



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE March 23, 2005

Contact: Andy Nielsen  
515/281-5834

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

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

The County had local tax revenue of \$6,811,924 for the year ended June 30, 2004, which included \$521,213 in tax credits from the state. The County forwarded \$4,807,347 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,004,577 of the local tax revenue to finance County operations. Other revenues included charges for service of \$530,655, operating grants, contributions and restricted interest of \$2,594,821, capital grants, contributions and restricted interest of \$4,701,740, unrestricted investment earnings of \$78,784 and other general revenues of \$107,445.

Expenses for County operations totaled \$5,629,325. Expenses included \$2,790,125 for roads and transportation, \$802,517 for physical health and social services and \$644,237 for public safety and legal services.

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

###

**TAYLOR COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2004**

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**Taylor County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Leland Little	Board of Supervisors	Jan 2005
Drexal Wall	Board of Supervisors	Jan 2005
Robert Lundquist	Board of Supervisors	Jan 2007
Bonny Baker	County Auditor	Jan 2005
Pam Sprague	County Treasurer	Jan 2007
Rick Sheley	County Recorder	Jan 2007
Lonnie Weed	County Sheriff	Jan 2005
Ronald D. Bonnet	County Attorney	Jan 2007
Rosalyn Cummings	County Assessor	Jan 2010

**Taylor County**



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Independent Auditor's Report

To the Officials of Taylor County:

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

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

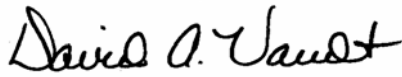
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Taylor County at June 30, 2004, and the changes in financial position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

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

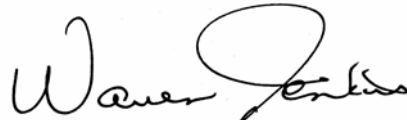
In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2004 on our consideration of Taylor County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 40 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Taylor County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 16, 2004

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

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Taylor County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because Taylor County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the County's financial position and results of operations.

### **2004 FINANCIAL HIGHLIGHTS**

- Governmental fund revenues increased approximately \$348,000, or 5.3%, from fiscal 2003 to fiscal 2004. Property and other county tax increased approximately \$136,000.
- Governmental fund expenditures increased approximately \$291,000, or 5.6%, from fiscal 2003 to fiscal 2004. Roads and transportation expenditures increased by approximately \$110,000 and capital projects expenditures increased approximately \$215,000.
- Net assets increased 72%, or approximately \$4,389,000, from June 30, 2003 to June 30, 2004.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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



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

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 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 drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental activities.

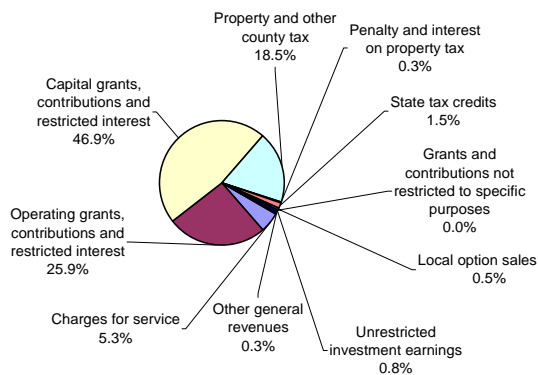
<u>Net Assets of Governmental Activities</u>	
	<u>June 30, 2004</u>
Current and other assets	\$ 8,568,439
Capital assets	4,597,284
Total assets	<u>13,165,723</u>
Long-term liabilities	442,534
Other liabilities	2,208,002
Total liabilities	<u>2,650,536</u>
Net assets:	
Invested in capital assets, net of related debt	4,284,737
Restricted	5,757,188
Unrestricted	<u>473,262</u>
Total net assets	<u>\$ 10,515,187</u>

Net assets of Taylor County's governmental activities increased by \$4.4 million, or 72%. The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. The majority of the increase (\$3.1 million) is attributable to capital assets contributed to the County by the Iowa Department of Transportation. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are approximately \$473,000 at June 30, 2004.

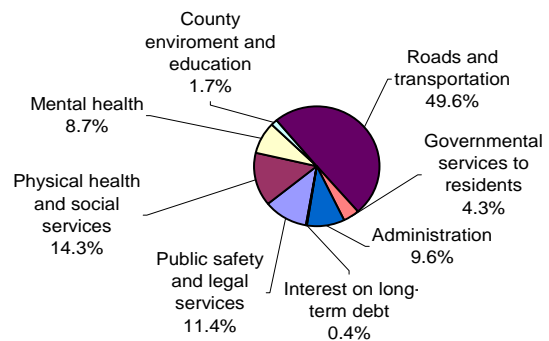
**Changes in Net Assets of Governmental Activities**

	Year ended June 30, 2004
Revenues:	
Program revenues:	
Charges for service	\$ 530,655
Operating grants, contributions and restricted interest	2,594,821
Capital grants, contributions and restricted interest	4,701,740
General revenues:	
Property and other county tax	1,852,562
Penalty and interest on property tax	27,498
State tax credits	152,015
Local option sales tax	48,869
Grants and contributions not restricted to specific purposes	4,443
Unrestricted investment earnings	78,784
Other general revenues	26,635
Total revenues	10,018,022
Program expenses:	
Public safety and legal services	644,237
Physical health and social services	802,517
Mental health	489,835
County environment and education	97,373
Roads and transportation	2,790,125
Governmental services to residents	243,503
Administration	541,772
Interest on long-term debt	19,963
Total expenses	5,629,325
Increase in net assets	4,388,697
Net assets beginning of year, as restated	6,126,490
Net assets end of year	\$ 10,515,187

**Revenue by Source**



**Expenses by Program**



The County increased property tax rates for 2004 by an average of 3%. This increase raised the County's property tax revenue by approximately \$136,000 in 2004. Based on increases in the total assessed valuation, property tax revenue is budgeted to increase by an additional \$102,791 next year.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Taylor County completed the year, its governmental funds reported a combined fund balance of \$4,784,642, an increase of \$1,419,223 above last year's total restated fund balance of \$3,365,419. The increase in fund balance is primarily attributable to an increase in grant and tax revenues. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund tax and grant revenues increased. Related grant expenditures and benefit costs increased. The ending fund balance showed a modest increase of \$9,990 from the prior year to \$703,470.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$490,000, a decrease of 13% from the prior year. The Mental Health Fund balance at year ended increased by approximately \$41,000 over the prior year.
- Secondary Roads Fund expenditures increased by approximately \$349,000 over the prior year, due principally to increased costs for capital projects. This increase in expenditures and increase in revenues for these capital projects and projects (N64 Highway) not completed by 2004 resulted in an increase in the Secondary Roads Fund ending balance of approximately \$1,435,000, or 59%.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Taylor County amended its budget three times. The first amendment was made on July 28, 2003 and resulted in an increase in budgeted disbursements of \$165,176 related to increased costs of the Lamoni Shelter, Capital Project Highway N64, Records Management and completion of the courthouse steps and jail project. The revenues were amended by \$1,577,467 for the money received from the transfer of jurisdiction of Highway N64. The second amendment was made on November 17, 2003. This amendment was made to increase the revenues \$23,356 for a grant received in the BC Cancer department and to increase expenditures \$26,357 for grant costs and for increased indigent court costs. The third amendment was made on May 24, 2004. Revenues increased by \$76,509 for grants and local option sales tax received. Expenditures increased \$98,034 for costs to administer grants and increased costs for utilities, audit and legal fees.

With these amendments, the County did not exceed the budgeted amounts for the year ended June 30, 2004.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, Taylor County had approximately \$4,597,000 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase of approximately \$2,869,000, or 166 percent over last year.

Capital Assets of Governmental Activities at Year End	
	June 30, 2004
Land	\$ 883,709
Buildings	437,378
Equipment and vehicles	991,876
Infrastructure	2,284,321
Total	<u>\$ 4,597,284</u>

This year's major additions included:

Additions contributed by the Iowa Department of Transportation:

Right-of-way	\$ 810,495
County Road 87	2,313,778
Secondary Roads Department dump truck	46,825
Conservation Department mower	17,200
Total	<u>\$ 3,188,298</u>

The County had depreciation expense of \$417,870 in fiscal 2004 and total accumulated depreciation of \$3,111,084 at June 30, 2004. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2004, Taylor County had approximately \$312,500 in general obligation notes and other debt outstanding compared to approximately \$408,000 at June 30, 2003.

Outstanding Debt of Governmental Activities at Year-End	
	June 30, 2004
General obligation notes	\$ 95,000
Capital lease purchase agreements	217,548
Total	<u>\$ 312,548</u>

Debt decreased as a result of making principal payments on the general obligation notes and capital lease purchase agreements. In addition, the County entered into a capital lease purchase agreement to acquire a mower for the Conservation Department.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Taylor County's outstanding general obligation debt is significantly below its constitutional debt limit of \$13,358,556. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

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

Many factors were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$10,224,599, an increase of 76 percent over the final 2004 budget. Property tax (benefiting from the 2004 rate increase and increases in assessed valuations) and grant receipts (boosted by increased State funding in several of our current programs) are expected to lead this increase. Taylor County will use these increases in receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to rise by approximately \$4,419,000. Increases in wages and cost-of-living adjustments, an increase in juvenile/legal fees, costs for a new care facility roof, work on N64 Highway, courthouse and jail repair and an increase in health care insurance represent the largest increases. The County has added no major new programs or initiatives to the 2005 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of 2005.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of 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.

**Taylor County**

## **Basic Financial Statements**



**Exhibit A**

Taylor County  
Statement of Net Assets  
June 30, 2004

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 4,396,748
Receivables:	
Property tax:	
Delinquent	1,577
Succeeding year	1,954,000
Interest and penalty on property tax	1,465
Accounts	21,703
Due from other governments	1,829,790
Inventories	186,457
Prepaid insurance	176,699
Capital assets (net of accumulated depreciation)	4,597,284
<b>Total assets</b>	<u>13,165,723</u>
<b>Liabilities</b>	
Accounts payable	173,576
Accrued interest payable	12,322
Due to other governments	68,104
Deferred revenue:	
Succeeding year property tax	1,954,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	102,280
General obligation notes payable	20,000
Compensated absences	74,668
Portion due or payable after one year:	
Capital lease purchase agreements	115,267
General obligation notes payable	75,000
Compensation absences	55,319
<b>Total liabilities</b>	<u>2,650,536</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	4,284,737
Restricted for:	
Supplemental levy purposes	82,088
Secondary roads purposes	5,143,468
Debt service	186,457
Capital projects	176,699
Other purposes	168,476
Unrestricted	473,262
<b>Total net assets</b>	<u>\$ 10,515,187</u>

See notes to financial statements.

Taylor County  
Statement of Activities  
Year ended June 30, 2004

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Service	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 644,237	42,722	4,839	-	(596,676)
Physical health and social services	802,517	319,469	256,067	-	(226,981)
Mental health	489,835	-	391,474	-	(98,361)
County environment and education	97,373	7,122	8,447	-	(81,804)
Roads and transportation	2,790,125	40,673	1,908,361	4,701,740	3,860,649
Governmental services to residents	243,503	114,925	-	-	(128,578)
Administration	541,772	5,744	25,633	-	(510,395)
Interest on long-term debt	19,963	-	-	-	(19,963)
<b>Total</b>	<b>\$ 5,629,325</b>	<b>530,655</b>	<b>2,594,821</b>	<b>4,701,740</b>	<b>2,197,891</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					1,830,977
Debt service					21,585
Penalty and interest on property tax					27,498
State tax credits					152,015
Local option sales tax					48,869
Grants and contributions not restricted to specific purpose					4,443
Unrestricted investment earnings					78,784
Miscellaneous					26,635
Total general revenues					2,190,806
Change in net assets					4,388,697
Net assets beginning of year, as restated					6,126,490
Net assets end of year					\$ 10,515,187

See notes to financial statements.

Taylor County  
Balance Sheet  
Governmental Funds

June 30, 2004

	General	Special Revenue	
		Mental Health	Secondary Roads
<b>Assets</b>			
Cash and pooled investments	\$ 460,012	52,207	3,659,838
Receivables:			
Property tax:			
Delinquent	1,383	133	-
Succeeding year	1,334,000	129,000	-
Interest and penalty on property tax	1,465	-	-
Accounts	3,477	-	-
Due from other governments	101,195	3,318	1,725,277
Inventories	-	-	186,457
Prepaid insurance	174,399	-	2,300
<b>Total assets</b>	<b>\$ 2,075,931</b>	<b>184,658</b>	<b>5,573,872</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 15,505	10,558	144,641
Due to other governments	12,449	55,204	411
Deferred revenue:			
Succeeding year property tax	1,334,000	129,000	-
Other	10,507	123	1,577,467
Total liabilities	1,372,461	194,885	1,722,519
Fund balances:			
Reserved for:			
Supplemental levy purposes	87,599	-	-
Resource enhancement and protection	14,367	-	-
Debt service			
Medicaid contingencies	11,775		-
Unreserved, reported in:			
General fund	589,729	-	-
Special revenue funds	-	(10,227)	3,851,353
Total fund balances	703,470	(10,227)	3,851,353
<b>Total liabilities and fund balances</b>	<b>\$ 2,075,931</b>	<b>184,658</b>	<b>5,573,872</b>

See notes to financial statements.

Nonmajor Governmental	Total
224,691	4,396,748
61	1,577
491,000	1,954,000
-	1,465
18,226	21,703
-	1,829,790
-	186,457
-	176,699
<b>733,978</b>	<b>8,568,439</b>
2,872	173,576
40	68,104
491,000	1,954,000
20	1,588,117
<b>493,932</b>	<b>3,783,797</b>
-	87,599
-	14,367
325	325
-	11,775
-	589,729
239,721	4,080,847
240,046	4,784,642
<b>733,978</b>	<b>8,568,439</b>

**Taylor County**

Taylor County

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

June 30, 2004

**Total governmental fund balances (page 19)** \$ 4,784,642

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$7,708,368 and the accumulated depreciation is \$3,111,084. 4,597,284

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 1,588,117

Long-term liabilities, including capital lease purchase agreements payable, notes payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (454,856)

**Net assets of governmental activities (page 16)** \$ 10,515,187

See notes to financial statements.

Taylor County

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

Year ended June 30, 2004

	General	Special Revenue	
		Mental Health	Secondary Roads
<b>Revenues:</b>			
Property and other county tax	\$ 1,229,680	128,829	-
Interest and penalty on property tax	26,953	-	-
Intergovernmental	708,105	402,300	3,477,612
Licenses and permits	-	-	1,063
Charges for service	148,525	-	-
Use of money and property	81,125	-	-
Miscellaneous	52,664	-	47,826
Total revenues	<u>2,247,052</u>	<u>531,129</u>	<u>3,526,501</u>
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	594,059	-	-
Physical health and social services	756,455	-	-
Mental health	-	489,836	-
County environment and education	87,698	-	-
Roads and transportation	-	-	2,238,673
Governmental services to residents	239,951	-	-
Administration	534,220	-	-
Debt service	3,762	-	110,883
Capital projects	-	-	263,140
Total expenditures	<u>2,216,145</u>	<u>489,836</u>	<u>2,612,696</u>
Excess of revenues over expenditures	<u>30,907</u>	<u>41,293</u>	<u>913,805</u>
<b>Other financing sources (uses):</b>			
Sale of capital assets	1,492	-	-
Operating transfers in	6,000	-	520,946
Operating transfers out	(45,609)	-	-
Capital lease purchase agreement	17,200	-	-
Total other financing sources (uses)	<u>(20,917)</u>	<u>-</u>	<u>520,946</u>
Net change in fund balances	9,990	41,293	1,434,751
Fund balances beginning of year, as restated	<u>693,480</u>	<u>(51,520)</u>	<u>2,416,602</u>
Fund balances end of year	<u>\$ 703,470</u>	<u>(10,227)</u>	<u>3,851,353</u>

See notes to financial statements.

Nonmajor Governmental	Total
542,577	1,901,086
-	26,953
52,485	4,640,502
6,125	7,188
17,422	165,947
10	81,135
900	101,390
<u>619,519</u>	<u>6,924,201</u>
36,159	630,218
32,457	788,912
-	489,836
21,607	109,305
33,083	2,271,756
4,224	244,175
2,436	536,656
23,504	138,149
51,523	314,663
<u>204,993</u>	<u>5,523,670</u>
414,526	1,400,531
-	1,492
8,600	535,546
(489,937)	(535,546)
-	17,200
<u>(481,337)</u>	<u>18,692</u>
(66,811)	1,419,223
306,857	3,365,419
<u>240,046</u>	<u>4,784,642</u>



Taylor County

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

Year ended June 30, 2004

**Net change in fund balances - Total governmental funds (page 23)** \$ 1,419,223

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

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

Expenditures for capital assets	\$ 164,785	
Capital assets contributed by the Iowa Department of Transportation	3,124,273	
Depreciation expense	(417,870)	2,871,188

In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (2,678)

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

Property tax	350	
Other	(29,614)	(29,264)

Acquisitions under capital leases are reported as other financing sources in the governmental funds but increase long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets, as follows:

Acquisitions under capital lease	(17,200)	
Repaid	112,464	95,264

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

Compensated absences	29,241	
Interest on long-term debt	5,723	34,964

**Change in net assets of governmental activities (page 17)** \$ 4,388,697

See notes to financial statements.

Taylor County  
Statement of Fiduciary Assets and Liabilities  
June 30, 2004

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 543,121
Other County officials	1,585
Receivables:	
Property tax:	
Delinquent	6,729
Succeeding year	4,449,000
Accounts	76
Due from other governments	418
Prepaid insurance	4,150
<b>Total assets</b>	<b>5,005,079</b>

**Liabilities**

Accounts payable	40
Due to other governments	5,000,167
Trusts payable	1,877
Compensated absences	2,995
<b>Total liabilities</b>	<b>5,005,079</b>

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

Taylor County

Notes to Financial Statements

June 30, 2004

**(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 also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Taylor County Assessor's Conference Board, Taylor County Empowerment Board and Taylor County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations: Prairie Solid Waste Agency (formerly Adams and Taylor Counties Regional Service Agency), 5B Judicial District Juvenile Group Home and Shelter Care, South Iowa Area Crime Commission, Innovative Industries Sheltered

Workshop, Matura, Southern Iowa Council of Governments, Southern Iowa Rural Water Association and Southern Iowa Regional Housing Authority.

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

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

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

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. 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 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the

government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund

financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets.

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

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

E. Budgets and Budgetary Accounting

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

**(2) Cash and Pooled Investments**

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

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

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.



### (3) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Conservation Land Acquisition	\$ 6,000
Special Revenue:		
Secondary Roads	General	37,009
	Special Revenue:	
	Rural Services	483,937
		<u>520,946</u>
Conservation Land Acquisition	General	8,600
Total		<u>\$ 535,546</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, 2004 was as follows:

	Balance Beginning of Year (as restated, note 11)	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 73,214	810,495	-	883,709
Construction in progress, road network	-	86,760	-	86,760
Total capital assets not being depreciated	<u>73,214</u>	<u>897,255</u>	<u>-</u>	<u>970,469</u>
Capital assets being depreciated:				
Buildings	1,213,008	-	-	1,213,008
Equipment and vehicles	3,162,414	78,025	(29,326)	3,211,113
Infrastructure, road network	-	2,313,778	-	2,313,778
Total capital assets being depreciated	<u>4,375,422</u>	<u>2,391,803</u>	<u>(29,326)</u>	<u>6,737,899</u>
Less accumulated depreciation for:				
Buildings	751,444	24,187	-	775,630
Equipment and vehicles	1,968,419	277,466	(26,648)	2,219,237
Infrastructure, road network	-	116,217	-	116,217
Total accumulated depreciation	<u>2,719,862</u>	<u>417,870</u>	<u>(26,648)</u>	<u>3,111,084</u>
Total capital assets being depreciated, net	<u>1,655,560</u>	<u>1,973,933</u>	<u>(2,678)</u>	<u>3,626,815</u>
Governmental activities capital assets, net	<u>\$ 1,728,774</u>	<u>2,871,188</u>	<u>(2,678)</u>	<u>4,597,284</u>

Equipment includes \$403,631 of assets acquired under capital leases.

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 25,125
Physical health and social services		20,821
Mental health		-
County environment and education		5,268
Roads and transportation		361,712
Governmental services to residents		-
Administration		4,944
		<u>4,944</u>
Total depreciation expense - governmental activities		<u>\$ 417,870</u>

**(5) Due to Other Governments**

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

Fund	Description	Amount
General	Services	<u>\$ 12,449</u>
Special Revenue:		
Mental Health	Services	55,204
Secondary Roads	Services	411
Rural Services	Services	40
		<u>55,655</u>
Total for governmental funds		<u>\$ 68,104</u>
Agency:		
County Assessor	Collections	\$ 329,837
Schools		3,183,246
Community Colleges		135,373
Corporations		885,744
Auto License and Use Tax		112,991
All other		<u>352,976</u>
Total for agency funds		<u>\$ 5,000,167</u>

**(6) Changes in Long-Term Liabilities**

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

	Capital Lease Purchase Agreements	General Obligation Notes	Compensated Absences	Total
Balance beginning of year, as restated (note 11)	\$ 297,810	110,000	159,228	567,038
Increases	17,200	-	183,584	200,784
Decreases	97,462	15,000	212,825	325,287
Balance end of year	<u>\$ 217,548</u>	<u>95,000</u>	<u>129,987</u>	<u>442,535</u>
Due within one year	<u>\$ 102,280</u>	<u>20,000</u>	<u>74,668</u>	<u>196,948</u>

### Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease a mower, a dozer and four motor graders with total historical costs of \$403,631. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 4.25% to 5.761% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2004:

Year ending June 30,	Mower	Dozer and Motor Graders	Total
2005	\$ 3,736	110,883	114,619
2006	3,736	110,883	114,619
2007	3,736	-	3,736
2008	3,737	-	3,737
Total minimum lease payments	14,946	221,766	236,712
Less amount representing interest	(1,482)	(17,682)	(19,164)
Present value of net minimum lease payments	\$ 13,464	204,084	217,548

Payments under capital lease purchase agreements totaled \$114,619 for the year ended June 30, 2004.

### General Obligation Notes Payable

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

Year ending June 30,	Interest Rates	Principal	Interest	Total
2005	4.75%	\$ 20,000	4,513	24,513
2006	4.75	25,000	3,563	28,563
2007	4.75	25,000	2,375	27,375
2008	4.75	25,000	1,188	26,188
Total		\$ 95,000	11,639	106,639

### **(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.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and

8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$113,541, \$117,076 and \$113,637, respectively, equal to the required contributions for each year.

**(8) Risk Management**

Taylor County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2004 were \$102,078.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated.

Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, 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 claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, 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.

**(9) Deficit Fund Balance**

The Special Revenue, Mental Health Fund had a deficit fund balance of \$10,277 at June 30, 2004. The deficit will be eliminated with future state funding.

**(10) Subsequent Event**

On September 13, 2004, the County authorized a loan for \$216,291, with interest at 4.1% per annum, to purchase two trucks. The loan will be repaid by the Special Revenue, Secondary Roads Fund.

**(11) Accounting Change and Restatements**

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

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

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

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

	<u>Amount</u>
Net assets June 30, 2003, as previously reported	\$ 3,332,543
GASB Interpretation 6 adjustments	32,876
Net assets July 1, 2003, as restated for governmental funds	<u>3,365,419</u>
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$2,719,862	1,728,774
Long-term liabilities	(585,084)
Deferral of long-term assets	<u>1,617,381</u>
Net assets July 1, 2003, as restated	<u>\$ 6,126,490</u>

**Taylor County**

**Required Supplementary Information**



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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, 2004

	<u>Actual</u>
Receipts:	
Property and other county tax	\$ 1,883,162
Interest and penalty on property tax	27,086
Intergovernmental	4,568,358
Licenses and permits	6,918
Charges for service	182,416
Use of money and property	82,978
Miscellaneous	123,256
Total receipts	<u>6,874,174</u>
Disbursements:	
Public safety and legal services	635,608
Physical health and social services	801,250
Mental health	516,201
County environment and education	97,372
Roads and transportation	2,258,035
Governmental services to residents	246,940
Administration	544,851
Debt service	138,150
Capital projects	247,809
Total disbursements	<u>5,486,216</u>
Excess (deficiency) of receipts over (under) disbursements	1,387,958
Other financing sources, net	<u>1,492</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,389,450
Balance beginning of year	<u>3,007,298</u>
Balance end of year	<u>\$ 4,396,748</u>

See accompanying independent auditor's report.

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Budgeted Amounts		Final to Actual Variance
Original	Final	
1,849,020	1,868,135	15,027
4,510	4,510	22,576
2,949,584	4,630,758	(62,400)
11,950	11,950	(5,032)
151,095	124,406	58,010
76,580	76,580	6,398
15,480	19,212	104,044
<u>5,058,219</u>	<u>6,735,551</u>	<u>138,623</u>
689,338	696,838	61,230
836,073	910,886	109,636
539,288	539,288	23,087
114,131	126,341	28,969
2,182,717	2,282,717	24,682
253,505	262,673	15,733
562,818	596,736	51,885
138,474	138,504	354
200,000	251,928	4,119
<u>5,516,344</u>	<u>5,805,911</u>	<u>319,695</u>
(458,125)	929,640	458,318
-	-	1,492
(458,125)	929,640	459,810
<u>1,029,395</u>	<u>1,029,395</u>	<u>1,977,903</u>
<u>571,270</u>	<u>1,959,035</u>	<u>2,437,713</u>

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Taylor County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 6,874,174	50,027	6,924,201
Expenditures	5,486,216	37,454	5,523,670
Net	1,387,958	12,573	1,400,531
Other financing sources, net	1,492	17,200	18,692
Beginning fund balances, as restated	3,007,298	358,121	3,365,419
Ending fund balances	<u>\$ 4,396,748</u>	<u>387,894</u>	<u>4,784,642</u>

See accompanying independent auditor's report.

Taylor County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except 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 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, 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, three budget amendments increased budgeted disbursements by \$289,567. 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, 2004, disbursements did not exceed the amounts budgeted.

**Taylor County**

**Other Supplementary Information**

Taylor County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2004

	Rural Services	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Special
<b>Assets</b>				
Cash and pooled investments	\$ 93,653	8,282		15,667
Receivables:				
Property tax:				
Delinquent	39	-		-
Succeeding year	468,000	-		-
Accounts	6,607	-		-
	<u>568,299</u>	<u>8,282</u>		<u>15,667</u>
<b>Total assets</b>				
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ 2,872	-		-
Due to other governments	40	-		-
Deferred revenue:				
Succeeding year property tax	468,000	-		-
Other	-	-		-
Total liabilities	<u>470,912</u>	<u>-</u>		<u>-</u>
Fund equity:				
Fund balances:				
Reserved for debt service	-	-		-
Unreserved	97,387	8,282		15,667
Total fund equity	<u>97,387</u>	<u>8,282</u>		<u>15,667</u>
	<u>\$ 568,299</u>	<u>8,282</u>		<u>15,667</u>
<b>Total liabilities and fund equity</b>				

See accompanying independent auditor's report.

Revenue					
Forfeitures	Child Health (0-5 years)	Local Option Sales Tax	Conservation Land Acquisition	Debt Service	Total
15,841	63,139	18,674	9,112	323	224,691
-	-	-	-	22	61
-	-	-	-	23,000	491,000
-	-	11,619	-	-	18,226
15,841	63,139	30,293	9,112	23,345	733,978
-	-	-	-	-	2,872
-	-	-	-	-	40
-	-	-	-	23,000	491,000
-	-	-	-	20	20
-	-	-	-	23,020	493,932
-	-	-	-	325	325
15,841	63,139	30,293	9,112	-	239,721
15,841	63,139	30,293	9,112	325	240,046
15,841	63,139	30,293	9,112	23,345	733,978



Taylor County

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

Year ended June 30, 2004

	Rural Services	County Recorder's Records Management	County Recorder's Electronic Transaction Fee
Revenues:			
Property and other county tax	\$ 489,232	-	-
Intergovernmental	37,932	-	-
Licenses and permits	6,125	-	-
Charges for service	-	1,755	15,667
Use of money and property	-	1	-
Miscellaneous	-	-	-
Total revenues	533,289	1,756	15,667
Expenditures:			
Operating:			
Public safety and legal services	33,729	-	-
Physical health and social services	32,457	-	-
County environment and education	20,136	-	-
Roads and transportation	29,037	-	-
Governmental services to residents	2,894	1,330	-
Administration	2,436	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	120,689	1,330	-
Excess (deficiency) of revenues over (under) expenditures	412,600	426	15,667
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(483,937)	-	-
Total other financing sources (uses)	(483,937)	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(71,337)	426	15,667
Fund balances beginning of year, as restated	168,724	7,856	-
Fund balances end of year	\$ 97,387	8,282	15,667

See accompanying independent auditor's report.

Special Revenue							
Forfeitures	Child Health (0-5 years)	Local Option Sales Tax	Conservation Land Acquisition	County Government Assistance	Debt Service	Capital Projects	Total
-	-	31,764	-	-	21,581	-	542,577
-	12,750	-	-	-	1,803	-	52,485
-	-	-	-	-	-	-	6,125
-	-	-	-	-	-	-	17,422
-	-	-	9	-	-	-	10
900	-	-	-	-	-	-	900
900	12,750	31,764	9	-	23,384	-	619,519
2,430	-	-	-	-	-	-	36,159
-	-	-	-	-	-	-	32,457
-	-	1,471	-	-	-	-	21,607
-	-	-	-	4,046	-	-	33,083
-	-	-	-	-	-	-	4,224
-	-	-	-	-	-	-	2,436
-	-	-	-	-	23,504	-	23,504
-	-	-	-	-	-	51,523	51,523
2,430	-	1,471	-	4,046	23,504	51,523	204,993
(1,530)	12,750	30,293	9	(4,046)	(120)	(51,523)	414,526
-	-	-	8,600	-	-	-	8,600
-	-	-	(6,000)	-	-	-	(489,937)
-	-	-	2,600	-	-	-	(481,337)
(1,530)	12,750	30,293	2,609	(4,046)	(120)	(51,523)	(66,811)
17,371	50,389	-	6,503	4,046	445	51,523	306,857
15,841	63,139	30,293	9,112	-	325	-	240,046

Taylor County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	1,504	125,480	76,066
Other County officials	1,585	-	-	-
Receivables:				
Property tax:				
Delinquent	-	64	207	3,180
Succeeding year	-	61,000	203,000	3,104,000
Accounts	68	-	-	-
Due from other governments	-	-	-	-
Prepaid insurance	-	-	3,496	-
<b>Total assets</b>	<b>\$ 1,653</b>	<b>62,568</b>	<b>332,183</b>	<b>3,183,246</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	-	-
Due to other governments	1,653	62,568	329,837	3,183,246
Trusts payable	-	-	-	-
Compensated absences	-	-	2,346	-
<b>Total liabilities</b>	<b>\$ 1,653</b>	<b>62,568</b>	<b>332,183</b>	<b>3,183,246</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Empowerment Area	Other	Total
3,236	14,612	2,218	112,991	162,472	44,542	543,121
-	-	-	-	-	-	1,585
137	3,132	8	-	-	1	6,729
132,000	868,000	80,000	-	-	1,000	4,449,000
-	-	-	-	-	8	76
-	-	-	-	418	-	418
-	-	-	-	-	654	4,150
135,373	885,744	82,226	112,991	162,890	46,205	5,005,079
-	-	-	-	-	40	40
135,373	885,744	82,226	112,991	162,890	43,639	5,000,167
-	-	-	-	-	1,877	1,877
-	-	-	-	-	649	2,995
135,373	885,744	82,226	112,991	162,890	46,205	5,005,079

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

Year ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 16,603	61,869	262,993	3,118,781
Additions:				
Property and other county tax	-	61,408	204,008	3,115,378
E911 surcharge	-	-	-	-
State tax credits	-	5,075	12,262	255,712
Office fees and collections	112,021	-	-	-
Electronic transaction fee	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	320	-	454	-
Total additions	112,341	66,483	216,724	3,371,090
Deductions:				
Agency remittances:				
To other funds	70,449	-	-	-
To other governments	56,522	65,784	147,534	3,306,625
Trusts paid out	320	-	-	-
Total deductions	127,291	65,784	147,534	3,306,625
Balances end of year	\$ 1,653	62,568	332,183	3,183,246

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Empowerment Area	Other	Total
134,011	781,062	82,990	104,684	186,020	45,423	4,794,436
131,974	842,969	81,613	-	-	799	4,438,149
-	-	-	-	-	41,003	41,003
10,921	78,947	6,213	-	-	68	369,198
-	-	-	-	-	-	112,021
-	-	-	-	-	15,805	15,805
-	-	-	1,334,373	-	-	1,334,373
-	-	-	-	-	7,256	7,256
-	-	-	-	-	230,757	230,757
-	-	-	-	204,422	17,857	223,053
142,895	921,916	87,826	1,334,373	204,422	313,545	6,771,615
-	-	-	49,244	-	-	119,693
141,533	817,234	88,590	1,276,822	227,552	90,204	6,218,400
-	-	-	-	-	222,559	222,879
141,533	817,234	88,590	1,326,066	227,552	312,763	6,560,972
135,373	885,744	82,226	112,991	162,890	46,205	5,005,079

**Schedule 5**

## Taylor County

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other county tax	\$ 1,901,086	1,765,389	1,581,492	1,457,969
Interest and penalty on property tax	26,953	30,749	28,427	22,052
Intergovernmental	4,640,502	4,526,047	3,230,238	3,012,875
Licenses and permits	7,188	7,517	5,949	6,021
Charges for service	165,947	167,913	128,293	117,391
Use of money and property	81,135	43,031	68,525	155,393
Fines, forfeitures and defaults	-	-	1,593	3,644
Miscellaneous	101,390	35,844	27,884	142,152
Total	\$ 6,924,201	6,576,490	5,072,401	4,917,497
Expenditures:				
Operating:				
Public safety and legal services	\$ 630,218	618,784	608,862	736,036
Physical health and social services	788,912	829,081	741,172	717,998
Mental health	489,836	561,049	583,944	558,470
County environment and education	109,305	102,044	119,392	116,062
Roads and transportation	2,271,756	2,161,540	2,667,618	2,428,712
Governmental services to residents	244,175	228,899	221,911	204,223
Administration	536,656	499,680	469,669	459,710
Debt service	138,149	131,049	164,511	161,017
Capital projects	314,663	100,100	406,549	885
Total	\$ 5,523,670	5,232,226	5,983,628	5,383,113

See accompanying independent auditor's report.



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Officials of Taylor County:

We have audited the financial statements of Taylor County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 16, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items (5) and (11).

Internal Control Over Financial Reporting

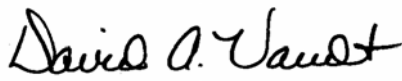
In planning and performing our audit, we considered Taylor County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.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




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

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 16, 2004

Taylor County  
Schedule of Findings  
Year ended June 30, 2004

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

(A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the County Recorder's office may have control over the following areas for which no compensating controls exist:

- (1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared.
- (2) Checks are not signed by an individual who does not otherwise participate in the preparation of the 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 of the office to obtain the maximum internal control possible under the circumstances. The County Recorder should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Response – We are limited to our options because there is only two employees in our office, but we will attempt to segregate our duties as much as possible.

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

(B) Information Systems – During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The County Auditor and the County Treasurer have adopted a policy covering most areas of activities for the use and operation of their office computers. However, the following weaknesses in the County's computer based systems were noted:

Taylor County

Schedule of Findings

Year ended June 30, 2004

The County does not have written policies covering all County systems for:

- providing a formal data processing security policy to all employees.
- addressing ownership of in-house developed software.
- instructing employees to run anti-virus software.
- ensuring only software licensed to the County is installed on computers.
- usage of the internet.

Also, the County does not have a written disaster recovery plan covering the County's computer system.

Response – The County will work to establish policies and procedures for use on the County's computer system. A disaster recovery plan will also be written on our computer system.

Conclusion – Response accepted.

Taylor County  
Schedule of Findings  
Year ended June 30, 2004

**Findings Related to Required Statutory Reporting and Other Matters:**

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.
- (3) Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lonnie Weed, County Sheriff, part owner of Bedford Country Store	Gasoline	\$ 61
Lori Hughes, Deputy Recorder, spouse owns Hughes Feed and Supply and is County Auditor's brother	Seed, supplies and corrugated pipe	12,579
Kevin Coleman, spouse of County Auditor office employee	Miscellaneous labor	60
Jerry Baker, spouse of County Auditor	Mileage reimbursement	11

In accordance with Chapters 331.342(10) of the Code of Iowa, the transactions less than \$1,500 do not appear to represent conflicts of interest. The purchases of seed, supplies and corrugated pipe from Hughes Feed and Supply may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa.

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

Response – We do not feel that this is a conflict because Lori Hughes works for the Recorder and has no purchasing power through Secondary Road.

Conclusion – Response acknowledged. However, the Board should consult legal counsel regarding related parties.

- (6) 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.

Taylor County

Schedule of Findings

Year ended June 30, 2004

- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) 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.
- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

- (11) Deficit Fund Balance – The Special Revenue, Mental Health Fund had a deficit fund balance of \$10,227 at June 30, 2004.

Recommendation – The County should investigate alternatives to eliminate this deficit in order to return this account to a sound financial position.

Response – Taylor County's Mental Health Fund has a cash balance of \$52,207. It is only in the accrual balance that there is a deficit. No checks were written or bills held because there were no funds. Taylor County has levied the maximum for several years and has done everything that the law would allow to try to keep a sound financial position including cutting services to the mentally ill. We have no control on whom and when our people become mentally ill. We will talk to our legislators again this year.

Conclusion – Response accepted.

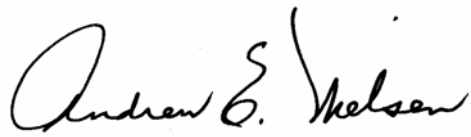
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Taylor County

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager  
Nancy F. Curtis, CPA, Senior Auditor II  
Deborah J. Moser, CPA, Senior Auditor II  
Michael J. Gentry, Jr., Assistant Auditor  
Amanda S. Guthrie, 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