.566		<u>11</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,453
Foster Care_Title IV-E	93.658		<u>1,909</u>
Adoption Assistance	93.659		<u>643</u>
Children's Health Insurance Program	93.767		<u>21</u>
Medical Assistance Program	93.778		<u>8,224</u>
Social Services Block Grant	93.667		<u>1,569</u>
Social Services Block Grant	93.667		<u>3,171</u>
			<u>4,740</u>
U. S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Emergency Management Performance Grants	97.042	EMPG-14-PT-87	<u>15,286</u>
Total			<u>\$ 517,910</u>

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

See accompanying independent auditor's report.

Taylor County



OFFICE OF AUDITOR OF STATE

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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, 2014, 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, 2015.

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 and Questioned Costs, we identified certain deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-14 and II-B-14 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-14 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 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, 2015

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133**

Taylor County



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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Officials of Taylor County:

Report on Compliance for Each Major Federal Program

We have audited Taylor County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal program for the year ended June 30, 2014. Taylor County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Taylor County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Taylor County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Taylor County's compliance.

Opinion on Each Major Federal Program

In our opinion, Taylor County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 19, 2015

Taylor County
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Material weaknesses and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no instances of non-compliance which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Taylor County did not qualify as a low-risk auditee.

Taylor County

Schedule of Findings and Questionable Costs

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 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 County Recorder's Office may have control over the following areas for which no compensating controls exist:

- (1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.
- (2) The individual who signs checks is not independent of the individual who approves disbursements, handles petty cash, records cash receipts and prepares checks.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the County Recorder should review the operating procedures 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 the review should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – 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.

II-B-14 Financial Reporting – During the audit, we identified material amounts of capital assets not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all capital assets are identified and properly included in the County's financial statements.

Response – County will include capital assets received before June 30th in the future.

Conclusion – Response accepted.

Taylor County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

II-C-14 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 and Questionable Costs

Year ended June 30, 2014

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Taylor County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted by function.
- IV-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-14 Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-14 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	\$ 19,106
Andy Thomas, spouse of public health nurse Julie Thomas, independent contractor	Various handyman work	13,398
Josh Weed, County Sheriff, owns Hawn Sanitation	Garbage and sanitation services	2,050
Jerry Baker, spouse of County Auditor Bonny Baker	General election worker	110

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 do not appear to represent a conflict of interest in accordance with Chapter 331.342(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 and Questionable Costs

Year ended June 30, 2014

- IV-E-14 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure the coverage is adequate for current operations.
- IV-F-14 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-14 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-14 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, 2014 for the County Extension Office did not exceed the amount budgeted.
- IV-J-14 Mental Health Fund Deficit Balance – The Special Revenue, Mental Health Fund had a deficit fund balance of \$20,216 at June 30, 2014.
- 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 \$11,019. 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.

Taylor County

Staff

This audit was performed by:

Timothy D. Houlette , CPA, Manager
Daniel J. Mikels, Staff Auditor
Kyle C. Smith, Staff Auditor
Luke H. Holman, Assistant Auditor
Nicole L. Roethlisberger, Assistant Auditor
Jessica L. Russell, 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