

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

April 30, 2013

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$8,460,801 for the year ended June 30, 2012, which included \$462,132 in tax credits from the state. The County forwarded \$5,691,495 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,769,306 of the local tax revenue to finance County operations, a 3.5% increase over the prior year. Other revenues included charges for service of \$740,334, operating grants, contributions and restricted interest of \$3,414,125, capital grants, contributions and restricted interest of \$1,191,113, local option sales tax of \$223,876, unrestricted investment earnings of \$31,427, gain on disposition of capital assets of \$111,751 and other general revenues of \$49,150.

Expenses for County operations totaled \$7,913,933, a 5.3% increase over the prior year. Expenses included \$3,820,815 for roads and transportation, \$1,028,394 for physical health and social services and \$832,413 for public safety and legal services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1210-0087-B00F.pdf>.

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

JUNE 30, 2012

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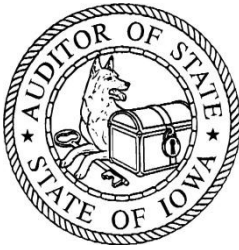
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Taylor County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Charles Ambrose	Board of Supervisors	Jan 2013
Bonnie Godden	Board of Supervisors	Jan 2013
Robert Lundquist	Board of Supervisors	Jan 2015
Bonny Baker	County Auditor	Jan 2013
Pam Sprague	County Treasurer	Jan 2015
Rick Sheley	County Recorder	Jan 2015
Josh Weed	County Sheriff	Jan 2013
Clinton L. Spurrier	County Attorney	Jan 2015
Sharon Dalton	County Assessor	Jan 2016

Taylor County



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Independent Auditor's Report

To the Officials of Taylor County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Taylor County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Taylor County's management. Our responsibility is to express opinions on these financial statements based on our audit.

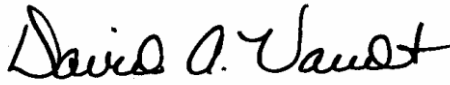
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Taylor County at June 30, 2012, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

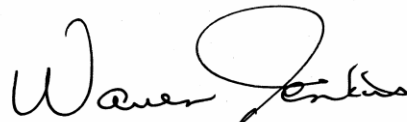
In accordance with Government Auditing Standards, we have also issued our report dated April 8, 2013 on our consideration of Taylor County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 7 through 13 and 40 through 44 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 the 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Taylor County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 8, 2013

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, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 7.3%, or approximately \$582,000, from fiscal year 2011 to fiscal year 2012. Property and other county tax increased approximately \$87,000, or 3.4%. Capital grants, contributions and restricted interest increased approximately \$143,000, or 13.6%, primarily due to funding from the Iowa Department of Transportation for road projects and reimbursements for the county highway resurfacing project.
- Program expenses of the County's governmental activities were 5.3%, or approximately \$396,000, more in fiscal year 2012 than in fiscal year 2011. County environment and education expenses increased approximately \$431,000, or 213.4%, from fiscal year 2011 to fiscal year 2012. Roads and transportation expenses decreased approximately \$293,000.
- Net assets increased 4.2%, or approximately \$617,000, from June 30, 2011 to June 30, 2012.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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, 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 fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

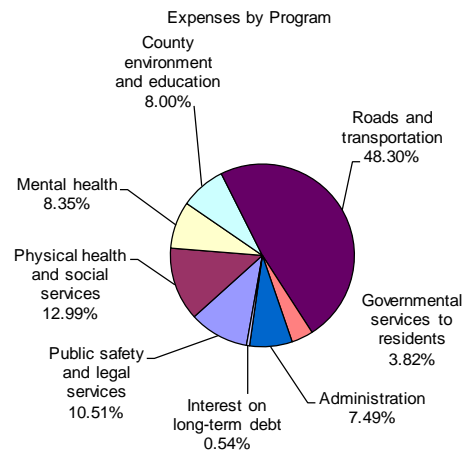
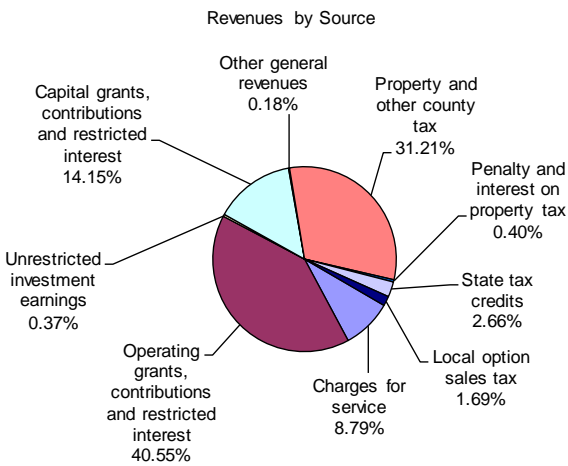
As noted earlier, net assets may serve over time as a useful indicator of financial position. Taylor County's combined net assets increased slightly from a year ago, increasing from approximately \$14.9 million to approximately \$15.5 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2012	2011
Current and other assets	\$ 9,291	6,243
Capital assets	16,293	12,281
Total assets	25,584	18,524
Long-term liabilities	6,483	635
Other liabilities	3,625	3,030
Total liabilities	10,108	3,665
Net assets:		
Invested in capital assets, net of related debt	12,423	11,851
Restricted	2,011	1,860
Unrestricted	1,042	1,148
Total net assets	\$ 15,476	14,859

Net assets of Taylor County's governmental activities increased approximately \$617,000, or 4.2%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$1,148,000 at June 30, 2011 to approximately \$1,042,000 at the end of this year, a decrease of 9.2%.

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

	Year ended June 30,	
	2012	2011
Revenues:		
Program revenues:		
Charges for service	\$ 740	652
Operating grants, contributions and restricted interest	3,414	3,299
Capital grants, contributions and restricted interest	1,191	1,048
General revenues:		
Property and other county tax	2,627	2,540
Penalty and interest on property tax	34	35
State tax credits	142	137
Local option sales tax	224	206
Unrestricted investment earnings	31	24
Gain on disposition of capital assets	112	-
Other general revenues	15	7
Total revenues	8,530	7,948
Program expenses:		
Public safety and legal services	832	809
Physical health and social services	1,028	977
Mental health	661	512
County environment and education	633	202
Roads and transportation	3,821	4,114
Governmental services to residents	302	287
Administration	593	586
Interest on long-term debt	43	30
Total expenses	7,913	7,517
Increase in net assets	617	431
Net assets beginning of year	14,859	14,428
Net assets end of year	\$ 15,476	14,859



The County decreased property tax rates for fiscal year 2012 by 1.23%. However, property tax valuations increased approximately 4.8%. These factors combined to raise the County's property tax revenue approximately \$87,000 in fiscal year 2012. Based on increases in the tax rate and taxable valuation, property tax revenue is budgeted to increase approximately \$566,000 next year.

The cost of all governmental activities this year was approximately \$7.9 million compared to approximately \$7.5 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$2.6 million because some of the cost was paid by those directly benefited from the programs (approximately \$740,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4,605,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2012 from approximately \$4,999,000 to approximately \$5,345,000. 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 \$5,492,256, an increase of \$2,294,597 above last year's total fund balance of \$3,197,659. The increase in the combined fund balance is primarily attributable to an increase in the Capital Projects Fund. The balances of the General Fund as well as the Special Revenue, Mental Health and Secondary Roads Funds decreased in fiscal year 2012. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund property and other county tax revenues increased due to an increase in property valuations. County environment and education function expenditures increased \$182,624, mainly due to maintenance projects at Sands' Timber. The ending fund balance decreased \$23,998 from the prior year to \$1,772,892.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$661,178, an increase of 29.2% from the prior year. However, intergovernmental revenues increased 107.2% due to the County receiving the allowable growth factor during fiscal year 2012. The Special Revenue, Mental Health Fund balance at year end decreased \$90,502 from the prior year.
- Special Revenue, Secondary Roads Fund expenditures decreased \$469,384 from the prior year, primarily due to a decrease in capital projects expenditures due to projects being completed in fiscal year 2011. Total revenues decreased \$501,082, primarily due to intergovernmental reimbursements for capital projects expenditures received in fiscal year 2011. The ending fund balance in the Secondary Roads Fund decreased \$11,673, or 1.6%.
- The Special Revenue, Rural Services Fund ended the fiscal year with a balance of \$346,237 compared to the prior year ending balance of \$312,722. There were no significant changes in revenues or expenditures.
- The Debt Service Fund ended the fiscal year with a fund balance of \$294 compared to the prior year ending balance of \$29. There were no significant changes in revenues or expenditures.
- The Capital Projects Fund ended the fiscal year with a fund balance of \$2,388,092. The County issued \$6 million of general obligation bonds for reconstructing and improving county roads. 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 two times. The first amendment was made on May 31, 2012 and resulted in an increase in intergovernmental receipts for grant reimbursements, an increase in miscellaneous receipts for insurance reimbursements and an increase in other financing sources for general obligation bond proceeds. The amendment also resulted in an increase in budgeted county environment and education disbursements for maintenance projects at Sands' Timber and an increase in budgeted capital projects disbursements for reconstructing and improving county roads.

The second amendment was made on June 25, 2012 and resulted in an increase in budgeted governmental services to residents disbursements to correct an error on the May 31, 2012 budget amendment.

The County's receipts were \$406,178 more than budgeted. Actual intergovernmental receipts were \$128,387 more than budgeted. This was primarily due to grant receipts being more than anticipated. The County received more miscellaneous receipts, property and other county tax receipts and charges for service receipts than anticipated.

Total disbursements were \$652,796 less than the amended budget. Actual disbursements for the roads and transportation, physical health and social services and capital projects functions were \$209,859, \$111,481 and \$89,532, respectively, less than budgeted. The variance in roads and transportation was due to projects not being as far along as expected. The variance in physical health and social services was due to fewer employees for half of the year and more clients qualifying for state programs than in prior years. The variance in capital projects was due to projects not being as far along as expected.

The County did not exceed the budget amount for any function during the year ended June 30, 2012.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Taylor County had approximately \$16.3 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$4,012,000, or 32.7 %, from last year.

	Capital Assets of Governmental Activities at Year End	
	(Expressed in Thousands)	
	Year ended June 30,	
	2012	2011
Land	\$ 892	892
Construction in progress - road network	5,007	310
Buildings and improvements	520	542
Equipment and vehicles	850	791
Infrastructure	9,024	9,746
Total	\$ 16,293	12,281

The County had depreciation expense of \$928,049 in fiscal year 2012 and total accumulated depreciation of \$8,293,060 at June 30, 2012. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2012, Taylor County had approximately \$6,258,000 of general obligation capital loan notes and bonds outstanding, compared to approximately \$403,000 at June 30, 2011.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2012	2011
General obligation capital loan notes	\$ 258	403
General obligation bonds	6,000	-
Bank loans	-	26
Total	\$ 6,258	429

Debt increased as a result of a \$6 million general obligation bond issued in fiscal year 2012.

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 \$23.2 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 2013. The County had a countywide valuation decrease of \$12,867,765 and a rural valuation decrease of \$3,496,554 for fiscal year 2013. The rollback totaled 50.7518% for residential property for fiscal year 2013, compared to the fiscal year 2012 rollback of 48.5299%.

Amounts levied for property tax are \$3,338,266, an increase of \$566,437 over fiscal year 2012. Total receipts and other financing sources for fiscal year 2013 increased \$466,651 from the amended budget for fiscal year 2012. This increase is mainly due to an increase in property tax receipts.

Budgeted disbursements are expected to increase \$1,880,310 from the amended fiscal year 2012 budget. The increase is primarily due to an increase in capital projects and debt service payments for fiscal year 2013.

The County has added Taylor County Ambulance Service to the fiscal year 2013 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of fiscal year 2013.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Taylor County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Taylor County Auditor's Office, 405 Jefferson Street, Bedford, Iowa 50833.

Taylor County

Basic Financial Statements

Exhibit A

Taylor County
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,846,967
Receivables:	
Property tax:	
Delinquent	8,592
Succeeding year	3,125,000
Interest and penalty on property tax	15,417
Accounts	188,316
Accrued interest	913
Due from other governments	610,984
Inventories	297,321
Prepaid items	197,977
Capital assets, net of accumulated depreciation)	16,292,901
Total assets	<u>25,584,388</u>
Liabilities	
Accounts payable	241,575
Accrued interest payable	29,789
Salaries and benefits payable	39,187
Due to other governments	189,611
Deferred revenue:	
Succeeding year property tax	3,125,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	100,996
General obligation bonds	565,000
Compensated absences	112,901
Portion due or payable after one year:	
General obligation capital loan notes	156,698
General obligation bonds	5,435,000
Compensated absences	79,862
Net OPEB liability	33,000
Total liabilities	<u>10,108,619</u>
Net Assets	
Invested in capital assets, net of related debt	12,423,299
Restricted for:	
Supplemental levy purposes	432,778
Rural services purposes	345,481
Secondary roads purposes	685,436
Other purposes	546,746
Unrestricted	1,042,029
Total net assets	<u>\$ 15,475,769</u>

See notes to financial statements.

Taylor County
Statement of Activities
Year ended June 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Contributions and Restricted Interest	Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 832,413	151,294	13,550	-	(667,569)
Physical health and social services	1,028,394	330,999	397,363	-	(300,032)
Mental health	661,178	-	432,808	-	(228,370)
County environment and education	633,269	8,730	174,092	-	(450,447)
Roads and transportation	3,820,815	115,746	2,396,312	1,191,113	(117,644)
Governmental services to residents	302,058	115,908	-	-	(186,150)
Administration	592,862	17,657	-	-	(575,205)
Interest on long-term debt	42,944	-	-	-	(42,944)
Total	\$7,913,933	740,334	3,414,125	1,191,113	(2,568,361)
General Revenues:					
Property and other county tax levied for:					
General purposes					2,566,043
Debt service					61,164
Penalty and interest on property tax					33,665
State tax credits					142,099
Local option sales tax					223,876
Unrestricted investment earnings					31,427
Gain on disposition of capital assets					111,751
Miscellaneous					15,485
Total general revenues					3,185,510
Change in net assets					617,149
Net assets beginning of year					14,858,620
Net assets end of year					\$ 15,475,769

See notes to financial statements.

Taylor County
Balance Sheet
Governmental Funds

June 30, 2012

	Special Revenue			
	General	Mental Health	Secondary Roads	Rural Services
Assets				
Cash and pooled investments	\$ 1,484,604	57,303	433,765	332,808
Receivables:				
Property tax:				
Delinquent	5,725	460	-	95
Succeeding year	1,638,000	131,000	-	693,000
Interest and penalty on property tax	15,417	-	-	-
Accounts	10,977	-	107,076	-
Accrued interest	913	-	-	-
Due from other governments	135,914	-	163,213	16,457
Inventories	-	-	297,321	-
Prepaid items	195,677	-	2,300	-
Total assets	\$ 3,487,227	188,763	1,003,675	1,042,360
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 21,032	14,216	126,162	2,220
Salaries and benefits payable	10,796	-	27,580	811
Due to other governments	10,332	173,711	5,568	-
Deferred revenue:				
Succeeding year property tax	1,638,000	131,000	-	693,000
Other	34,175	403	103,406	92
Total liabilities	1,714,335	319,330	262,716	696,123
Fund balances:				
Nonspendable:				
Inventories	-	-	297,321	-
Prepaid items	195,677	-	2,300	-
Restricted for:				
Supplemental levy purposes	440,631	-	-	-
Rural services purposes	-	-	-	346,237
Secondary roads purposes	-	-	441,338	-
Conservation land				
acquisition/capital improvements	9,234	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	99,402	-	-	-
Unassigned	1,027,948	(130,567)	-	-
Total fund balances	1,772,892	(130,567)	740,959	346,237
Total liabilities and fund balances	\$ 3,487,227	188,763	1,003,675	1,042,360

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
3	2,114,470	424,014	4,846,967
2,312	-	-	8,592
663,000	-	-	3,125,000
-	-	-	15,417
-	-	70,263	188,316
-	-	-	913
-	273,622	21,778	610,984
-	-	-	297,321
-	-	-	197,977
665,315	2,388,092	516,055	9,291,487
-	-	77,945	241,575
-	-	-	39,187
-	-	-	189,611
663,000	-	-	3,125,000
2,021	-	63,761	203,858
665,021	-	141,706	3,799,231
-	-	-	297,321
-	-	-	197,977
-	-	-	440,631
-	-	-	346,237
-	-	-	441,338
-	-	-	9,234
294	-	-	294
-	2,388,092	-	2,388,092
-	-	374,349	473,751
-	-	-	897,381
294	2,388,092	374,349	5,492,256
665,315	2,388,092	516,055	9,291,487

Taylor County

Taylor County

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

June 30, 2012

Total governmental fund balances (page 19) \$ 5,492,256

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$24,585,961 and the accumulated depreciation is \$8,293,060. 16,292,901

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 203,858

Long-term liabilities, including general obligation capital loan notes payable, general obligation bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (6,513,246)

Net assets of governmental activities (page 16) \$ 15,475,769

See notes to financial statements.

Taylor County

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

Year ended June 30, 2012

	Special Revenue			
	General	Mental Health	Secondary Roads	Rural Services
Revenues:				
Property and other county tax	\$ 1,729,512	130,576	-	705,972
Local option sales tax	-	-	-	78,359
Interest and penalty on property tax	30,172	-	-	-
Intergovernmental	853,105	439,980	2,391,781	56,657
Licenses and permits	-	-	320	14,671
Charges for service	178,683	-	-	1,700
Use of money and property	34,785	-	-	-
Miscellaneous	52,727	120	119,739	28,066
Total revenues	2,878,984	570,676	2,511,840	885,425
Expenditures:				
Operating:				
Public safety and legal services	791,010	-	-	59,777
Physical health and social services	921,040	-	-	80,850
Mental health	-	661,178	-	-
County environment and education	274,542	-	-	25,677
Roads and transportation	-	-	2,988,866	30,000
Governmental services to residents	296,021	-	-	1,324
Administration	581,039	-	-	-
Debt service	-	-	134,925	-
Capital projects	-	-	103,188	-
Total expenditures	2,863,652	661,178	3,226,979	197,628
Excess (deficiency) of revenues over (under) expenditures	15,332	(90,502)	(715,139)	687,797
Other financing sources (uses):				
Operating transfers in	10,000	-	703,466	-
Operating transfers out	(49,330)	-	-	(654,282)
General obligation bonds issued	-	-	-	-
Discount on general obligation bonds issued	-	-	-	-
Total other financing sources (uses)	(39,330)	-	703,466	(654,282)
Change in fund balances	(23,998)	(90,502)	(11,673)	33,515
Fund balances beginning of year	1,796,890	(40,065)	752,632	312,722
Fund balances end of year	\$ 1,772,892	(130,567)	740,959	346,237

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
59,313	-	-	2,625,373
-	-	145,517	223,876
-	-	-	30,172
3,237	273,622	-	4,018,382
-	-	-	14,991
-	-	1,615	181,998
-	-	46,609	81,394
-	-	175,188	375,840
62,550	273,622	368,929	7,552,026
-	-	10,937	861,724
-	-	-	1,001,890
-	-	-	661,178
-	-	334,002	634,221
-	-	-	3,018,866
-	-	2,400	299,745
-	1,250	12,692	594,981
62,431	-	-	197,356
-	3,809,280	-	3,912,468
62,431	3,810,530	360,031	11,182,429
119	(3,536,908)	8,898	(3,630,403)
146	-	-	713,612
-	-	(10,000)	(713,612)
-	6,000,000	-	6,000,000
-	(75,000)	-	(75,000)
146	5,925,000	(10,000)	5,925,000
265	2,388,092	(1,102)	2,294,597
29	-	375,451	3,197,659
294	2,388,092	374,349	5,492,256

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, 2012

Change in fund balances - Total governmental funds (page 23)

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

\$ 2,294,597

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	\$ 4,013,817	
Capital assets contributed by the Iowa Department of Transportation	814,303	
Depreciation expense	<u>(928,049)</u>	3,900,071

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.

111,751

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

Property tax	5,327	
Other	<u>171,390</u>	176,717

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 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. Current year issues exceeded repayments, as follows:

Issued	(6,000,000)	
Repaid	<u>172,039</u>	(5,827,961)

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	(14,399)	
Other postemployment benefits	(6,000)	
Interest on long-term debt	<u>(17,627)</u>	<u>(38,026)</u>

Change in net assets of governmental activities (page 17)

\$ 617,149

See notes to financial statements.

Taylor County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

Assets	
Cash and pooled investments:	
County Treasurer	\$ 563,163
Other County officials	5,869
Receivables:	
Property tax:	
Delinquent	29,236
Succeeding year	5,411,000
Accounts	58
Prepaid items	6,173
Total assets	6,015,499
 Liabilities	
Accounts payable	5,137
Salaries and benefits payable	608
Due to other governments	5,998,366
Trusts payable	3,867
Compensated absences	7,521
Total liabilities	6,015,499
 Net assets	 \$ -

See notes to financial statements.

Taylor County

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

Taylor County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Taylor County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. Taylor County has no component units which meet the Governmental Accounting Standards Board criteria.

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

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 assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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

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

D. Assets, Liabilities and Fund Equity

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

Cash 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. 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 Assets.

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

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2012 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, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Child Health	\$ 10,000
Special Revenue: Secondary Roads	General	49,184
	Special Revenue: Rural Services	654,282
Debt Service	General	146
Total		<u>\$ 713,612</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, 2012 is 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, road network	309,705	4,696,900	-	5,006,605
Total capital assets not being depreciated	<u>1,201,414</u>	<u>4,696,900</u>	<u>-</u>	<u>5,898,314</u>
Capital assets being depreciated:				
Buildings	1,231,008	-	-	1,231,008
Improvements other than buildings	238,151	-	-	238,151
Equipment and vehicles	3,656,599	260,876	(96,948)	3,820,527
Infrastructure, road network	13,397,961	-	-	13,397,961
Total capital assets being depreciated	<u>18,523,719</u>	<u>260,876</u>	<u>(96,948)</u>	<u>18,687,647</u>
Less accumulated depreciation for:				
Buildings	903,045	17,318	-	920,363
Improvements other than buildings	23,815	4,763	-	28,578
Equipment and vehicles	2,864,892	184,603	(79,043)	2,970,452
Infrastructure, road network	3,652,302	721,365	-	4,373,667
Total accumulated depreciation	<u>7,444,054</u>	<u>928,049</u>	<u>(79,043)</u>	<u>8,293,060</u>
Total capital assets being depreciated, net	<u>11,079,665</u>	<u>(667,173)</u>	<u>(17,905)</u>	<u>10,394,587</u>
Governmental activities capital assets, net	<u>\$12,281,079</u>	<u>4,029,727</u>	<u>(17,905)</u>	<u>16,292,901</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 30,598
Physical health and social services		21,268
County environment and education		13,048
Roads and transportation		843,303
Administration		19,832
Total depreciation expense - governmental activities		<u>\$ 928,049</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, 2012 is as follows:

Fund	Description	Amount
General	Services	<u>\$ 10,332</u>
Special Revenue:		
Mental Health	Services	173,711
Secondary Roads	Services	5,568
		<u>179,279</u>
Total for governmental funds		<u>\$ 189,611</u>
Agency:		
County Assessor	Collections	\$ 344,262
Schools		3,878,830
Community Colleges		212,427
Corporations		1,037,087
Townships		139,277
All other		386,483
Total for agency funds		<u>\$ 5,998,366</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	General Obligation Capital Loan Notes	General Obligation Bonds	Bank Loans	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 403,471	-	26,262	178,364	27,000	635,097
Increases	-	6,000,000	-	156,200	27,000	6,183,200
Decreases	145,777	-	26,262	141,801	21,000	334,840
Balance end of year	<u>\$ 257,694</u>	<u>6,000,000</u>	<u>-</u>	<u>192,763</u>	<u>33,000</u>	<u>6,483,457</u>
Due within one year	<u>\$ 100,996</u>	<u>565,000</u>	<u>-</u>	<u>112,901</u>	<u>-</u>	<u>778,897</u>

General Obligation Capital Loan Notes

A summary of the County's June 30, 2012 general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	Series 2006			Series 2007			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2013	5.30%	\$ 55,003	5,991	5.10%	\$ 45,993	9,197	100,996	15,188	116,184
2014	5.30	56,476	3,035	5.10	100,222	7,552	156,698	10,587	167,285
Total		<u>\$ 111,479</u>	<u>9,026</u>		<u>\$ 146,215</u>	<u>16,749</u>	<u>257,694</u>	<u>25,775</u>	<u>283,469</u>

During the year ended June 30, 2012, the County retired \$145,777 of general obligation capital loan note principal.

General Obligation Bonds

A summary of the County's June 30, 2012 general obligation bond indebtedness is as follows:

Year Ending June 30,	Series 2012			
	Interest Rates	Principal	Interest	Total
2013	0.40%	\$ 565,000	78,547	643,547
2014	0.50	585,000	62,595	647,595
2015	0.60	585,000	59,670	644,670
2016	0.75	590,000	56,160	646,160
2017	0.90	595,000	51,735	646,735
2018-2022	1.10 - 1.90	3,080,000	152,829	3,232,829
Total		<u>\$ 6,000,000</u>	<u>461,536</u>	<u>6,461,536</u>

During the year ended June 30, 2012, the County issued \$6,000,000 of general obligation bonds.

(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 5.38% of their annual covered salary and the County is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$201,159, \$173,333 and \$160,494, 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 41 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 27,000
Interest on net OPEB obligation	200
Adjustment to annual required contribution	<u>(200)</u>
Annual OPEB cost	27,000
Contributions made	<u>(21,000)</u>
Increase in net OPEB obligation	6,000
Net OPEB obligation beginning of year	<u>27,000</u>
Net OPEB obligation end of year	<u>\$ 33,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed \$21,000 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:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 26,943	49.7%	\$ 13,553
2011	26,837	49.9	27,000
2012	27,000	77.8	33,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2012, the actuarial accrued liability was \$242,007, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$242,007. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,456,000 and the ratio of the UAAL to covered payroll was 9.9%. As of June 30, 2012, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 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 \$959 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% 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, 2012 were \$114,836.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

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

On May 23, 2005, the County entered into a 28E agreement with SIRWA and nine other counties to provide joint financing of certain water development facilities at Gooseberry Lake to enable SIRWA to withdraw water sufficient to supply treated water to portions of SIRWA's rural water distribution system. Pursuant to the agreement, SIRWA planned to obtain a loan for \$500,000 to cover the initial costs. Liability for repayment of the loan was to be borne by the respective parties (counties) to the agreement. Taylor County's share of the debt was 12.5%, or \$62,500. Each participant was required to establish a SIRWA Grid Sinking Reserve Fund, into which there shall be appropriated 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 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.

(11) Deficit Balance

The Special Revenue, Mental Health Fund had a deficit balance of \$130,567 at June 30, 2012. The deficit will be eliminated with future state funding.

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, 2012

	Actual
Receipts:	
Property and other county tax	\$ 2,846,122
Interest and penalty on property tax	30,271
Intergovernmental	3,833,169
Licenses and permits	16,691
Charges for service	183,456
Use of money and property	81,554
Miscellaneous	367,826
Total receipts	7,359,089
Disbursements:	
Public safety and legal services	856,229
Physical health and social services	983,560
Mental health	575,758
County environment and education	574,825
Roads and transportation	3,148,673
Governmental services to residents	299,527
Administration	595,874
Debt service	197,356
Capital projects	3,912,468
Total disbursements	11,144,270
Excess (deficiency) of receipts over (under) disbursements	(3,785,181)
Other financing sources, net	5,925,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,139,819
Balance beginning of year	2,707,148
Balance end of year	\$ 4,846,967
See accompanying independent auditor's report.	

Budgeted Amounts		Final to
Original	Final	Actual Variance
2,793,620	2,795,886	50,236
4,510	4,510	25,761
3,629,695	3,704,782	128,387
13,700	15,095	1,596
131,325	132,425	51,031
64,905	64,905	16,649
84,653	235,308	132,518
6,722,408	6,952,911	406,178
897,343	930,775	74,546
1,068,042	1,095,041	111,481
508,295	599,091	23,333
417,728	638,528	63,703
3,084,000	3,358,532	209,859
314,653	320,253	20,726
648,224	655,485	59,611
198,038	197,361	5
5,000	4,002,000	89,532
7,141,323	11,797,066	652,796
(418,915)	(4,844,155)	1,058,974
-	5,923,750	1,250
(418,915)	1,079,595	1,060,224
2,280,813	2,280,813	426,335
1,861,898	3,360,408	1,486,559

Taylor County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,359,089	192,937	7,552,026
Expenditures	11,144,270	38,159	11,182,429
Net	(3,785,181)	154,778	(3,630,403)
Other financing sources, net	5,925,000	-	5,925,000
Beginning fund balances	2,707,148	490,511	3,197,659
Ending fund balances	\$ 4,846,967	645,289	5,492,256

See accompanying independent auditor's report.

Taylor County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$4,655,743. 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, 2012, 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)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 242	242	0.00%	\$ 2,168	11.20%
2011	Jul 1, 2009	-	242	242	0.00	2,409	10.00
2012	Jul 1, 2009	-	242	242	0.00	2,456	9.90

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, 2012

	Special Revenue			
	County Recorder's Records Management	Forfeitures	Child Health (0-5 years)	Care Facility Building
Assets				
Cash and pooled investments	\$ 6,056	57,315	9,139	60,458
Accounts receivable	-	-	-	2,057
Due from other governments	-	-	-	-
Total assets	\$ 6,056	57,315	9,139	62,515
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	-	11
Deferred revenue:				
Other	-	-	-	-
Total liabilities	-	-	-	11
Fund balances:				
Restricted for other purposes	6,056	57,315	9,139	62,504
Total liabilities and fund balances	\$ 6,056	57,315	9,139	62,515

See accompanying independent auditor's report.

Local Option Sales Tax	SIRWA Grid Sinking Reserve	Total
228,546	62,500	424,014
68,206	-	70,263
21,778	-	21,778
318,530	62,500	516,055
77,934	-	77,945
63,761	-	63,761
141,695	-	141,706
176,835	62,500	374,349
318,530	62,500	516,055

Taylor County

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

Year ended June 30, 2012

	Special Revenue			
	County Recorder's Records Management	Forfeitures	Child Health (0-5 years)	Care Facility Building
Revenues:				
Local option sales tax	\$ -	-	-	-
Charges for service	1,615	-	-	-
Use of money and property	-	-	-	46,609
Miscellaneous	-	56,855	-	-
Total revenues	1,615	56,855	-	46,609
Expenditures:				
Operating:				
Public safety and legal services	-	10,937	-	-
County environment and education	-	-	-	-
Governmental services to residents	2,400	-	-	-
Administration	-	-	-	12,692
Total expenditures	2,400	10,937	-	12,692
Excess (deficiency) of revenues over (under) expenditures	(785)	45,918	-	33,917
Other financing uses:				
Operating transfers out	-	-	(10,000)	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(785)	45,918	(10,000)	33,917
Fund balances beginning of year	6,841	11,397	19,139	28,587
Fund balances end of year	\$ 6,056	57,315	9,139	62,504

See accompanying independent auditor's report.

Local Option Sales Tax	SIRWA Grid Sinking Reserve	Total
145,517	-	145,517
-	-	1,615
-	-	46,609
118,333	-	175,188
263,850	-	368,929
-	-	10,937
334,002	-	334,002
-	-	2,400
-	-	12,692
334,002	-	360,031
(70,152)	-	8,898
-	-	(10,000)
(70,152)	-	(1,102)
246,987	62,500	375,451
176,835	62,500	374,349

Taylor County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,397	161,164	67,029	3,701
Other County officials	5,869	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	274	643	12,801	726
Succeeding year	-	79,000	184,000	3,799,000	208,000
Accounts	58	-	-	-	-
Prepaid items	-	-	5,040	-	-
Total assets	\$ 5,927	80,671	350,847	3,878,830	212,427
Liabilities					
Accounts payable	\$ 538	-	2,083	-	-
Salaries and benefits payable	-	-	-	-	-
Due to other governments	5,020	80,671	344,262	3,878,830	212,427
Trusts payable	369	-	-	-	-
Compensated absences	-	-	4,502	-	-
Total liabilities	\$ 5,927	80,671	350,847	3,878,830	212,427

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Other	Total
19,313	2,262	135,148	173,149	563,163
-	-	-	-	5,869
14,774	15	-	3	29,236
1,003,000	137,000	-	1,000	5,411,000
-	-	-	-	58
-	-	-	1,133	6,173
<u>1,037,087</u>	<u>139,277</u>	<u>135,148</u>	<u>175,285</u>	<u>6,015,499</u>
-	-	-	2,516	5,137
-	-	-	608	608
1,037,087	139,277	135,148	165,644	5,998,366
-	-	-	3,498	3,867
-	-	-	3,019	7,521
<u>1,037,087</u>	<u>139,277</u>	<u>135,148</u>	<u>175,285</u>	<u>6,015,499</u>

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

Year ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 3,674	85,032	285,431	4,101,145	224,875
Additions:					
Property and other county tax	-	78,884	183,602	3,789,797	207,577
E911 surcharge	-	-	-	-	-
State tax credits	-	4,553	10,856	217,226	12,062
Office fees and collections	156,225	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	29,542	-	-	-	-
Miscellaneous	2,732	-	1,215	-	-
Total additions	188,499	83,437	195,673	4,007,023	219,639
Deductions:					
Agency remittances:					
To other funds	73,764	-	-	-	-
To other governments	82,937	87,798	130,257	4,229,338	232,087
Trusts paid out	29,545	-	-	-	-
Total deductions	186,246	87,798	130,257	4,229,338	232,087
Balances end of year	\$ 5,927	80,671	350,847	3,878,830	212,427

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Other	Total
1,130,360	141,610	142,935	129,092	6,244,154
972,110	138,614	-	878	5,371,462
-	-	-	65,138	65,138
67,993	7,295	-	48	320,033
-	-	-	-	156,225
-	-	-	1,920	1,920
-	-	1,800,426	-	1,800,426
-	-	14,187	-	14,187
-	-	-	6,141	6,141
-	-	-	210,603	240,145
-	-	-	143,810	147,757
1,040,103	145,909	1,814,613	428,538	8,123,434
-	-	78,732	-	152,496
1,133,376	148,242	1,743,668	239,747	8,027,450
-	-	-	142,598	172,143
1,133,376	148,242	1,822,400	382,345	8,352,089
1,037,087	139,277	135,148	175,285	6,015,499

Taylor County

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

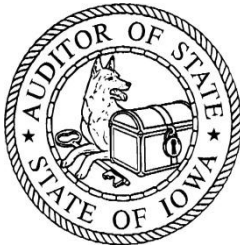
For the Last Ten Years

	2012	2011	2010	2009
Revenues:				
Property and other county tax	\$ 2,625,373	2,538,207	2,475,724	2,432,311
Local option sales tax	223,876	206,378	178,685	172,166
Interest and penalty on property tax	30,172	31,208	33,505	31,213
Intergovernmental	4,018,382	3,978,151	3,699,525	3,539,127
Licenses and permits	14,991	15,361	14,647	7,378
Charges for service	181,998	176,801	162,884	140,161
Use of money and property	81,394	67,272	67,190	83,731
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	375,840	147,965	119,191	110,727
Total	\$ 7,552,026	7,161,343	6,751,351	6,516,814
Expenditures:				
Operating:				
Public safety and legal services	\$ 861,724	818,628	790,102	770,502
Physical health and social services	1,001,890	954,126	888,046	895,522
Mental health	661,178	511,893	512,736	475,259
County environment and education	634,221	192,113	267,342	167,562
Roads and transportation	3,018,866	3,086,672	2,967,517	2,613,123
Governmental services to residents	299,745	285,559	272,421	264,705
Administration	594,981	584,532	570,507	571,514
Debt service	197,356	208,634	200,911	204,867
Capital projects	3,912,468	495,022	126,421	19,507
Total	\$ 11,182,429	7,137,179	6,596,003	5,982,561

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
2,265,195	2,194,279	2,019,603	1,967,852	1,852,217	1,765,389
163,656	175,482	137,824	90,447	48,869	-
29,623	28,502	31,257	33,807	26,953	30,749
3,868,432	3,421,429	3,315,325	4,616,305	4,640,502	4,526,047
9,771	10,906	10,636	11,628	7,188	7,517
158,056	159,972	153,664	181,176	165,947	167,913
101,420	112,461	87,895	121,049	81,135	43,031
-	-	-	-	-	-
166,773	158,004	182,748	102,562	101,390	35,844
6,762,926	6,261,035	5,938,952	7,124,826	6,924,201	6,576,490
699,623	670,809	671,836	667,610	630,218	618,784
926,405	915,733	786,264	730,376	788,912	829,081
578,073	599,619	552,081	546,380	489,836	561,049
262,597	172,061	166,628	149,417	109,305	102,044
3,103,584	2,668,989	2,721,434	2,823,099	2,271,756	2,161,540
241,462	231,877	332,668	258,022	244,175	228,899
565,113	530,755	519,928	541,352	536,656	499,680
173,987	89,578	201,648	138,593	138,149	131,049
613,520	520,176	3,747,310	430,777	314,663	100,100
7,164,364	6,399,597	9,699,797	6,285,626	5,523,670	5,232,226

Taylor County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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

To the Officials of Taylor County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Taylor County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated April 8, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

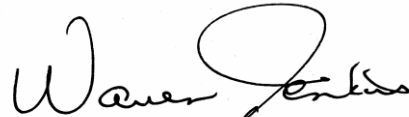
Taylor County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Taylor County's responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 8, 2013

Taylor County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	County Recorder and Public Health
(2) Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle or record cash. Bank reconciliations are reviewed by an independent person, but there is no evidence of the independent review.	Ag Extension
(3) A listing of cash and checks received is prepared, but an independent reconciliation of the listing to the accounting records is not performed.	County Recorder and Public Health
(4) Collection, deposit preparation and reconciliation functions are not segregated from the recording and accounting for cash receipts.	Public Health

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

Responses –

Public Health – We have implemented office procedures which require two people to witness the opening of the mail. Checks and cash received are recorded by the Office Secretary in a numbered log sheet. The money is then turned over to the Office Manager to secure in a locked fireproof drawer. The Office Manager prepares deposits twice a month. The Administrator is given a copy of the receipt log and deposit log for comparison and any discrepancies are addressed immediately.

Taylor County

Schedule of Findings

Year ended June 30, 2012

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

Ag Extension – We will have our reconciler sign and date the reconciliations after approval. We will also make the monthly bank statements available to the Council.

Conclusions – Responses accepted.

- (B) Public Health – Receipts are not always deposited timely. Additionally, undeposited receipts are not kept in a secure location.

Recommendation – To safeguard cash, receipts should be deposited intact and on a timely basis and undeposited receipts should be kept in a secure location.

Response – The Office Manager will secure money in a locked fireproof drawer and access to the drawer will be limited. The Office Manager will prepare deposits twice a month.

Conclusion – Response accepted.

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

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

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

Response – We will work at developing a written disaster recovery plan which includes the above items.

Conclusion – Response accepted.

Taylor County
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Taylor County
Schedule of Findings
Year ended June 30, 2012

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted by function.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lori Hughes, Deputy Recorder, spouse is the County Auditor's brother and owns Hughes Feed and Supply	Corrugated pipe, seed and miscellaneous items	\$ 83,345
Josh Weed, County Sheriff, owns Hawn Sanitation	Garbage and sanitation services	2,050

The purchases of corrugated pipe, seed and miscellaneous items from Hughes Feed and Supply and the garbage and sanitation services purchased from Hawn Sanitation 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.

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

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

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

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

Taylor County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.

- (10) Mental Health Fund Deficit Balance – The Special Revenue, Mental Health Fund had a deficit fund balance of \$130,567 at June 30, 2012.

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 \$57,303. 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. Additional state funding will also help reduce the deficit.

Conclusion – Response accepted.

Taylor County

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Jenny M. Podrebarac, Senior Auditor
Cory A. Lee, Staff Auditor
Lara K. Van Wyk, Staff Auditor
Joshua W. Ostrander, Assistant Auditor
Todd E. Pudenz, CPA, Assistant Auditor

A handwritten signature in black ink, reading "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