

**CHICKASAW COUNTY
NEW HAMPTON, IOWA**

FINANCIAL REPORT

June 30, 2008

TABLE OF CONTENTS

		<u>Page</u>
OFFICIALS		1
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS		2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)		3
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>	
Government-Wide Financial Statements		
Statement of Net Assets	A	4
Statement of Activities	B	5
Governmental Fund Financial Statements		
Balance Sheet	C	6-7
Statement of Revenues, Expenditures and Changes in Fund Balances	D	8-9
Proprietary Fund Financial Statements		
Statement of Net Assets	E	10
Statement of Revenues, Expenses and Changes in Net Assets	F	11
Statement of Cash Flows	G	12
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Assets - Agency Funds	H	13
Notes to Financial Statements		14-29
Required Supplementary Information		
Budgetary Comparison Schedule		
Statement of Receipts, Disbursements, and Changes in Balance – Budget and Actual (Cash Basis) - All Governmental Funds		30
Budget to GAAP Reconciliation		31
Notes to Required Supplementary Information - Budgetary Reporting		32
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION		33
OTHER SUPPLEMENTARY INFORMATION	<u>Schedule</u>	
Governmental Activities		
Nonmajor Governmental Funds		
Combining Balance Sheet	1	34
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	35
Nonmajor Special Revenue Funds		
Combining Balance Sheet	3	36
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	37
Agency Funds		
Combining Schedule of Fiduciary Assets and Liabilities	5	38
Combining Schedule of Changes in Fiduciary Assets and Liabilities	6	39
Comparative Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	7	40
Schedule of Findings and Questioned Costs	8	41-43
Schedule of Expenditures of Federal Awards	9	44-45
Notes to the Schedule of Expenditures of Federal Awards		46

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
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 <i>GOVERNMENT AUDITING STANDARDS</i>	47-48
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	49-50
MANAGEMENT LETTER	51-55

CHICKASAW COUNTY

OFFICIALS

Name	Title	Term Expires
Arnie Boge	Board of Supervisors	January 2011
Sherry Mattke	Board of Supervisors	January 2011
John Huegel	Board of Supervisors	January 2009
James Schueth	Board of Supervisors	January 2009
Virgil Pickar, Jr.	Board of Supervisors	January 2009
Judy Babcock	County Auditor	January 2009
Sue Breitbach	County Treasurer	January 2011
Cindy Messersmith	County Recorder	January 2011
Martin Larsen	County Sheriff	January 2009
W. Patrick Wegman	County Attorney	January 2011
Douglas Welton	County Assessor	

123 West Water Street
P.O. Box 507
Decorah, Iowa 52101
Telephone 563 382-3637
Fax 563 382-5797

HACKER, NELSON & CO., P.C.
Certified Public Accountants
And Business Consultants

www.hackernelson.com

9 North Locust Avenue
P.O. Box 529
New Hampton, Iowa 50659
Telephone 641 394-2245
Fax 641 394-3138

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

**To the Board of Supervisors
Chickasaw County
New Hampton, Iowa**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chickasaw County as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Chickasaw 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 that 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, the business-type activities, each major fund, and the aggregate remaining fund information of Chickasaw County as of June 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof 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 March 26, 2009, on our consideration of Chickasaw County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on page 3 and pages 30 through 32, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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. However, we did not audit the information and express no opinion on it.

Decorah, Iowa
March 26, 2009

Hacker, Nelson & Co., P.C.

CHICKASAW COUNTY
NEW HAMPTON, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2008

Management of Chickasaw County provides this Management's Discussion and Analysis of Chickasaw County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 2.82%, or approximately \$279,000, from fiscal 2007 to fiscal 2008. Operating grants and contributions increased approximately \$157,000 and capital grants increased approximately \$999,615.
- Program expenses were 8.31%, or approximately \$770,000, more in fiscal 2008 than in fiscal 2007. County environment and education expenses increased approximately \$125,000, roads and transportation expenses increased approximately \$642,000 and mental health expenses increased approximately \$193,000.
- The County's net assets increased 4.00%, or approximately \$921,000, from June 30, 2007 to June 30, 2008.

USING THE BASIC FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Chickasaw County as a financial whole, or as an entire operating entity.

The government-wide financial statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Chickasaw County as a whole and present an overall view of the County's finances and a longer-term view of those 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 Chickasaw County's operations in more detail than the government-wide statements by providing information about the most significant funds with all other nonmajor funds presented in total in a single column. For Chickasaw County, the general fund, MH/DD-special revenue fund, rural services-special revenue fund, secondary roads-special revenue fund, and landfill postclosure costs-special revenue fund are the most significant funds. The remaining statements provide financial information about activities for which Chickasaw County acts solely as an agent or custodian for the benefit of those outside of the government.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year. Supplementary information provides detailed information about the nonmajor special revenue and the individual fiduciary funds.

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities

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 about the County as a whole and about its activities in a way that 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 event or 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.

In the statement of net assets and statement of activities, the County is divided into two distinct kinds of activities:

Governmental Activities: Most of the County's programs and services are reported here, including public safety and legal services, physical health and social services, mental health, County environment and education, roads and transportation, government services to residents, administration, interest on long-term debt and other nonprogram activities. Property tax, state tax credits and state and federal grants finance most of these activities.

Business-type Activities: The County records their health insurance as an internal service fund.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the County's major funds. The County uses different funds in accordance with the Uniform Financial Accounting for Iowa County Governments to record its financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, MH/DD-special revenue fund, rural services-special revenue fund, secondary roads-special revenue fund, and landfill postclosure costs-special revenue fund.

Governmental Funds

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. These governmental funds includes: 1) the general fund, 2) the special revenue funds such as mental health, rural service, and secondary roads, and 3) 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 statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

Proprietary Fund

Proprietary fund accounts for the employee group health insurance-internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The proprietary fund requires financial statements to include a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows.

Fiduciary Funds

Fiduciary funds are used to report assets held in an agency capacity for others and cannot be used to support the government's own programs. The County has agency funds that account for emergency management services, the County assessor, E-911 service board are some examples.

The fiduciary funds required financial statements include a statement of fiduciary net assets.

A summary reconciliation between the government-wide financial statements and the fund financial statements follows 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.

	Condensed Statement of Net Assets (Expressed in Thousands)		
	2008	2007	Percent Change
Current and other assets	\$ 12,585	\$ 11,349	10.89%
Capital assets	17,309	16,959	2.06%
Total assets	29,894	28,308	5.60%
Long-term debt outstanding	504	526	-4.18%
Other liabilities	5,466	4,780	14.35%
Total liabilities	5,970	5,306	12.51%
Net assets			
Invested in capital assets	17,309	16,959	2.06%
Restricted	2,415	2,470	-2.23%
Unrestricted	4,200	3,573	17.55%
Total net assets	\$ 23,924	\$ 23,002	4.01%

Chickasaw County's net assets for the governmental activities increased moderately from fiscal 2007 to fiscal 2008, due to the recording of more capital assets and increase in revenues. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment). Restricted net assets represent resources that are 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 increased for the governmental activities approximately \$627,000 or 17.55%

The following analysis shows the change in net assets for the year ending June 30, 2008:

	Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	2008	2007	Percent Change
Revenues:			
Program revenue			
Charges for service	\$ 1,130	\$ 1,074	5.21%
Operating grants	3,924	3,768	4.14%
Capital grants	1,267	268	372.76%
General revenue			
Property taxes	3,630	3,698	-1.84%
Local option sales tax	635	634	0.16%
Penalty and interest on property taxes	27	28	-3.57%
State tax credits	195	226	-13.72%
Rents	73	71	2.82%
Grants and contributions	48	40	20.00%
Unrestricted investment earnings	296	376	-21.28%
Gain (loss) on sale of capital assets	(3)	(7)	-57.14%
Other	14	39	-64.10%
Total revenues	11,236	10,215	10.00%
Program expenses:			
Public safety and legal services	1,201	1,129	6.38%
Physical health and social services	1,193	1,127	5.86%
Mental health	1,199	1,005	19.30%
County environment and education	528	403	31.02%
Roads and transportation	4,579	4,057	12.87%
Government services to residents	363	329	10.33%
Administration or general government	771	964	-20.02%
Nonprogram	198	248	-20.16%
Total expenses	10,032	9,262	8.31%
Increase in net assets	1,204	953	26.34%
Net assets beginning of year restated	22,720	22,050	3.04%
Net assets end of year	\$ 23,924	\$ 23,003	4.00%

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$6,053,758, approximately \$476,000 decrease from the 2007 fiscal year end balance of \$6,530,127.

- The general fund revenues decreased 0.58% from the prior year, whereas, the expenditures also decreased by 1.20% from the prior year. The ending fund balance showed an increase of 11.03% from the prior year of \$3,002,357 to \$3,333,635, which is a larger increase from 2007 fiscal year.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, the expenditures increased 19.3% from the prior year. The mental health fund balance at year end decreased by \$279,635 from the prior year.

- Secondary roads fund revenues increased approximately \$177,000 over the prior year. For the year, expenditures totaled \$4,733,080, an increase of \$704,133. This increase in expenditures results in a decrease in the secondary roads fund ending balance of approximately \$625,000, or 44.21%.
- The ending fund balance for the rural service fund increased by \$136,000 or 17.53% over the prior year. The increase is mainly due to revenues exceeding expenditures with no major change in property tax revenues or increases in expenditures.
- The landfill postclosure cost fund increased due to the fund receiving more interest income than the cost of monitoring the closed landfill.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its budget once. The amendment was made in May and resulted in an increase in general fund disbursements. However, this did not require an increase in taxes as the County received more intergovernmental revenues than originally projected.

The amendment made during the 2008 fiscal year should have no impact on the 2009 fiscal year’s budget. During the year ended June 30, 2008, no disbursements exceeded the amounts budgeted.

The following chart shows the original and amended budget for fiscal 2008 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule			
	(Expressed in Thousands)			
	Budget Basis	Budget Amounts		Variance
	Original	Final		
REVENUES				
Property and other County tax	\$ 4,234	\$ 4,067	\$ 4,067	\$ 167
Interest and penalty on property tax	27	-	-	27
Intergovernmental	4,081	4,229	4,473	(392)
Licenses and permits	16	10	10	6
Charges for service	812	272	272	540
Use of money and property	362	115	120	242
Miscellaneous	123	179	251	(128)
Total revenues	9,655	8,872	9,193	462
EXPENDITURES				
Public safety and legal services	1,231	1,232	1,276	45
Physical health and social services	1,197	1,388	1,391	194
Mental health	1,163	1,108	1,182	19
County environment and education services	516	650	670	154
Roads and transportation	3,908	3,495	4,170	262
Governmental services to residents	372	417	417	45
Administrative services	885	1,022	1,032	147
Nonprogram	-	-	-	-
Debt service	-	-	-	-
Capital project	451	929	929	478
Total expenditures	\$ 9,723	\$ 10,241	\$ 11,067	\$ 1,344

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2008, Chickasaw County had \$17,308,726 invested in a broad range of capital assets, including large road equipment, infrastructure and construction in progress for the governmental activities.

The County had depreciation expense of \$850,615 for fiscal year 2008 and total accumulated depreciation of \$11,025,510 as of June 30, 2008 for the governmental activities. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-term Liabilities

At June 30, 2008 Chickasaw County has approximately \$503,622 in estimated postclosure costs for the landfill. As postclosure expenses are incurred, such as engineering costs, or the cost of leachate disposal, the estimated costs are reduced. For fiscal year 2007, the estimate was \$525,568. The County is required to demonstrate financial assurance for the estimated costs at a minimum. At June 30, 2008, the balance restricted for postclosure costs was \$620,366.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Chickasaw County's elected and appointed officials and citizens have always considered many factors while setting each fiscal year's budget, tax rates, and the fees that will be charged for various County activities, with one of the largest considerations being the economy. The County's economy and tax base remains heavily dependent on the agriculture industry.

Chickasaw County should be thankful for our diverse economy. Even though some businesses are slowing down, others are maintaining or increasing jobs. Chickasaw County has supported job incentives for the following local businesses:

New Hampton Flower Pots LLC	12 jobs	\$12,000
Carbo Machine LLC	11 jobs	\$11,000
Soy Basics, LLC	78 jobs	\$78,000
Zips Truck Equipment	17 jobs	\$17,000

Chickasaw County has also supported community projects:

New Hampton Fire Station	\$50,000
Mercy Hospital Images of Wellness	\$10,000
Ionia and Chickasaw Fire Station	\$10,000
Alta Vista Fire Station	\$12,000
Nashua Welcome Center	\$25,000

Chickasaw County remains committed to being involved in growth and development.

The newest industry is now nearing completion. The Homeland Energy Solutions Ethanol Plant began construction during 2007 and 2008 with completion March, 2009. The facility will employ 35-40 jobs and consume 35 to 40 million bushels of corn, producing 100 to 120 million gallons of ethanol.

We had a setback when one of our industries, Bay Valley Foods, was shut down due to a dust explosion. The company committed to rebuilding and expanding its facility. During this period of time, the company kept all employees on payroll. They are now nearing completion of the project with 60 to 65 jobs maintained.

Farming and agriculture remains the largest segment of Chickasaw County's valuation and source of taxes within the County. Each year the Board of Supervisors meets with Farm Bureau for review and discussion of the proposed upcoming fiscal year budget. Farm Bureau remains stringent in their philosophy that the County should not exceed 25% fund balance carryover from one fiscal year to the next. The County has dedicated funds and designated fund balances that cannot be used for operational expenditures. These funds include, but are not limited to, Landfill Postclosure; Economic Development; County Betterment having an approximate balance of \$1,208,584. Other funds include REAP; Recorder Surcharge; K-9; Dare; Saude Farm and Schroeder Stewardship, which comprise an additional \$33,418.

Following is a chart showing four years of tax askings, levies, and a year to year comparison showing decreases and increases:

	2006-07	2007-08	2008-09	2009-10
General Basic	1,866,315	1,867,103	1,976,726	2,076,684
Pioneer Cemetery	1,962	1,963	1,965	1,970
General Supplemental	343,637	337,674	282,576	344,605
MD-DD Services	490,910	393,457	562,627	518,352
Rural Services Basic	1,144,818	1,140,187	1,221,024	1,103,308
Tax Asking	3,847,642	3,740,384	4,044,918	4,044,919
Tax Asking (-Decrease)/Increase	-303,782	-107,258	304,534	-
% Decrease/Increase	-7.3175373%	-2.787629%	8.14178%	-
Levy Rate	8.0725	7.87798	8.00375	7.53695
Levy Rate (-Decrease)/Increase	-0.92501	-0.19452	0.12577	-4.6680
Taxable Value	533,232,792	533,458,032	564,778,948	593,338,425

Note that taxes have increased over recent years due to increases of statewide valuation, equalization and the farmland productivity formula, based upon productivity average of the preceding five years.

The Chickasaw County Board of Supervisors remains conservative in its philosophy of taxpayer levies and tax askings. Employment with Chickasaw County is very stable and secure. County employees receive annual fiscal year wage increases each July 1st. Chickasaw County's workforce is made of elected and appointed department heads, union and non-union employees. Secondary Road employees are represented by Operating Engineers Union. The Sheriff Deputies & Dispatchers, Clerical, Homemakers and Assessor Clerical are represented by Teamsters. The County employees' health insurance is self-funded, with the premium structure remaining very stable and is funded through departmental budgets (100% for single and 75% for family coverage) and employees' payroll deductions (25% family coverage). The premium for 2009 will remain the same as last year. The County remains committed to aggressively pursuing preventative measures to prevent future injury or illness.

Chickasaw County experienced severe flooding in June, 2008 which caused major damage to the secondary road system and many residences throughout the County. On June 8, 2008, we started sandbagging operations in North Washington and went on to Alta Vista, Jerico, Lawler, New Hampton, Fredericksburg and ended in the Nashua area. We had 116 residences register with FEMA. Of these, 64 residences have received \$209,224. Damages to the secondary road system have been \$680,654 and \$35,346 damage to the County Conservation System. Damages of the surrounding communities were \$423,066.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Chickasaw 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 County Auditor's Office, Chickasaw County, 8 E. Prospect Avenue, P.O. Box 311, New Hampton, IA 50659.

CHICKASAW COUNTY
STATEMENT OF NET ASSETS
June 30, 2008

EXHIBIT A

		Governmental Activities
ASSETS		
Cash and pooled investments	\$	6,564,494
Receivables		
Property tax		
Delinquent		8,609
Succeeding year		4,042,089
Accounts		46,435
Accrued interest		74,283
Due from other governments		1,099,941
Inventories		588,000
Prepaid expenses		49,325
Nondepreciable assets		1,879,025
Capital assets, net of accumulated depreciation		15,429,701
Investment in insurance pool		112,415
Total assets	\$	29,894,317
LIABILITIES AND NET ASSETS		
Accounts payable	\$	942,612
Salaries and benefits payable		135,090
Due to other governments		163,540
Deferred revenue		
Succeeding year property tax		4,042,089
Other		-
Long-term liabilities		
Compensated absences		183,156
Portion due after one year		
Postclosure costs		503,622
Total liabilities		5,970,109
NET ASSETS		
Invested in capital assets		17,308,726
Restricted for		
Rural service		1,643,758
Secondary roads		183,032
Other special revenue		145
Other purposes		588,000
Unrestricted		4,200,547
Total net assets		23,924,208
Total liabilities and net assets	\$	29,894,317

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants	Capital Grants	
Governmental activities					
Public safety and legal services	\$ 1,200,593	\$ 56,672	\$ 141,656		\$ (1,002,265)
Physical health and social services	1,192,911	268,137	665,450	\$ -	(259,324)
Mental health	1,198,511	26,569	486,263		(685,679)
County environment and education	528,310	11,027	16,804		(500,479)
Roads and transportation	4,578,780	71,186	2,603,951	1,267,397	(636,246)
Government services to residents	362,922	227,206	9,971		(125,745)
Administration or general government	771,481	159,348			(612,133)
Nonprogram	198,102	309,453			111,351
Total governmental activities	<u>\$ 10,031,610</u>	<u>\$ 1,129,598</u>	<u>\$ 3,924,095</u>	<u>\$ 1,267,397</u>	<u>(3,710,520)</u>
General revenues					
Property taxes levied for					
General purposes					3,629,746
Local option sales tax					635,468
Penalty and interest on property taxes					26,920
State tax credits					194,579
Rents					73,101
Grants and contributions					48,500
Unrestricted investment earnings					295,621
Loss on sale of capital assets					(2,942)
Miscellaneous					13,783
Total general revenues					<u>4,914,776</u>
Change in net assets					<u>1,204,256</u>
Net assets, beginning of year as restated					<u>22,719,952</u>
Net assets, end of year					<u>\$ 23,924,208</u>

See Notes to Financial Statements.

This Page Intentionally Left Blank

CHICKASAW COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	ASSETS	Special Revenue		
		General	Mental Health	Rural Services
Cash and pooled investments		\$ 3,195,283	\$ 180,832	\$ 898,847
Receivables				
Property tax				
Delinquent		5,288	1,310	2,006
Succeeding year		2,259,302	559,798	1,221,024
Accounts		44,542	1,240	-
Accrued interest		67,061	-	-
Due from other governments		56,940	-	28,732
Inventories		-	-	-
Investment in insurance pool		112,415		
Prepaid insurance		32,039		
Total assets		\$ 5,772,870	\$ 743,180	\$ 2,150,609
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable		\$ 89,066	\$ 25,592	\$ 17,096
Salaries and benefits payable		75,955	1,461	-
Due to other governments		9,624	148,160	-
Deferred revenue				
Succeeding year property tax		2,259,302	559,798	1,221,024
Other		5,288	13,672	2,006
Total liabilities		2,439,235	748,683	1,240,126
Fund balances				
Reserved for				
Inventories				
Prepaid expenditures		32,039		
Other				
Unreserved				
General fund		3,301,596		
Capital projects fund				
Special revenue funds			(5,503)	910,483
Total fund balances		3,333,635	(5,503)	910,483
Total liabilities and fund balances		\$ 5,772,870	\$ 743,180	\$ 2,150,609

See Notes to Financial Statements.

EXHIBIT C

<u>Secondary Roads</u>	<u>Landfill Postclosure Costs</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 701,484	\$ 621,231	\$ 390,512	\$ 5,988,189
-	-	5	8,609
-	-	1,965	4,042,089
416	-	237	46,435
-	1,388	20	68,469
985,539	-	28,730	1,099,941
588,000	-	-	588,000
-	-	-	112,415
17,286	-	-	49,325
<u>\$ 2,292,725</u>	<u>\$ 622,619</u>	<u>\$ 421,469</u>	<u>\$ 12,003,472</u>
\$ 709,708	\$ 2,253	\$ 13,040	\$ 856,755
57,674	-	-	135,090
5,756	-	-	163,540
-	-	1,965	4,042,089
731,269	-	5	752,240
<u>1,504,407</u>	<u>2,253</u>	<u>15,010</u>	<u>5,949,714</u>
588,000	-	-	588,000
17,286	-	-	49,325
-	620,366	145	620,511
-	-	-	3,301,596
-	-	222,426	222,426
183,032	-	183,888	1,271,900
<u>788,318</u>	<u>620,366</u>	<u>406,459</u>	<u>6,053,758</u>
<u>\$ 2,292,725</u>	<u>\$ 622,619</u>	<u>\$ 421,469</u>	<u>\$ 12,003,472</u>

CHICKASAW COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

Reconciliation of governmental fund balances to net assets	
Total governmental fund balances	\$ 6,053,758
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds, net of accumulated depreciation of	
\$ 11,025,510	17,308,726
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	752,240
Internal service funds are used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	496,262
Other liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds	
Postclosure costs	(503,622)
Compensated absences	(183,156)
Net assets of governmental activities	<u>\$ 23,924,208</u>

See Notes to Financial Statements.

This Page Intentionally Left Blank

CHICKASAW COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	Special Revenue		
	General	Mental Health	Rural Services
REVENUES			
Property and other County tax	\$ 2,130,108	\$ 380,124	\$ 1,264,639
Interest and penalty on property tax	26,881		
Intergovernmental	933,406	507,123	58,643
Licenses and permits	9,132		-
Charges for service	753,899	26,568	-
Use of money and property	273,885		
Miscellaneous	62,654	-	-
Total revenues	4,189,965	913,815	1,323,282
EXPENDITURES			
Current			
Public safety and legal services	1,206,909		6,548
Physical health and social services	1,212,382		
Mental health		1,193,450	
County environment and education services	293,390		84,210
Roads and transportation			
Governmental services to residents	357,697		
Administrative services	777,028		
Capital project			
Total expenditures	3,847,406	1,193,450	90,758
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	342,559	(279,635)	1,232,524
OTHER FINANCING SOURCES (USES)			
Transfers in			
Proceeds from disposal of capital assets	1,219		
Transfers out	(12,500)		(1,096,705)
	(11,281)	-	(1,096,705)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	331,278	(279,635)	135,819
FUND BALANCES, beginning of year	3,002,357	274,132	774,664
FUND BALANCES, end of year	\$ 3,333,635	\$ (5,503)	\$ 910,483

See Notes to Financial Statements.

EXHIBIT D

Secondary Roads	Landfill Postclosure Costs	Other Governmental Funds	Total Governmental Funds
\$ 317,734	\$ -	\$ 160,761	\$ 4,253,366
2,605,849		16,908	26,881
3,911			4,121,929
7,919		3,894	13,043
	25,231	462	792,280
58,874		300	299,578
			121,828
<u>2,994,287</u>	<u>25,231</u>	<u>182,325</u>	<u>9,628,905</u>
	-	29,748	1,243,205
	-		1,212,382
	-		1,193,450
4,161,107	21,946	149,629	549,175
		7,892	4,161,107
			365,589
571,973	-	32,582	777,028
			604,555
<u>4,733,080</u>	<u>21,946</u>	<u>219,851</u>	<u>10,106,491</u>
<u>(1,738,793)</u>	<u>3,285</u>	<u>(37,526)</u>	<u>(477,586)</u>
1,114,205	-	25,000	1,139,205
	-	(30,000)	1,219
			(1,139,205)
<u>1,114,205</u>	<u>-</u>	<u>(5,000)</u>	<u>1,219</u>
(624,588)	3,285	(42,526)	(476,367)
<u>1,412,906</u>	<u>617,081</u>	<u>448,985</u>	<u>6,530,125</u>
<u>\$ 788,318</u>	<u>\$ 620,366</u>	<u>\$ 406,459</u>	<u>\$ 6,053,758</u>

CHICKASAW COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of governmental funds to the Statement of Activities		
Net change in fund balances - total governmental funds	\$	(476,367)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays	\$ 1,486,402	
Depreciation	<u>(850,615)</u>	635,787
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		
Property tax	11,848	
Other	<u>731,269</u>	743,117
The net effect of disposal of capital assets.		(4,161)
The internal service fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the internal service fund is reported with governmental activities.		290,074
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(6,140)	
Postclosure costs	<u>21,946</u>	<u>15,806</u>
Change in net assets of governmental activities	\$	<u>1,204,256</u>

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2008

		Internal Service
ASSETS		
Cash and pooled investments	\$	576,305
Accrued interest receivable		5,814
Total assets		\$ 582,119
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$	21,796
Deferred revenue		64,061
Total liabilities		85,857
Net assets		
Unrestricted		496,262
Total liabilities and net assets	\$	582,119

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2008

	Internal Service
OPERATING REVENUES	
Charges for service	\$ 908,922
OPERATING EXPENSES	
Insurance claims paid	624,368
Administrative fees	15,686
Total operating expenses	640,054
Operating income	268,868
NONOPERATING REVENUES (EXPENSES)	
Interest income	21,206
Change in net assets	290,074
NET ASSETS, beginning of year	206,188
NET ASSETS, end of year	\$ 496,262

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2008

	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from interfund services provided	\$ 906,929
Cash payments to suppliers for services	<u>(669,860)</u>
Net cash provided by operating activities	<u>237,069</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>15,948</u>
Net increase in cash and cash equivalents	253,017
CASH and CASH EQUIVALENTS, beginning of year	<u>323,288</u>
CASH and CASH EQUIVALENTS, end of year	<u>\$ 576,305</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 268,868
Adjustments to reconcile operating income to net cash provided by operating activities	
Decrease in salaries and benefits payable	(29,801)
Decrease in deferred revenue	<u>(1,998)</u>
Net cash provided by operating activities	<u>\$ 237,069</u>

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2008

ASSETS	
Cash and pooled investments	
County Treasurer	\$ 1,001,881
Other County officials	41,118
Receivables	
Property tax	
Delinquent	28,057
Succeeding year	10,503,514
Accounts	18,273
Accrued interest	652
Due from other governments	75,798
Prepaid insurance	5,849
	<hr/>
Total assets	11,675,142
LIABILITIES	
Accounts payable	9,818
Salaries and benefits payable	15,051
Due to other governments	11,382,924
Trusts payable	261,515
Compensated absences	5,834
	<hr/>
Total liabilities	11,675,142
NET ASSETS	<hr/> <u>\$ None</u>

See Notes to Financial Statements.

CHICKASAW COUNTY

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

Chickasaw 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.

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, Chickasaw County has included all funds, organizations, account groups, 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; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature of significance of their relationship with the County should be included in the financial statements as component units. The 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: Chickasaw County Assessor's Conference Board, Chickasaw County Emergency Management Commission, and Chickasaw County Joint E-911 Service Board. 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 agency funds of the County.

Government-wide Financial Statements

The statement of net assets and the statement of activities report information on all of the non-fiduciary 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 non-exchange transactions.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are 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 that are 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, proprietary, 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 other nonmajor governmental funds. The internal service fund is presented in a single column on the face of the proprietary fund statements.

The major funds of the financial reporting entity are described below:

Governmental

General Fund

The general fund accounts for all the financial resources of the County, except for those required to be accounted for by other funds. The revenues of the general fund are primarily derived from general property taxes, charges for services, licenses and permits, and certain revenues from state and federal sources. The expenditures of the general fund primarily relate to general administration, public safety and legal services, physical health and social services, county environment and education services, governmental services to residents and administrative services.

Special Revenue Funds

The special revenue funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds. The funds in this category are rural services, secondary roads, mental health/development disabilities (MH/DD) services, and landfill postclosure costs.

Proprietary Fund Types

Internal Service Fund

Internal service fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost-reimbursement basis.

Agency Funds

The 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. Agency funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Measurement Focus

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements.

On the government-wide statement of net assets and the statement of activities, governmental activities are presented using the “economic resources” measurement focus as defined below in item b.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental fund financial statements are accounted for on current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in fund balances. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.
- b. The proprietary funds statements are accounted for on economic resources measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their statements of net assets. In reporting the financial activity on the proprietary fund statements, the County applies all applicable GASB pronouncements. As allowed in Section P80 of GASB’s Codification of Governmental Accounting and Financial Reporting Standards, the County has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized as earned, and expenses are recognized when incurred. Property tax is recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Revenues susceptible to accrual under the modified accrual basis of accounting are property tax, intergovernmental revenue (shared revenues, grants and reimbursements from other governments), and charges for service and interest revenue. Revenues from licenses and permits, fines and forfeitures, refunds and reimbursements and other miscellaneous sources are generally recognized when received in cash as they are generally not measurable until actually received.

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.

Assets, Liabilities and Fund Equity

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

Cash Management, Cash Equivalents and 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 the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Property Tax Receivable

Property taxes in the governmental funds are 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 that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes 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.

Interfund Transactions

During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide 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. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Prepaid Expenditures

Payments made for insurance for a future period beyond June 30, 2008 are recorded as prepaid insurance. The fund balances in the governmental fund types have been reserved for the prepaid expenditures recorded in those funds. This reflects the amount of net assets not currently available for expenditure.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Capital Assets

Capital assets, which include property, equipment and vehicles and infrastructure assets acquired after July 1, 1980 (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 column in the government-wide statement of net assets. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets are recorded at historical cost or estimated 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 repairs 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.

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:

Buildings	20-50
Infrastructure	30-50
Equipment	2-20

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

In the fund financial statements certain revenues are measurable, however 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 property tax receivable and other receivables not collected within sixty days after year end. Deferred revenue on the statement of net assets consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Compensated Absences

County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absence liability attributable to the governmental activities will be paid primarily by the general and secondary road funds.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities 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 Balance

In the governmental fund financial statements, reservation of fund balances are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reserved fund balances are used first when an expenditure is incurred for purposes for both reserved and unreserved fund balances.

Net Assets

Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consists of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net assets are used first when an expense is incurred for purposes for both restricted and unrestricted net assets.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Revenues, Expenditures and Expenses

Property tax revenue recognized in these funds becomes 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable, but has not been collected.

Federal and state grants, primarily capital grants, are recorded as revenue when the expenditures for the purpose of the grant have been incurred. Substantially all other shared revenues are recorded during the period when received from the collecting authority, the State of Iowa.

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and Investments

The County's deposits in banks at June 30, 2008 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.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$40,991, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

NOTES TO FINANCIAL STATEMENTS

2. Deposits and Investments (Continued)

Interest Rate Risk

The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit Risk

The investment in Iowa Public Agency Investment Trust is unrated.

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2008:

Governmental		
General fund		
Bioterrorism	\$	8,274
Medicare		39,389
CSD Grant		5,418
Other		3,859
		56,940
Special revenue		
Rural services fund		
Local option sales tax		28,732
Secondary roads fund		
Local option sales tax		28,731
Road use tax		2,908
Road Construction		953,900
		985,539
Nonmajor governmental		28,730
Total governmental	\$	1,099,941

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Governmental activities				
Land	\$ 1,636,650			\$ 1,636,650
Infrastructure in progress	182,354	\$ 242,375	\$ 182,354	242,375
	<u>1,819,004</u>	<u>242,375</u>	<u>182,354</u>	<u>1,879,025</u>
Capital assets being depreciated				
Buildings	3,331,128	10,924		3,342,052
Equipment	3,132,230	107,073	8,338	3,230,965
Vehicles	1,773,906	107,563	20,375	1,861,094
Infrastructure	16,820,278	1,200,822		18,021,100
	<u>25,057,542</u>	<u>1,426,382</u>	<u>28,713</u>	<u>26,455,211</u>
Less accumulated depreciation				
Buildings	749,995	50,589		800,584
Equipment	1,431,842	135,644	6,215	1,561,271
Vehicles	983,068	114,813	18,337	1,079,544
Infrastructure	7,034,542	549,569		7,584,111
	<u>10,199,447</u>	<u>850,615</u>	<u>24,552</u>	<u>11,025,510</u>
Total capital assets being depreciated, net	<u>14,858,095</u>	<u>575,767</u>	<u>4,161</u>	<u>15,429,701</u>
Governmental activities				
Capital assets, net	<u>\$ 16,677,099</u>	<u>\$ 818,142</u>	<u>\$ 186,515</u>	<u>\$ 17,308,726</u>

Depreciation expense was charged to functions of the primary government for the year ended June 30, 2008 as follows:

Governmental activities	
Public safety and legal services	\$ 26,506
Physical health and social services	7,137
Mental health	5,061
County environment and education	22,679
Roads and transportation	758,591
Governmental services to residents	6,844
Administrative services	<u>23,797</u>
	<u>\$ 850,615</u>

NOTES TO FINANCIAL STATEMENTS

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. The agency fund collections also include accruals of property tax for the succeeding year. The tax collections are remitted to those governments in the month following collection.

A summary of amounts due to other governments for the year ended June 30, 2008 is as follows:

Governmental			
General fund	Services	\$	9,624
Special revenue fund			
Secondary roads	Services		5,756
Mental health			148,160
Total for special revenue			153,916
Total for governmental		\$	163,540
Fiduciary			
Agency			
County offices	Collections	\$	12,995
Agricultural extension			171,654
Assessor			267,723
Schools			7,429,069
Area schools			377,622
Corporations			2,182,616
Townships			163,207
Auto license and use tax			208,584
Other			575,288
Total for agency funds		\$	11,388,758

6. 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 3.90%, 3.70%, and 3.70% of their annual covered salary and the County is required to contribute 6.05%, 5.75%, and 5.75% of annual covered salary for the years ended June 30, 2008, 2007, and 2006 respectively. 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 contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$206,549 \$196,784, and \$189,792, respectively, equal to the required contributions for each year.

7. Construction, Purchase and Other Commitments

At June 30, 2008, the total outstanding construction and purchase commitments of the County amount to \$761,797. Of these commitments, \$98,213 will be funded by state and federal grants.

NOTES TO FINANCIAL STATEMENTS

8. Leases

The County has leased farm land to Robert Schellhorn for \$13,101 from March 1, 2008 through March 1, 2009.

The County has leased business property to Heritage Regional Services for \$5,000/month from July 1, 2004 through June 30, 2009.

The County leases a commercial building from Thomas and Ruth Bernatz for \$450 a month from July 1, 2008 through June 30, 2009.

9. Changes in Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008, is as follows:

	Estimated Liability for Landfill Postclosure Costs	Compensated Absences	Total
Balance, beginning of year	\$ 525,568	\$ 177,016	\$ 702,584
Additions	None	183,156	183,156
Reductions	(21,946)	(177,016)	(198,962)
Balance, end of year	\$ 503,622	\$ 183,156	\$ 686,778

Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County stopped accepting waste at the landfill. The \$503,622 reported as estimated liability for landfill postclosure care costs at June 30, 2008, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all postclosure care during the year ended June 30, 2008. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

In anticipation of State regulations requiring municipal solid waste landfills to demonstrate financial responsibility for the costs of closure and postclosure care, the County has restricted \$620,366 as of June 30, 2008 for such purposes. These funds are reflected as a restriction of fund balance within the special revenue-landfill postclosure costs fund.

NOTES TO FINANCIAL STATEMENTS

10. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

	Transfers In	Transfers Out
General fund		
Nonmajor governmental		\$ 12,500
Special revenue		
Rural services		1,096,705
Secondary roads	\$ 1,114,205	
	1,114,205	1,096,705
Nonmajor governmental	25,000	30,000
Total	\$ 1,139,205	\$ 1,139,205

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

11. Fund Equity

The government-wide statement of net assets reports \$2,414,935 of restricted net assets, of which \$1,826,935 is restricted by enabling legislation.

The amounts restricted at June 30, 2008 are as follows:

Restricted net assets	
Special revenue fund	
Rural services	\$ 1,643,758
Secondary roads	183,032
Nonmajor governmental funds	145
Other purposes	588,000
	\$ 2,414,935

The amounts reserved at June 30, 2008 are as follows:

Reserved fund balances	
General fund	
Prepaid expenditures	\$ 32,039
Special revenue fund	
Inventories	588,000
Prepaid expenditures	17,286
Landfill postclosure costs	620,366
Nonmajor governmental funds	145
	1,225,797
	\$ 1,257,836

12. Contingent Liabilities

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2008 significant amounts of grant expenditures have not been audited by granting authorities but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

13. Risk Management

Chickasaw County is a member in the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool whose 10 members include various governmental entities throughout the State of Iowa. The Pool was formed July 1, 1987 for the purpose of providing a voluntary self-insured program to counties in the State of Iowa. The program is designed to provide members a greatly improved loss control program whose purpose is to reduce claims and accidents; aid through sound and equitable claim management practices to reduce costs; and provide the required and/or desired reinsurance at a discount, based on volume and lower risk exposure. The Pool provides coverage and protection in the following categories: workers' compensation, automobile liability and physical damage, general liability, public officials' errors and omissions, law enforcement liability, property (which includes inland marine, extra expense and business income) and crime. Automobile liability is written on an occurrence basis and general liability, public officials' errors and omissions, and law enforcement liability are written on a claims-basis.

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.

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 a 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 contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2008 were \$281,728 with a subsequent workers' compensation audit return of \$1,185.

The Pool uses reinsurance agreements to reduce its exposure to large losses. The Pool retains automobile, public officials' errors and omissions, law enforcement liability, and general liability risks in excess of \$400,000 up to \$6,000,000 per claim. The Pool retains workers' compensation risks in excess of \$750,000 with a \$250,000 corridor deductible up to statutory limits. Crime lines of business risks are retained by the Pool up to \$25,000 per occurrence. Automobile physical damage risks are retained by the Pool up to the actual cash value of the vehicle. The Pool retains risks of \$100,000 of each covered property claim to a limit of \$20,000,000 paying only on a scheduled basis per location. The Pool also retains the first \$100,000 of each inland marine claim up to a limit of actual cash value for covered equipment claims.

13. Risk Management (Continued)

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 certificates, or in the event that 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 recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2008, no liability has been recorded in the County's financial statements. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance company coverage in any of the past fiscal years.

Members agree to continue membership in the Pool for a period of not less than five full years. Subsequent to this initial term, the member may withdraw at the end of the fifth fiscal year of a five year term, only after at least 90 days prior written notice. Withdrawal from the Pool does not relieve that member of its pro rata share of the joint liability of other remaining members incurred or accrued at any time before termination. Upon withdrawal, if the member is vested then they are refunded 90 percent of its positive claims fund balance over a five year period, the remaining 10 percent is retained by the Pool to cover expenses and administration costs. If the member is not vested, then they will receive 20 percent of the member's positive claims fund balance for each full year of membership. The Pool reserves the right to reassess the former member up to the total amount of the returned claims fund payments if claims develop subsequent to membership termination, which have not been calculated in the reserve for incurred but not reported claims.

14. Employee Health Insurance Plan

As of January 1, 2003, the County returned to a fully self-funded health insurance plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Midwest Benefits, Inc. The agreement is subject to automatic renewal provisions. Monthly payments of service fees and plan contributions to the Chickasaw County Health Self Funding Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Midwest Benefits, Inc. from the Chickasaw County Health Insurance Fund. The County records the plan assets and related liabilities of the Chickasaw County Health Insurance Funding as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2008 was \$660,249.

Amounts payable from the health insurance fund at June 30, 2008 total \$21,796 which is for incurred but unpaid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. An analysis of claims activity in the internal service fund follows:

	2008	2007
Beginning liability	\$ 51,597	\$ 269,481
Claims and changes in estimates	640,059	667,721
Claim payments	(669,860)	(885,605)
Ending liability	\$ 21,796	\$ 51,597

NOTES TO FINANCIAL STATEMENTS

15. **Fund Balance Deficits**

The mental health special revenue fund has a deficit fund balance as of June 30, 2008. The County plans to eliminate this deficit by increasing charges and lowering expenses.

16. **Restatement**

Beginning net assets were restated due to correction of an overstatement of infrastructure in process by \$282,378 due to the division rock contracts at June 30, 2007.

CHICKASAW COUNTY
 BUDGETARY COMPARISON SCHEDULE
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 June 30, 2008

	Actual	Budget Amounts		Final to Actual Variance-Positive (Negative)
		Original	Final	
RECEIPTS				
Property and other County tax	\$ 4,234,092	\$ 4,066,806	\$ 4,066,806	\$ 167,286
Interest and penalty on property tax	26,881	-	-	26,881
Intergovernmental	4,081,442	4,228,741	4,472,741	(391,299)
Licenses and permits	15,976	9,950	9,950	6,026
Charges for service	812,412	271,991	271,991	540,421
Use of money and property	362,206	114,961	120,381	241,825
Miscellaneous	122,521	179,320	250,860	(128,339)
Total receipts	9,655,530	8,871,769	9,192,729	462,801
DISBURSEMENTS				
Public safety and legal services	1,231,465	1,232,392	1,276,784	45,319
Physical health and social services	1,197,391	1,387,739	1,391,399	194,008
Mental health	1,163,325	1,108,136	1,181,736	18,411
County environment and education services	516,000	650,025	669,985	153,985
Roads and transportation	3,907,615	3,495,100	4,169,800	262,185
Governmental services to residents	372,362	416,728	416,728	44,366
Administrative services	884,447	1,021,456	1,031,956	147,509
Capital project	450,605	929,100	929,100	478,495
Total disbursements	9,723,210	10,240,676	11,067,488	1,344,278
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(67,680)	(1,368,907)	(1,874,759)	1,807,079
OTHER FINANCING SOURCES, NET	1,219	-	-	1,219
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	(66,461)	(1,368,907)	(1,874,759)	1,808,298
BALANCE, beginning of year	6,054,650	4,932,096	4,932,096	1,122,554
BALANCE, end of year	\$ 5,988,189	\$ 3,563,189	\$ 3,057,337	\$ 2,930,852

See Notes to Required Supplementary Information.

CHICKASAW COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 BUDGET TO GAAP RECONCILIATION
 For the Year Ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 9,655,530	\$ (26,625)	\$ 9,628,905
Expenditures	9,723,210	383,281	10,106,491
Net	(67,680)	(409,906)	(477,586)
Other financing sources, net	1,219	-	1,219
Beginning fund balance	6,054,650	475,475	6,530,125
Ending fund balance	<u>\$ 5,988,189</u>	<u>\$ 65,569</u>	<u>\$ 6,053,758</u>

See Notes to Required Supplementary Information.

CHICKASAW COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2008

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 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, nonprogram, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue fund, debt service fund and 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, one budget amendment increased budgeted revenues by \$320,960 and budgeted disbursements by \$826,812. The budget amendment was 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 E-911 System by the Joint E-911 Service Board; and for Emergency Management Services by the County Emergency Management Commission.

123 West Water Street
P.O. Box 507
Decorah, Iowa 52101
Telephone 563 382-3637
Fax 563 382-5797

HACKER, NELSON & CO., P.C.
Certified Public Accountants
And Business Consultants

www.hackernelson.com

9 North Locust Avenue
P.O. Box 529
New Hampton, Iowa 50659
Telephone 641 394-2245
Fax 641 394-3138

**INDEPENDENT AUDITOR'S REPORT ON THE
SUPPLEMENTARY INFORMATION**

**To the Board of Supervisors
Chickasaw County
New Hampton, Iowa**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chickasaw County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements as of and for the year ended June 30, 2008, taken as a whole.

We have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of Chickasaw County for the years ended June 30, 2007, 2006 and 2005, which is not presented herein, and expressed an unqualified opinion on those basic financial statements. In our opinion, the information set forth in the required supplementary information for each of the three years in the period ended June 30, 2008, appearing on page 40, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Hacker, Nelson & Co., P.C.

**Decorah, Iowa
March 26, 2009**

CHICKASAW COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2008

SCHEDULE 1

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and pooled investments	\$ 168,086	\$ 222,426	\$ 390,512
Receivables			
Property tax			
Delinquent	5		5
Succeeding year	1,965		1,965
Accounts	237		237
Accrued interest	20		20
Due from other governments	28,730		28,730
Total assets	\$ 199,043	\$ 222,426	\$ 421,469
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 13,040		\$ 13,040
Salaries and benefits payable	-		-
Deferred revenue	1,965		1,965
Other	5		5
Total liabilities	15,010	\$ -	15,010
Fund balances			
Reserved			
REAP grant	145		145
Unreserved	183,888	222,426	406,314
Total fund balances	184,033	222,426	406,459
Total liabilities and fund balances	\$ 199,043	\$ 222,426	\$ 421,469

See Independent Auditor's Report on the Supplementary Information.

CHICKASAW COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Property and other County tax	\$ 160,761		\$ 160,761
Intergovernmental	16,908	\$ -	16,908
Charges for service	3,894	-	3,894
Use of money and property	462		462
Miscellaneous	300	-	300
Total revenues	182,325	-	182,325
EXPENDITURES			
Operating			
Public safety and legal services	29,748		29,748
County environment and education	149,629		149,629
Government services to residence	7,892		7,892
Capital projects		32,582	32,582
Total expenditures	187,269	32,582	219,851
DEFICIENCY OF REVENUES OVER EXPENDITURES	(4,944)	(32,582)	(37,526)
OTHER FINANCING SOURCES			
Operating transfers in	25,000	-	25,000
Operating transfers out	(30,000)	-	(30,000)
	(5,000)	-	(5,000)
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(9,944)	(32,582)	(42,526)
FUND BALANCES, beginning of year	193,977	255,008	448,985
FUND BALANCES, end of year	\$ 184,033	\$ 222,426	\$ 406,459

See Independent Auditor's Report on the Supplementary Information.

This Page Intentionally Left Blank

CHICKASAW COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2008

	<u>REAP</u>	<u>Recorder's Records Management</u>	<u>County Betterment</u>	<u>Economic Development</u>
ASSETS				
Cash and pooled investments	\$ 13,133	\$ 3,395	\$ 45,008	\$ 101,595
Receivables				
Property tax				
Delinquent				
Succeeding year				
Accounts	-	237	-	-
Accrued interest	13	3	-	-
Due from other governments			17,238	11,492
Total assets	<u>\$ 13,146</u>	<u>\$ 3,635</u>	<u>\$ 62,246</u>	<u>\$ 113,087</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 13,001	\$ -	\$ -	\$ -
Deferred revenue				
Succeeding year property taxes				
Other				
Salaries and benefits payable	-	-	-	-
Total liabilities	<u>13,001</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Reserved				
REAP grant	145			
Landfill				
Unreserved		3,635	62,246	113,087
Total fund balances	<u>145</u>	<u>3,635</u>	<u>62,246</u>	<u>113,087</u>
Total liabilities and fund balances	<u>\$ 13,146</u>	<u>\$ 3,635</u>	<u>\$ 62,246</u>	<u>\$ 113,087</u>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 3

Sheriff's K-9 Unit	Sheriff's DARE	Chickasaw County Pioneer Cemetery	Recorders Electronic Transaction Fee	Drug Investigation	Total Special Revenue
\$ 4,173	\$ 456	\$ 27	\$ 1	\$ 298	\$ 168,086
		5			5
		1,965			1,965
-	-	-	-	-	237
4	-		-	-	20
					28,730
<u>\$ 4,177</u>	<u>\$ 456</u>	<u>\$ 1,997</u>	<u>\$ 1</u>	<u>\$ 298</u>	<u>\$ 199,043</u>
\$ 39	\$ -	\$ -	\$ -	\$ -	\$ 13,040
		1,965			1,965
		5			5
-	-	-	-	-	-
39	-	1,970	-	-	15,010
					145
4,138	456	27	1	298	183,888
4,138	456	27	1	298	184,033
<u>\$ 4,177</u>	<u>\$ 456</u>	<u>\$ 1,997</u>	<u>\$ 1</u>	<u>\$ 298</u>	<u>\$ 199,043</u>

This Page Intentionally Left Blank

CHICKASAW COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2008

	REAP	Recorder's Records Management	County Betterment	Economic Development
REVENUES				
Property and other County tax	\$ -	\$ -	\$ 95,319	\$ 63,545
Intergovernmental	16,804			
Charges for service	-	2,584		
Use of money and property	278	90		
Miscellaneous	-			
Total revenues	<u>17,082</u>	<u>2,674</u>	<u>95,319</u>	<u>63,545</u>
EXPENDITURES				
Operating				
Public safety and legal services	-	-	-	-
County environment and education	38,629	-	91,000	20,000
Government services to residence	-	5,888	-	-
Total expenditures	<u>38,629</u>	<u>5,888</u>	<u>91,000</u>	<u>20,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(21,547)</u>	<u>(3,214)</u>	<u>4,319</u>	<u>43,545</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Transfers (out)			(30,000)	
	-	-	(30,000)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>(21,547)</u>	<u>(3,214)</u>	<u>(25,681)</u>	<u>43,545</u>
FUND BALANCES, beginning of year	<u>21,692</u>	<u>6,849</u>	<u>87,927</u>	<u>69,542</u>
FUND BALANCES, end of year	<u>\$ 145</u>	<u>\$ 3,635</u>	<u>\$ 62,246</u>	<u>\$ 113,087</u>

See Independent Auditor's Report on the Supplementary Information.

<u>Conservation Land Acquisition</u>	<u>Sheriff's K-9 Unit</u>	<u>Sheriff's DARE</u>	<u>Chickasaw County Pioneer Cemetery</u>	<u>Ambulance</u>	<u>Recorder's Electronic Transaction Fee</u>	<u>Drug Investigation</u>	<u>Total Special Revenue</u>
\$ -	\$ -	\$ -	\$ 1,897 104	\$ -	\$ -	\$ -	\$ 160,761
-	1,310	-	-	-	-	-	16,908
-	83	7	-	-	-	4	3,894
-	300	-	-	-	-	-	462
-	1,693	7	2,001	-	-	4	300
-	4,581	167	-	25,000	-	-	182,325
-	-	-	-	-	-	-	29,748
-	-	-	2,004	-	-	-	149,629
-	4,581	167	2,004	25,000	-	-	7,892
-	(2,888)	(160)	(3)	(25,000)	-	4	187,269
-	-	-	-	25,000	-	-	(4,944)
-	-	-	-	25,000	-	-	25,000
-	(2,888)	(160)	(3)	-	-	4	(30,000)
-	7,026	616	30	-	1	294	(5,000)
\$ -	\$ 4,138	\$ 456	\$ 27	\$ -	\$ 1	\$ 298	(9,944)
-	-	-	-	-	-	-	193,977
<u>\$ -</u>	<u>\$ 4,138</u>	<u>\$ 456</u>	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 298</u>	<u>\$ 184,033</u>

This Page Intentionally Left Blank

CHICKASAW COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash and pooled investments				
County Treasurer		\$ 2,152	\$ 131,846	\$ 94,711
Other County Officials	\$ 41,118			
Receivables				
Property Tax				
Delinquent		396	322	16,621
Succeeding year		169,106	137,648	7,317,737
Accounts	-			
Accrued interest				
Due from other government	-			
Prepaid insurance			2,004	
Total assets	<u>\$ 41,118</u>	<u>\$ 171,654</u>	<u>\$ 271,820</u>	<u>\$ 7,429,069</u>
LIABILITIES				
Accounts payable			\$ 774	
Salaries and benefits payable			3,323	
Due to other funds	\$ -			
Due to other governments	12,995	\$ 171,654	267,723	\$ 7,429,069
Trusts payable	28,123			
Compensated absences				
Total liabilities	<u>\$ 41,118</u>	<u>\$ 171,654</u>	<u>\$ 271,820</u>	<u>\$ 7,429,069</u>

See Independent Auditor's Report on the Supplementary Information.

<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessment</u>	<u>Auto License and Use Tax</u>	<u>Other</u>	<u>Total</u>
\$ 4,822	\$ 24,907	\$ 2,358	\$ -	\$ 208,584	\$ 532,501	\$ 1,001,881 41,118
1,108	8,768	477			365	28,057
371,692	2,148,941	160,372			198,018	10,503,514
					18,273	18,273
					652	652
					75,798	75,798
					3,845	5,849
<u>\$ 377,622</u>	<u>\$ 2,182,616</u>	<u>\$ 163,207</u>	<u>\$ -</u>	<u>\$ 208,584</u>	<u>\$ 829,452</u>	<u>\$ 11,675,142</u>
					\$ 9,044	\$ 9,818
					11,728	15,051
\$ 377,622	\$ 2,182,616	\$ 163,207	\$ -	\$ 208,584	569,454	11,382,924
					233,392	261,515
					5,834	5,834
<u>\$ 377,622</u>	<u>\$ 2,182,616</u>	<u>\$ 163,207</u>	<u>\$ -</u>	<u>\$ 208,584</u>	<u>\$ 829,452</u>	<u>\$ 11,675,142</u>

This Page Intentionally Left Blank

CHICKASAW COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
 ASSETS AND LIABILITIES - AGENCY FUNDS
 For the Year Ended June 30, 2008

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Schools</u>
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 37,847	\$ 2,814	\$ 125,497	\$ 121,935
Additions				
Property tax		151,824	139,114	6,633,339
E-911 surcharge				
State tax credits		8,332	7,634	366,107
Office fees and collections	274,789			
Auto licenses, use tax and postage				
Trusts	40,534			
Miscellaneous	53,754		-	
Total additions	<u>369,077</u>	<u>160,156</u>	<u>146,748</u>	<u>6,999,446</u>
Deductions				
Agency remittances				
To other funds	137,832			
To other governments	163,320	160,422	138,073	6,993,536
Miscellaneous	24,120			
Trusts paid out	40,534			
Total deductions	<u>365,806</u>	<u>160,422</u>	<u>138,073</u>	<u>6,993,536</u>
Other financing sources (uses)				
Operating transfers in (out)			-	(16,513)
Balances end of year	<u>\$ 41,118</u>	<u>\$ 2,548</u>	<u>\$ 134,172</u>	<u>\$ 111,332</u>

See Independent Auditor's Report on the Supplementary Information.

<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>	<u>Auto License and Use Tax</u>	<u>Other</u>	<u>Total</u>
\$ 6,960	\$ 35,833	\$ 3,163	\$ 98	\$ 236,560	\$ 517,280	\$ 1,087,987
333,928	1,739,164	149,451			587,399	9,734,219
18,667	107,261	8,244			100,842	100,842
					14,564	530,809
					382,366	657,155
				3,405,741	-	3,405,741
			2,001		-	40,534
					96,491	152,246
<u>352,595</u>	<u>1,846,425</u>	<u>157,695</u>	<u>2,001</u>	<u>3,405,741</u>	<u>1,181,662</u>	<u>14,621,546</u>
353,625	1,832,730	158,023		102,835	-	240,667
			2,099	3,330,882	912,514	14,043,125
					154,994	181,213
					-	40,534
<u>353,625</u>	<u>1,832,730</u>	<u>158,023</u>	<u>2,099</u>	<u>3,433,717</u>	<u>1,067,508</u>	<u>14,505,539</u>
	(15,853)				-	(32,366)
<u>\$ 5,930</u>	<u>\$ 33,675</u>	<u>\$ 2,835</u>	<u>\$ -</u>	<u>\$ 208,584</u>	<u>\$ 631,434</u>	<u>\$ 1,171,628</u>

CHICKASAW COUNTY
COMPARATIVE SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
All GOVERNMENTAL FUND TYPES
Years Ended June 30,

	Modified Accrual			
	2008	2007	2006	2005
REVENUES				
Property and other County tax	\$ 4,253,366	\$ 4,174,830	\$ 4,468,324	\$ 4,191,062
Interest and penalty on property tax	26,881	28,360	24,732	25,617
Intergovernmental	4,121,929	4,411,154	4,065,174	3,940,560
Licenses and permits	13,043	14,791	15,201	12,260
Charges for service	792,280	637,096	653,626	686,820
Use of money and property	299,578	363,080	244,136	173,860
Miscellaneous	121,828	278,898	148,077	139,365
Total revenues	\$ 9,628,905	\$ 9,908,209	\$ 9,619,270	\$ 9,169,544
EXPENDITURES				
Current				
Public safety and legal services	\$ 1,243,205	\$ 1,178,065	\$ 1,155,863	\$ 1,112,189
Physical health and social services	1,212,382	1,172,291	1,078,649	1,125,307
Mental health	1,193,450	1,171,598	994,267	986,241
County environment and education services	549,175	408,617	628,992	477,599
Roads and transportation	4,161,107	3,531,863	3,337,844	3,573,374
Governmental services to residents	365,589	337,670	497,853	354,532
Administrative services	777,028	960,981	861,831	835,439
Nonprogram	-	-	-	100,108
Capital project	604,555	1,012,022	671,495	219,487
Total expenditures	\$ 10,106,491	\$ 9,773,107	\$ 9,226,794	\$ 8,784,276

See Independent Auditor's Report on the Supplementary Information.

CHICKASAW COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section I: Summary of the Independent Auditor's Results	Yes	No	None Reported
Financial Statements			
Type of auditor's report issued: unqualified			
Internal control over financial reporting:			
• Material weakness(es) identified?		X	
• Significant deficiencies identified that are not considered to be material weaknesses?	X		
• Noncompliance material to financial statements noted?		X	
Federal Awards			
Internal control over major programs:			
• Material weakness(es) identified?		X	
• Significant deficiencies identified that are not considered to be material weaknesses?	X		
Type of auditor's report issued on compliance for major programs: Unqualified			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?			
	X		
Identification of major programs CFDA Number 97.036, Disaster Grants – Public Assistance			
Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000			
Auditee qualified as low-risk auditee?			
		X	

CHICKASAW COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Financial Statements

08-1 Financial Report Preparation

Reporting financial data reliably in accordance with generally accepted accounting principles requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Obtaining additional generally accepted accounting principles knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in their ability to prepare and take responsibility for reliable generally accepted accounting principles financial statements.

Response

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

08-2 Segregation of Duties

The County's offices are not large enough to permit an adequate segregation of duties for effective internal controls. The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. While we do recognize that the County is not large enough to permit a segregation of duties for effective internal controls, we believe it is important that the Board be aware that this condition does exist.

Response and Corrective Action Planned

We segregate duties in our offices as much as possible, and will strive to improve internal controls where possible.

Conclusion

Response accepted.

Section III: Findings and Questioned Costs for Federal Awards

CFDA Number 97.036, Disaster Grants – Public Assistance
Federal Award Year: 2008
U.S. Department of Homeland Security
Passed through Iowa Department of Public Defense

See 08-1 and 08-2 above

CHICKASAW COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section IV: Other Findings Related to Required Statutory Reporting

See Management Letter dated March 26, 2009

Section V: Summary of Prior Federal Audit Findings and Questioned Costs

Comment Reference	Comment Title	Status	Explanation
07-1	Financial Report Preparation	Not corrected	The County has limited staff and segregates duties to the best of their abilities.
07-2	Segregation of duties	Not corrected	The County has limited staff and segregates duties to the best of their abilities.

CHICKASAW COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

SCHEDULE 9

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
Indirect			
Department of Agriculture			
Passed through Iowa Department of Human Services State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	LAE Reimbursement	\$ <u>4,659</u>
Department of Justice			
Passed through Iowa Department of Justice Violence Against Woman Formula Grants	16.588	VW-08-64	<u>157</u>
Department of Transportation			
Passed through Iowa Department of Transportation Highway Planning and Construction	20.205	BROS-CO19(63)--8J-19	134,307
Highway Planning and Construction	20.205	IA-0801	<u>75,020</u>
			<u>209,327</u>
Passed through Iowa Department of Public Safety Safety Incentive Grants for Use of Seatbelts	20.604	07-157, Task 31	1,746
	20.604	08-157, Task 32	<u>2,517</u>
			<u>4,263</u>
Subtotal Department of Transportation			<u>213,590</u>
U.S. Department of Health and Human Services			
Passed through Iowa Department of Public Health Immunization Grants	93.268	5887I411	3,923
	93.268	5888I416	<u>3,522</u>
			<u>7,445</u>
National Bioterrorism Hospital Preparedness Program	93.889	5888EM119	<u>-</u>
Maternal and Child Health Services Block Grant to the States	93.994	5887MH10	1,072
	93.994	5888MH11	<u>1,636</u>
			<u>2,708</u>
Passed through Hancock County Public Health Services Centers for Disease Control and Prevention, Investigations, and Technical Assistance	93.283	BT07005	950
Public Health Emergency Preparedness	93.069	BT08005	<u>18,870</u>
			<u>19,820</u>
Passed through Iowa Department of Human Services Social Services Block Grant	93.667	19-001	46,365
	93.667	LAE Reimbursement	<u>3,320</u>
			<u>49,685</u>

See Independent Auditor's Report on the Schedule of Expenditures of Federal Awards.

CHICKASAW COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
Indirect (Continued)			
U.S. Department of Health and Human Services (Continued)			
Other Federal Financial Assistance			
Human Services Administrative Reimbursements			
Temporary Assistance for Needy Families	93.558	LAE Reimbursement	\$ 5,061
Refugee and Entrant Assistance - State Administered Programs	93.566	LAE Reimbursement	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	LAE Reimbursement	1,226
Foster Care - Title IV-E	93.658	LAE Reimbursement	2,950
Adoption Assistance	93.659	LAE Reimbursement	702
State Children's Insurance Program	93.767	LAE Reimbursement	42
Medical Assistance Program	93.778	LAE Reimbursement	6,437
			<u>16,418</u>
Sub-total Department of Health and Human Services			<u>96,076</u>
U.S. Department of Homeland Security			
Passed through Iowa Department of Public Defense			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR-1763-IA	590,624
Emergency Management Performance Grants	97.042	EMPG Reimbursement	1,749
			<u>592,373</u>
Total Federal Financial Assistance			<u>\$ 906,855</u>

See Independent Auditor's Report on the Schedule of Expenditures of Federal Awards.

CHICKASAW COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

Note 1. Basis of Presentation

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

123 West Water Street
P.O. Box 507
Decorah, Iowa 52101
Telephone 563 382-3637
Fax 563 382-5797

HACKER, NELSON & CO., P.C.
Certified Public Accountants
And Business Consultants

www.hackernelson.com

9 North Locust Avenue
P.O. Box 529
New Hampton, Iowa 50659
Telephone 641 394-2245
Fax 641 394-3138

**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 Board of Supervisors
Chickasaw County
New Hampton, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chickasaw County as of and for the year ended June 30, 2008, which collectively comprise Chickasaw County's basic financial statements and have issued our report thereon dated March 26, 2009. 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 Chickasaw 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 Chickasaw County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Chickasaw 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over financial reporting described in the accompanying Schedule of Findings and Questioned Costs as items 08-1 and 08-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chickasaw 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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Chickasaw County in a separate letter dated March 26, 2009.

Chickasaw County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Chickasaw County's responses and, accordingly, express no opinion on them.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
March 26, 2009

123 West Water Street
P.O. Box 507
Decorah, Iowa 52101
Telephone 563 382-3637
Fax 563 382-5797

HACKER, NELSON & CO., P.C.
Certified Public Accountants
And Business Consultants

www.hackernelson.com

9 North Locust Avenue
P.O. Box 529
New Hampton, Iowa 50659
Telephone 641 394-2245
Fax 641 394-3138

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Board of Supervisors
Chickasaw County
New Hampton, Iowa

Compliance

We have audited the compliance of Chickasaw County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Chickasaw County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Chickasaw County's management. Our responsibility is to express an opinion on Chickasaw County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chickasaw County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Chickasaw County's compliance with those requirements.

In our opinion, Chickasaw County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Chickasaw County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Chickasaw County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 08-1 and 08-2 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Chickasaw County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Chickasaw County's responses and, accordingly, we express no opinion on them.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chickasaw County as of and for the year ended June 30, 2008, and have issued our report thereon dated March 26, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
March 26, 2009

123 West Water Street
P.O. Box 507
Decorah, Iowa 52101
Telephone 563 382-3637
Fax 563 382-5797

HACKER, NELSON & CO., P.C.
Certified Public Accountants
And Business Consultants

www.hackernelson.com

9 North Locust Avenue
P.O. Box 529
New Hampton, Iowa 50659
Telephone 641 394-2245
Fax 641 394-3138

MANAGEMENT LETTER

To the Board of Supervisors
Chickasaw County
New Hampton, Iowa

In planning and performing our audit of the basic financial statements of Chickasaw County for the year ended June 30, 2008, we considered the County's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the County's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 9 below are compliance comments required by the Iowa Auditor of State. A separate report dated March 26, 2009, contains our report on significant deficiencies in the County's internal control. This letter does not affect our report dated March 26, 2009 on the basic financial statements of Chickasaw County. Comments 1, 10, and 12 are unresolved comments from the prior year. All other prior year statutory comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the County's responses and, accordingly, we express no opinion on them.

1. Certified Budget

Care facility and conservation enhancement departments exceeded appropriations prior to amendment. The agricultural extension exceeded their budget at June 30, 2008.

Recommendation

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response

Management will review the budget to expenditures in a timely manner.

Conclusion

Response accepted.

2. Questionable Expenditures

We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

3. Travel Expense
No expenditures of County money for travel expenses of spouses of County officials and/or employees were noted.
4. Business Transactions
We noted no business transactions between the County and County officials and/or employees for the year ended June 30, 2008.
5. Bond Coverage
Surety bond coverage of County officials and employees is in accordance with statutory provisions.
6. Board Minutes
No transactions were found that we believe should have been approved in the Board minutes but were not. The minutes were published as required by Chapter 349.18 of the Code of Iowa and Attorney General's opinions dated December 10, 1985, December 31, 1986 and May 2, 1989.
7. 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).
8. 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 through D.

Disbursements during the year ended June 30, 2008 for the County Extension Office did not exceed the amount budgeted.

The surety bond covering the Treasurer of the County Extension Council was in compliance with statutory provisions.
9. Deposits and Investments
The depository resolution for the Auditor's office account at Security State Bank exceeded the approved amount set by the Board.

Recommendation

County Auditor should review balances each month to make sure they are in compliance with the Board approved depository resolution.

Response

Management will review the balances and the depository resolutions to avoid any noncompliance in the future. Management will amend depository resolutions and raise the limits.

Conclusion

Response accepted.

10. Property and Equipment Records

A record of the County's fixed assets is maintained by individual offices. Property journal totals have not been summarized, nor has reconciliation been performed to balance additions and deletions to the general ledger.

Recommendation

To facilitate the proper insurance, maintenance and safeguarding of these assets, an inventory of all property and equipment should be taken at least once each year and checked against the fixed assets records.

Response

The County staff will work on improving the procedures.

Conclusion

Response accepted.

11. Financial Assurance

The County is required to demonstrate financial assurance for postclosure care costs for the landfill. The County has chosen local government dedicated fund as provided in Chapter 567-111.6(8) of the Iowa Administrative Code. The County is in compliance with the Code.

12. Separately Maintained Account

We noted the internal service fund–employee group health was not included in the County's accounting system or financial reports.

Recommendation

The employee group health account should be included in the County's accounting system, and financial reporting. In accordance with the Code of Iowa, all collections should be remitted to the County Treasurer and reflected in the County's accounting system and financial reports.

Response

Management will take this under advisement and review the costs versus the benefits of this change.

Conclusion

Response accepted.

13. County Assessor

During our audit, we reviewed Board of Review minutes and picked 4 property value assessments that were changed. We then traced the changes to the property tax software, where one of the properties selected was not changed in the computer program.

Recommendation

We recommend the County Assessor be sure that all property assessments be changed in the computer program immediately after final notice is sent to petitioner by the Board of Review.

Response

The County Assessor will personally check each parcel after the Board of Review Clerk has given a report to the Assessor's office stating the action taken on from petitioner and any actions by the Board from acting on their own initiative. Then verify the changes against the Board of Review minutes. A new cover page of the property record card will be printed and attached to the Board of Review report for verification.

Conclusion

Response accepted.

14. Fund Balance Deficit

Upon review of fund balance, we noticed the MH/DD special revenue fund had a fund balance deficit during the year. In accordance with Chapter 331.476 of the Code of Iowa, no official should issue a warrant, execute a contract, or allow a claim, which would result in expenditures to exceed revenue collected during the fiscal year plus any unexpended balance from prior year.

Recommendation

We recommend County expenditures not exceed the revenues collected during the fiscal year plus unexpended balances from prior year in the individual funds. The County would then be in compliance with Chapter 331.476 of the Code of Iowa.

Response

Management will review the budget in a timely manner to avoid this in the future.

Conclusion

Response accepted.

15. Payroll Reports

While performing the 941 tie out, we were given 3 different reports and none of them matched in total. For 2007 the flex plan benefits had been taxable and they should not have been. All of the reports had not been corrected.

Recommendation

We recommend all reports are double checked to make sure the flex plan is not taxable and any corrections are done to all reports so they all match.

Response

Management will be looking at it more closely and corrections will be made where needed.

Conclusion

Response accepted.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the County, and federal awarding agencies and pass-through entities 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 the personnel of Chickasaw County during the course of our examination.

Should you have any questions concerning these or other matters, we shall be pleased to discuss them with you at your convenience.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
March 26, 2009