



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

April 3, 2006

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 \$6,962,372 for the year ended June 30, 2005, which included \$523,194 in tax credits from the state. The County forwarded \$4,842,574 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,119,798 of the local tax revenue to finance County operations, a 6 percent increase over the prior year. Other revenues included charges for service of \$516,526, operating grants, contributions and restricted interest of \$2,627,739, capital grants, contributions and restricted interest of \$298,477, unrestricted investment earnings of \$118,144 and other general revenues of \$162,941.

Expenses for County operations totaled \$5,968,914, a 6 percent increase over the prior year. Expenses included \$3,048,842 for roads and transportation, \$750,095 for physical health and social services and \$673,245 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/reports.htm>.

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TAYLOR COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2005

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Taylor County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
Leland Little	Board of Supervisors	Jan 2005
Drexal Wall	Board of Supervisors	Jan 2005
Robert Lundquist	Board of Supervisors	Jan 2007
Bonny Baker	County Auditor	Jan 2005
Pam Sprague	County Treasurer	Jan 2007
Rick Sheley	County Recorder	Jan 2007
Lonnie Weed	County Sheriff	Jan 2005
Ronald D. Bonnet	County Attorney	Jan 2007
Rosalyn Cummings	County Assessor	Jan 2010
(After January 2005)		
Robert Lundquist	Board of Supervisors	Jan 2007
J. B. French	Board of Supervisors	Jan 2009
Bonnie Godden	Board of Supervisors	Jan 2009
Bonny Baker	County Auditor	Jan 2009
Pam Sprague	County Treasurer	Jan 2007
Rick Sheley	County Recorder	Jan 2007
Lonnie Weed	County Sheriff	Jan 2009
Ronald D. Bonnet	County Attorney	Resigned June 30, 2005
Clinton L. Spurrier	County Attorney	Appointed
Rosalyn Cummings	County Assessor	Jan 2010

Taylor County



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Independent Auditor's Report

To the Officials of Taylor County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Taylor County, Iowa, as of and for the year ended June 30, 2005, 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.

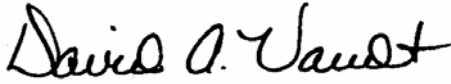
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2005, 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 January 25, 2006 on our consideration of Taylor County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Taylor County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 25, 2006

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, 2005, along with comparative data for the year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Governmental activities revenues decreased approximately \$4,174,000, or 42%, from fiscal 2004 to fiscal 2005. Property and other county tax increased approximately \$115,000, or 6%. Capital grants, contributions and restricted interest decreased approximately \$4,403,000, or 94%, primarily due to a decrease in capital assets contributed by the Iowa Department of Transportation (IDOT). The County recognized the last transfer of jurisdiction payment from the IDOT in fiscal 2004.
- Governmental activities expenses increased approximately \$340,000, or 6%, from fiscal 2004 to fiscal 2005. Roads and transportation expenses increased approximately \$259,000.
- Net assets decreased 1%, or approximately \$125,000, from June 30, 2004 to June 30, 2005.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

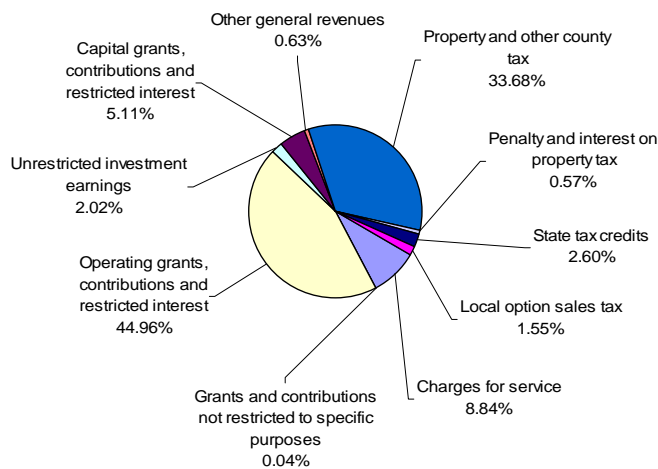
Net Assets of Governmental Activities		
	June 30,	
	2005	2004
Current and other assets	\$ 8,277,608	8,568,439
Capital assets	5,102,374	4,597,284
Total assets	<u>13,379,982</u>	<u>13,165,723</u>
Long-term liabilities	577,717	442,534
Other liabilities	2,412,367	2,208,002
Total liabilities	<u>2,990,084</u>	<u>2,650,536</u>
Net assets:		
Invested in capital assets, net of related debt	4,667,278	4,284,737
Restricted	4,889,497	5,757,188
Unrestricted	833,123	473,262
Total net assets	<u>\$ 10,389,898</u>	<u>10,515,187</u>

Net assets of Taylor County's governmental activities decreased by approximately \$125,000, or 1%. The largest portion of the County's net assets is restricted net assets, which represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Next largest 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. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are approximately \$833,000 at June 30, 2005.

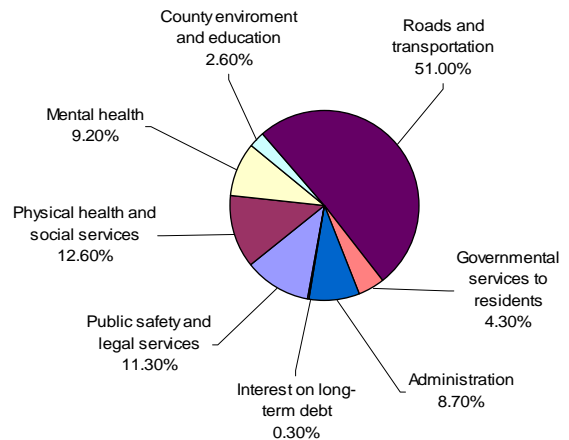
Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2005	2004
Revenues:		
Program revenues:		
Charges for service	\$ 516,526	530,655
Operating grants, contributions and restricted interest	2,627,739	2,594,821
Capital grants, contributions and restricted interest	298,477	4,701,740
General revenues:		
Property and other county tax	1,967,843	1,852,562
Penalty and interest on property tax	33,582	27,498
State tax credits	151,955	152,015
Local option sales tax	90,447	48,869
Grants and contributions not restricted to specific purposes	2,214	4,443
Unrestricted investment earnings	118,144	78,784
Other general revenues	36,698	26,635
Total revenues	5,843,625	10,018,022
Program expenses:		
Public safety and legal services	673,245	644,237
Physical health and social services	750,095	802,517
Mental health	546,380	489,835
County environment and education	154,684	97,373
Roads and transportation	3,048,842	2,790,125
Governmental services to residents	256,195	243,503
Administration	520,948	541,772
Interest on long-term debt	18,525	19,963
Total expenses	5,968,914	5,629,325
Increase in net assets	(125,289)	4,388,697
Net assets beginning of year	10,515,187	6,126,490
Net assets end of year	\$ 10,389,898	10,515,187

Revenue by Source



Expenses by Program



The County increased property tax rates for 2005 by an average of 5%. This increase raised the County's property tax revenue by approximately \$115,000 in 2005. Based on decreases in the total assessed valuation, and increases in property tax rates, property tax revenue is budgeted to increase by approximately \$64,000 next year.

INDIVIDUAL MAJOR FUND ANALYSIS

As Taylor County completed the year, its governmental funds reported a combined fund balance of \$5,874,271, an increase of \$1,089,629 above last year's total fund balance of \$4,784,642. The increase in fund balance is primarily attributable to an increase in grant and tax revenues. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund tax and charges for service revenues increased. Related charges for services expenditures and benefit costs increased, but total expenditures decreased. The ending fund balance showed an increase of \$206,676 from the prior year to \$910,146.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$546,000, an increase of 11.5% from the prior year. The Mental Health Fund balance at year end increased by approximately \$3,700 over the prior year.
- Secondary Roads Fund expenditures increased by approximately \$722,000 over the prior year, due principally to increased costs for capital projects. This increase in expenditures and increase in revenues for these capital projects and projects (N64 Highway) not completed by 2005 resulted in an increase in the Secondary Roads Fund ending balance of approximately \$928,000, or 24%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Taylor County amended its budget two times. The first amendment was made on August 5, 2004 and resulted in an increase in budgeted disbursements of \$16,320 related to increased costs for equipment for the recorder's electronic filing. The revenues were amended by \$15,668 for the money received from the County Recorder's Electronic Transaction Fee Fund. The second amendment was made on May 23, 2005. This amendment was made to increase revenues and other financing sources by \$66,389 for breast and cervical cancer, Race for the Cure, capacity building and well abandonment grants, loan proceeds to purchase a computer, and to increase expenditures \$104,926 for offsetting expenditures for the grants, computer and increased costs for legal fees, utilities and state audit.

With these amendments, the County did not exceed the budgeted amounts for the year ended June 30, 2005.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, Taylor County had approximately \$5,102,000 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities and roads and bridges. This is a net increase of approximately \$505,000, or 11 percent, over last year.

Capital Assets of Governmental Activities at Year End		
	Year ended June 30,	
	2005	2004
Land	\$ 883,709	883,709
Buildings	413,191	437,378
Equipment and vehicles	984,692	991,876
Infrastructure	2,820,782	2,284,321
Total	\$ 5,102,374	4,597,284
This year's major additions included:		
Bridge project contributed by the Iowa Department of Transportation		\$ 298,477
Secondary Roads Department dump trucks		240,327
Drain project on N64 Highway		281,644
Total		\$ 820,448

The County had depreciation expense of \$496,390 in fiscal 2005 and total accumulated depreciation of \$3,529,055 at June 30, 2005. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2005, Taylor County had \$435,096 in general obligation notes and other debt outstanding, compared to \$312,548 at June 30, 2004.

Outstanding Debt of Governmental Activities at Year-End		
	Year ended June 30,	
	2005	2004
Capital lease purchase agreements	\$ 115,805	217,548
General obligation notes	75,000	95,000
Bank loans	244,291	-
Total	\$ 435,096	312,548

Debt increased due to the County entering into two bank loans for a total of \$244,291 to purchase two dump trucks and a computer.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Taylor County's outstanding general obligation debt is significantly below its constitutional debt limit of \$13.9 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 2006. The County had a countywide valuation decrease of \$529,642 and a rural valuation decrease of \$196,500 for fiscal year 2006. The rollback decreased, 48.0% for fiscal year 2006 compared to the fiscal year 2005 rollback of 48.5%.

Amounts levied by property taxes are \$2,186,134, an increase of \$64,292 over fiscal year 2005. Total revenue and other sources for fiscal year 2006 will decrease \$1,326,924 as last amended for fiscal year 2005. This decrease is mainly due to the final payment for the transfer of jurisdiction of IA 49 (N64) being received in fiscal year 2005.

Budgeted disbursements are also expected to decrease \$246,045 from the amended fiscal year 2005 budget. Increases in health insurance, more clients needing services, computer and truck loans, conservation projects and the completion of work on N64 Highway are some of the differences.

The County has added no major new programs or initiatives to the 2006 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of 2006.

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, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 5,675,807
Receivables:	
Property tax:	
Delinquent	1,887
Succeeding year	2,009,000
Interest and penalty on property tax	1,559
Accounts	17,465
Accrued interest	10,096
Due from other governments	231,576
Inventories	155,192
Prepaid insurance	175,026
Capital assets - nondepreciable	950,636
Capital assets - depreciable (net of accumulated depreciation)	4,151,738
Total assets	<u>13,379,982</u>
Liabilities	
Accounts payable	248,177
Accrued interest payable	13,997
Salaries and benefits payable	4,694
Due to other governments	136,499
Deferred revenue:	
Succeeding year property tax	2,009,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	107,661
General obligation notes	25,000
Bank loans	48,079
Compensated absences	82,995
Portion due or payable after one year:	
Capital lease purchase agreements	8,144
General obligation notes	50,000
Bank loans	196,212
Compensation absences	59,626
Total liabilities	<u>2,990,084</u>
Net Assets	
Invested in capital assets, net of related debt	4,667,278
Restricted for:	
Supplemental levy purposes	117,868
Secondary roads purposes	4,668,929
Other purposes	102,700
Unrestricted	833,123
Total net assets	<u>\$ 10,389,898</u>

See notes to financial statements.

Taylor County
Statement of Activities
Year ended June 30, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 673,245	54,744	10,256	-	(608,245)
Physical health and social services	750,095	281,397	258,238	-	(210,460)
Mental health	546,380	-	409,797	-	(136,583)
County environment and education	154,684	7,319	8,469	-	(138,896)
Roads and transportation	3,048,842	44,214	1,936,310	298,477	(769,841)
Governmental services to residents	256,195	123,234	1	-	(132,960)
Administration	520,948	5,618	4,668	-	(510,662)
Interest on long-term debt	18,525	-	-	-	(18,525)
Total	\$5,968,914	516,526	2,627,739	298,477	(2,526,172)
General Revenues:					
Property and other county tax levied for:					
General purposes					1,945,139
Debt service					22,704
Penalty and interest on property tax					33,582
State tax credits					151,955
Local option sales tax					90,447
Grants and contributions not restricted to specific purpose					2,214
Unrestricted investment earnings					118,144
Gain on sale of capital assets					3,471
Miscellaneous					33,227
Total general revenues					2,400,883
Change in net assets					(125,289)
Net assets beginning of year					10,515,187
Net assets end of year					\$ 10,389,898

See notes to financial statements.

Taylor County
Balance Sheet
Governmental Funds

June 30, 2005

	Special Revenue		
	General	Mental Health	Secondary Roads
Assets			
Cash and pooled investments	\$ 674,669	126,888	4,686,428
Receivables:			
Property tax:			
Delinquent	1,656	159	-
Succeeding year	1,348,000	129,000	-
Interest and penalty on property tax	1,559	-	-
Accounts	5,686	-	399
Accrued interest	10,096	-	-
Due from other governments	83,709	-	145,574
Inventories	-	-	155,192
Prepaid insurance	172,338	-	2,688
	\$ 2,297,713	256,047	4,990,281
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 28,014	10,276	199,620
Salaries and benefits payable	1,225	140	3,214
Due to other governments	5,540	123,068	7,891
Deferred revenue:			
Succeeding year property tax	1,348,000	129,000	-
Other	4,788	118	-
Total liabilities	1,387,567	262,602	210,725
Fund balances:			
Reserved for:			
Supplemental levy purposes	121,846	-	-
Resource enhancement and protection	22,538	-	-
Debt service	-	-	-
Medicaid contingencies	11,775	-	-
Unreserved, reported in:			
General fund	753,987	-	-
Special revenue funds	-	(6,555)	4,779,556
Total fund balances	910,146	(6,555)	4,779,556
	\$ 2,297,713	256,047	4,990,281

See notes to financial statements.

Nonmajor	Total
187,822	5,675,807
72	1,887
532,000	2,009,000
-	1,559
11,380	17,465
-	10,096
2,293	231,576
-	155,192
-	175,026
<u>733,567</u>	<u>8,277,608</u>
10,267	248,177
115	4,694
-	136,499
532,000	2,009,000
61	4,967
<u>542,443</u>	<u>2,403,337</u>
-	121,846
-	22,538
306	306
-	11,775
-	753,987
190,818	4,963,819
<u>191,124</u>	<u>5,874,271</u>
<u>733,567</u>	<u>8,277,608</u>

Taylor County

Taylor County

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

June 30, 2005

Total governmental fund balances (page 19) \$ 5,874,271

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$8,631,429 and the accumulated depreciation is \$3,529,055. 5,102,374

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 4,967

Long-term liabilities, including capital lease purchase agreements payable, notes payable, bank loans payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (591,714)

Net assets of governmental activities (page 16) \$ 10,389,898

See notes to financial statements.

Taylor County

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

Year ended June 30, 2005

	Special Revenue		
	General	Mental Health	Secondary Roads
Revenues:			
Property and other county tax	\$ 1,338,754	129,946	-
Interest and penalty on property tax	33,807	-	-
Intergovernmental	644,881	420,106	3,504,799
Licenses and permits	-	-	993
Charges for service	159,883	-	-
Use of money and property	121,025	-	-
Miscellaneous	39,625	-	52,199
Total revenues	2,337,975	550,052	3,557,991
Expenditures:			
Operating:			
Public safety and legal services	628,952	-	-
Physical health and social services	702,866	-	-
Mental health	-	546,380	-
County environment and education	71,166	-	-
Roads and transportation	-	-	2,793,099
Governmental services to residents	220,264	-	-
Administration	541,352	-	-
Debt service	3,199	-	110,883
Capital projects	-	-	430,777
Total expenditures	2,167,799	546,380	3,334,759
Excess of revenues over expenditures	170,176	3,672	223,232
Other financing sources (uses):			
Sale of capital assets	-	-	6,138
Operating transfers in	8,500	-	482,542
Operating transfers out	-	-	-
Bank loan proceeds	28,000	-	216,291
Total other financing sources (uses)	36,500	-	704,971
Net change in fund balances	206,676	3,672	928,203
Fund balances beginning of year	703,470	(10,227)	3,851,353
Fund balances end of year	\$ 910,146	(6,555)	4,779,556

See notes to financial statements.

Nonmajor	Total
589,599	2,058,299
-	33,807
46,519	4,616,305
10,635	11,628
21,293	181,176
24	121,049
10,738	102,562
678,808	7,124,826
38,658	667,610
27,510	730,376
-	546,380
78,251	149,417
30,000	2,823,099
37,758	258,022
-	541,352
24,511	138,593
-	430,777
236,688	6,285,626
442,120	839,200
-	6,138
-	491,042
(491,042)	(491,042)
-	244,291
(491,042)	250,429
(48,922)	1,089,629
240,046	4,784,642
191,124	5,874,271

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, 2005

Net change in fund balances - Total governmental funds (page 23) \$ 1,089,629

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

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

Expenditures for capital assets	\$ 705,669	
Capital assets contributed by the Iowa Department of Transportation	298,477	
Depreciation expense	(496,390)	507,756

In the Statement of Activities, the gain on the sale of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (2,667)

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	(12)	
Other	(1,583,138)	(1,583,150)

Bank loan proceeds are reported as other financing sources in the governmental funds, but the loans increase long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets, as follows:

Bank loan proceeds	(244,291)	
Repaid	121,743	(122,548)

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

Compensated absences	(12,634)	
Interest on long-term debt	(1,675)	(14,309)

Change in net assets of governmental activities (page 17) \$ (125,289)

See notes to financial statements.

Taylor County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets

Cash and pooled investments:

County Treasurer	\$ 505,730
Other County officials	6,803

Receivables:

Property tax:

Delinquent	7,907
Succeeding year	4,482,000

Accounts	342
----------	-----

Prepaid insurance	4,978
-------------------	-------

Total assets	5,007,760
---------------------	-----------

Liabilities

Accounts payable	4,784
------------------	-------

Due to other governments	4,994,596
--------------------------	-----------

Trusts payable	2,784
----------------	-------

Compensated absences	5,596
----------------------	-------

Total liabilities	5,007,760
--------------------------	-----------

Net assets	\$ -
-------------------	------

See notes to financial statements.

Taylor County

Notes to Financial Statements

June 30, 2005

(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), 5B Judicial District Juvenile Group Home and Shelter Care, South Iowa Area Crime Commission, Innovative Industries Sheltered Workshop, Matura, Southern Iowa Council of Governments, Southern Iowa Rural Water Association and Southern Iowa Regional Housing Authority.

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for 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 designated to be used to fund mental health, mental retardation and developmental disabilities services.

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

Additionally, the County reports the following funds:

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 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, 2005 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Child Health	\$ 8,500
Special Revenue: Secondary Roads	Special Revenue: Rural Services	482,542
Total		<u>\$ 491,042</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, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 883,709	-	-	883,709
Construction in progress, road network	86,760	698,773	(718,606)	66,927
Total capital assets not being depreciated	<u>970,469</u>	<u>698,773</u>	<u>(718,606)</u>	<u>950,636</u>
Capital assets being depreciated:				
Buildings	1,213,008	-	-	1,213,008
Equipment and vehicles	3,211,113	305,374	(81,086)	3,435,401
Infrastructure, road network	2,313,778	718,606	-	3,032,384
Total capital assets being depreciated	<u>6,737,899</u>	<u>1,023,980</u>	<u>(81,086)</u>	<u>7,680,793</u>
Less accumulated depreciation for:				
Buildings	775,630	24,187	-	799,817
Equipment and vehicles	2,219,237	309,891	(78,419)	2,450,709
Infrastructure, road network	116,217	162,312	-	278,529
Total accumulated depreciation	<u>3,111,084</u>	<u>496,390</u>	<u>(78,419)</u>	<u>3,529,055</u>
Total capital assets being depreciated, net	<u>3,626,815</u>	<u>527,590</u>	<u>(2,667)</u>	<u>4,151,738</u>
Governmental activities capital assets, net	<u>\$ 4,597,284</u>	<u>1,226,363</u>	<u>(721,273)</u>	<u>5,102,374</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 26,230
Physical health and social services		20,262
County environment and education		5,267
Roads and transportation		435,092
Administration		9,539
		<u>9,539</u>
Total depreciation expense - governmental activities		<u>\$ 496,390</u>

Equipment includes assets acquired under capital leases with a book value of \$474,135.

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	<u>\$ 5,540</u>
Special Revenue:		
Mental Health	Services	123,068
Secondary Roads	Services	7,891
		<u>130,959</u>
Total for governmental funds		<u>\$ 136,499</u>
Agency:		
County Assessor	Collections	\$ 266,452
Schools		3,256,364
Community Colleges		136,891
Corporations		884,313
Auto License and Use Tax		112,482
All other		338,094
		<u>338,094</u>
Total for agency funds		<u>\$ 4,994,596</u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Capital Lease Purchase Agreements	General Obligation Notes	Bank Loans	Compen- sated Absences	Total
Balance beginning of year	\$ 217,548	95,000	-	129,987	442,535
Increases	-	-	244,291	157,937	402,228
Decreases	101,743	20,000	-	145,303	267,046
Balance end of year	\$ 115,805	75,000	244,291	142,621	577,717
Due within one year	\$ 107,661	25,000	48,079	82,995	263,735

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease a mower, a dozer and four motor graders with total historical costs of \$403,631. During the year, the original payment schedule for the mower lease was revised to take into account actual payment dates and principal paid. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 4.25% to 5.761% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2005:

Year ending June 30,	Mower	Dozer and Motor Graders	Total
2006	\$ 3,199	110,883	114,082
2007	3,199	-	3,199
2008	3,199	-	3,199
2009	2,518	-	2,518
Total minimum lease payments	12,115	110,883	122,998
Less amount representing interest	(1,269)	(5,924)	(7,193)
Present value of net minimum lease payments	\$ 10,846	104,959	115,805

Payments under capital lease purchase agreements totaled \$114,082 for the year ended June 30, 2005.

General Obligation Notes

A summary of the County's June 30, 2005 general obligation note indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2006	4.75%	\$ 25,000	3,563	28,563
2007	4.75	25,000	2,375	27,375
2008	4.75	25,000	1,188	26,188
Total		\$ 75,000	7,126	82,126

Bank Loans

A summary of the County's June 30, 2005 bank loans payable is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2006	4.10-4.70%	\$ 48,079	11,053	59,132
2007	4.10-4.70	50,861	8,271	59,132
2008	4.10-4.70	53,032	6,101	59,133
2009	4.10	45,215	3,848	49,063
2010	4.10	47,104	1,958	49,062
Total		\$ 244,291	31,231	275,522

During the year ended June 30, 2005, the County entered into two bank loan agreements totaling \$244,291.

(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 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual 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, 2005, 2004 and 2003 were \$115,581, \$113,541 and \$117,076, respectively, equal to the required contributions for each year.

(8) Risk Management

Taylor County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2005 were \$101,016.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Deficit Fund Balance

The Special Revenue, Mental Health Fund had a deficit fund balance of \$6,555 at June 30, 2005. The deficit will be eliminated with future state funding.

Taylor County

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, 2005

	<u>Actual</u>
Receipts:	
Property and other county tax	\$ 2,064,487
Interest and penalty on property tax	33,488
Intergovernmental	4,633,625
Licenses and permits	9,488
Charges for service	190,141
Use of money and property	102,922
Miscellaneous	90,159
Total receipts	<u>7,124,310</u>
Disbursements:	
Public safety and legal services	663,953
Physical health and social services	734,029
Mental health	478,658
County environment and education	146,822
Roads and transportation	2,446,000
Governmental services to residents	248,335
Administration	537,281
Debt service	138,595
Capital projects	495,036
Total disbursements	<u>5,888,709</u>
Excess (deficiency) of receipts over (under) disbursements	1,235,601
Other financing sources, net	<u>43,458</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,279,059
Balance beginning of year	<u>4,396,748</u>
Balance end of year	<u>\$ 5,675,807</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
2,062,889	2,062,889	1,598
4,510	4,510	28,978
4,486,711	4,505,873	127,752
8,400	8,400	1,088
145,790	161,458	28,683
91,585	91,585	11,337
17,600	36,827	53,332
<u>6,817,485</u>	<u>6,871,542</u>	<u>252,768</u>
698,985	702,785	38,832
861,814	900,005	165,976
479,031	479,031	373
160,541	164,855	18,033
2,446,000	2,446,000	-
249,400	281,302	32,967
557,286	600,862	63,581
139,141	138,604	9
4,632,401	4,632,401	4,137,365
<u>10,224,599</u>	<u>10,345,845</u>	<u>4,457,136</u>
(3,407,114)	(3,474,303)	4,709,904
-	-	43,458
(3,407,114)	(3,474,303)	4,753,362
3,945,586	3,945,586	451,162
<u>538,472</u>	<u>471,283</u>	<u>5,204,524</u>

Taylor County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,124,310	516	7,124,826
Expenditures	5,888,709	396,917	6,285,626
Net	1,235,601	(396,401)	839,200
Other financing sources, net	43,458	206,971	250,429
Beginning fund balances	4,396,748	387,894	4,784,642
Ending fund balances	\$ 5,675,807	198,464	5,874,271

See accompanying independent auditor's report.

Taylor County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

This 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 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$121,246. 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, 2005, disbursements did not exceed the amounts budgeted.

Taylor County

Other Supplementary Information

Taylor County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

	Rural Services	County Recorder's Records Management	Special County Recorder's Electronic Transaction Fee
Assets			
Cash and pooled investments	\$ 76,809	9,396	9,260
Receivables:			
Property tax:			
Delinquent	28	-	-
Succeeding year	496,000	-	-
Accounts	4,503	-	-
Due from other governments	2,293	-	-
Total assets	\$ 579,633	9,396	9,260
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 1,809	-	8,458
Salaries and benefits payable	115	-	-
Deferred revenue:			
Succeeding year property tax	496,000	-	-
Other	28	-	-
Total liabilities	497,952	-	8,458
Fund equity:			
Fund balances:			
Reserved for debt service	-	-	-
Unreserved	81,681	9,396	802
Total fund equity	81,681	9,396	802
Total liabilities and fund equity	\$ 579,633	9,396	9,260

See accompanying independent auditor's report.

Revenue					
Forfeitures	Child Health (0-5 years)	Local Option Sales Tax	Conservation Land Acquisition	Debt Service	Total
8,149	58,139	16,639	9,135	295	187,822
-	-	-	-	44	72
-	-	-	-	36,000	532,000
-	-	6,877	-	-	11,380
-	-	-	-	-	2,293
8,149	58,139	23,516	9,135	36,339	733,567
-	-	-	-	-	10,267
-	-	-	-	-	115
-	-	-	-	36,000	532,000
-	-	-	-	33	61
-	-	-	-	36,033	542,443
-	-	-	-	306	306
8,149	58,139	23,516	9,135	-	190,818
8,149	58,139	23,516	9,135	306	191,124
8,149	58,139	23,516	9,135	36,339	733,567

Taylor County

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

Year ended June 30, 2005

	Rural Services	County Recorder's Records Management	Special County Recorder's Electronic Transaction Fee
Revenues:			
Property and other county tax	\$ 508,106	-	-
Intergovernmental	41,229	-	-
Licenses and permits	8,945	1,690	-
Charges for service	-	-	21,293
Use of money and property	-	1	-
Miscellaneous	10,567	-	-
Total revenues	<u>568,847</u>	<u>1,691</u>	<u>21,293</u>
Expenditures:			
Operating:			
Public safety and legal services	30,795	-	-
Physical health and social services	27,510	-	-
County environment and education	12,683	-	-
Roads and transportation	30,000	-	-
Governmental services to residents	1,023	577	36,158
Debt service	-	-	-
Total expenditures	<u>102,011</u>	<u>577</u>	<u>36,158</u>
Excess (deficiency) of revenues over (under) expenditures	466,836	1,114	(14,865)
Other financing uses:			
Transfers out	(482,542)	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(15,706)	1,114	(14,865)
Fund balances beginning of year	97,387	8,282	15,667
Fund balances end of year	<u>\$ 81,681</u>	<u>9,396</u>	<u>802</u>

See accompanying independent auditor's report.

Revenue					
Forfeitures	Child Health (0-5 years)	Local Option Sales Tax	Conservation Land Acquisition	Debt Service	Total
-	-	58,791	-	22,702	589,599
-	3,500	-	-	1,790	46,519
-	-	-	-	-	10,635
-	-	-	-	-	21,293
-	-	-	23	-	24
171	-	-	-	-	10,738
171	3,500	58,791	23	24,492	678,808
7,863	-	-	-	-	38,658
-	-	-	-	-	27,510
-	-	65,568	-	-	78,251
-	-	-	-	-	30,000
-	-	-	-	-	37,758
-	-	-	-	24,511	24,511
7,863	-	65,568	-	24,511	236,688
(7,692)	3,500	(6,777)	23	(19)	442,120
-	(8,500)	-	-	-	(491,042)
(7,692)	(5,000)	(6,777)	23	(19)	(48,922)
15,841	63,139	30,293	9,112	325	240,046
8,149	58,139	23,516	9,135	306	191,124

Taylor County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	2,201	62,495	111,477
Other County officials	6,803	-	-	-
Receivables:				
Property tax:				
Delinquent	-	75	250	3,887
Succeeding year	-	61,000	204,000	3,141,000
Accounts	99	-	-	-
Prepaid insurance	-	-	4,360	-
Total assets	\$ 6,902	63,276	271,105	3,256,364
Liabilities				
Accounts payable	\$ 2,105	-	-	-
Due to other governments	4,349	63,276	266,452	3,256,364
Trusts payable	448	-	-	-
Compensated absences	-	-	4,653	-
Total liabilities	\$ 6,902	63,276	271,105	3,256,364

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Empowerment Area	Other	Total
4,729	22,785	3,578	112,482	143,378	42,605	505,730
-	-	-	-	-	-	6,803
162	3,528	4	-	-	1	7,907
132,000	858,000	85,000	-	-	1,000	4,482,000
-	-	-	-	-	243	342
-	-	-	-	-	618	4,978
136,891	884,313	88,582	112,482	143,378	44,467	5,007,760
-	-	-	-	-	2,679	4,784
136,891	884,313	88,582	112,482	143,378	38,509	4,994,596
-	-	-	-	-	2,336	2,784
-	-	-	-	-	943	5,596
136,891	884,313	88,582	112,482	143,378	44,467	5,007,760

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

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 1,653	62,568	332,183	3,183,246
Additions:				
Property and other county tax	-	61,710	205,720	3,155,260
E911 surcharge	-	-	-	-
State tax credits	-	4,895	16,242	248,241
Office fees and collections	73,468	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	24,943	-	-	-
Miscellaneous	28	-	801	-
Total additions	98,439	66,605	222,763	3,403,501
Deductions:				
Agency remittances:				
To other funds	18,085	-	-	-
To other governments	52,248	65,897	283,841	3,330,383
Trusts paid out	22,857	-	-	-
Total deductions	93,190	65,897	283,841	3,330,383
Balances end of year	\$ 6,902	63,276	271,105	3,256,364

See accompanying independent auditor's report.

Community Colleges	Corpora- tions	Townships	Auto License and Use Tax	Empower- ment Area	Other	Total
135,373	885,744	82,226	112,991	162,890	46,205	5,005,079
132,563	828,347	86,918	-	-	817	4,471,335
-	-	-	-	-	43,901	43,901
10,519	85,523	5,754	-	-	65	371,239
-	-	-	-	-	-	73,468
-	-	-	-	-	1,549	1,549
-	-	-	1,350,353	-	-	1,350,353
-	-	-	-	-	3,640	3,640
-	-	-	-	-	170,425	195,368
-	-	-	-	203,113	32,524	236,466
143,082	913,870	92,672	1,350,353	203,113	252,921	6,747,319
-	-	-	61,017	-	-	79,102
141,564	915,301	86,316	1,289,845	222,625	102,988	6,491,008
-	-	-	-	-	151,671	174,528
141,564	915,301	86,316	1,350,862	222,625	254,659	6,744,638
136,891	884,313	88,582	112,482	143,378	44,467	5,007,760

Schedule 5

Taylor County

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

For the Last Five Years

	Modified Accrual Basis				
	2005	2004	2003	2002	2001
Revenues:					
Property and other county tax	\$ 2,058,299	1,901,086	1,765,389	1,581,492	1,457,969
Interest and penalty on property tax	33,807	26,953	30,749	28,427	22,052
Intergovernmental	4,616,305	4,640,502	4,526,047	3,230,238	3,012,875
Licenses and permits	11,628	7,188	7,517	5,949	6,021
Charges for service	181,176	165,947	167,913	128,293	117,391
Use of money and property	121,049	81,135	43,031	68,525	155,393
Fines, forfeitures and defaults	-	-	-	1,593	3,644
Miscellaneous	102,562	101,390	35,844	27,884	142,152
Total	\$ 7,124,826	6,924,201	6,576,490	5,072,401	4,917,497
Expenditures:					
Operating:					
Public safety and legal services	\$ 667,610	630,218	618,784	608,862	736,036
Physical health and social services	730,376	788,912	829,081	741,172	717,998
Mental health	546,380	489,836	561,049	583,944	558,470
County environment and education	149,417	109,305	102,044	119,392	116,062
Roads and transportation	2,823,099	2,271,756	2,161,540	2,667,618	2,428,712
Governmental services to residents	258,022	244,175	228,899	221,911	204,223
Administration	541,352	536,656	499,680	469,669	459,710
Debt service	138,593	138,149	131,049	164,511	161,017
Capital projects	430,777	314,663	100,100	406,549	885
Total	\$ 6,285,626	5,523,670	5,232,226	5,983,628	5,383,113

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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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, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 25, 2006. 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

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

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

Compliance and Other Matters

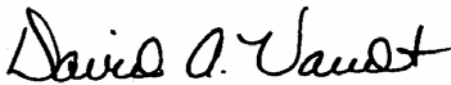
As part of obtaining reasonable assurance about whether Taylor County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 that are described in the accompanying Schedule of Findings.

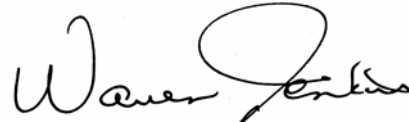
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all 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.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 25, 2006

Taylor County
Schedule of Findings
Year ended June 30, 2005

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

- (1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared.
- (2) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the County Recorder should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances. The County Recorder should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Response – We are limited to our options because of our low number of employees in our office, but we will attempt to segregate our duties as much as possible.

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

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

Taylor County

Schedule of Findings

Year ended June 30, 2005

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

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

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

Response – We will work to get these policies written.

Conclusion – Response accepted.

Taylor County
Schedule of Findings
Year ended June 30, 2005

Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- (2) Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted.
- (3) 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.
- (4) Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lonnie Weed, County Sheriff, part owner of Bedford Country Store	Gasoline	\$ 99
Lori Hughes, Deputy Recorder, spouse owns Hughes Feed and Supply and is County Auditor's brother	Seed, supplies and corrugated pipe	27,149
Jerry Baker, spouse of County Auditor	Mileage reimbursement	9

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

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

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

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

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Taylor County

Schedule of Findings

Year ended June 30, 2005

- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

- (11) Deficit Fund Balance – The Special Revenue, Mental Health Fund had a deficit fund balance of \$6,555 at June 30, 2005.

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

Response – Taylor County’s Mental Health Fund has a cash balance of \$126,888. It is only in the accrual balance that there is a deficit. No checks were written or bills held because there were no funds. Taylor County has levied the maximum for several years. We will talk to our legislators again this year.

Conclusion – Response accepted.

- (12) County Ordinances – The County Board of Supervisors last completed a compilation of County ordinances in May 2000. Chapter 331.302(9) of the Code of Iowa requires the Board to compile a code of ordinances containing all ordinances in effect at least once every five years.

Recommendation – The compilation of County ordinances should be prepared as required.

Response – We will work on this compilation this year.

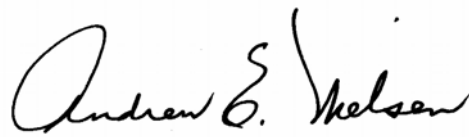
Conclusion – Response accepted.

Taylor County

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Deborah J. Moser, CPA, Senior Auditor II
Tracy L. Haronik, Assistant Auditor
Cheryl R. Moya, CPA, Assistant Auditor
Janet M. Tiefenthaler, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and a distinct 'E'.

Andrew E. Nielsen, CPA
Deputy Auditor of State