

MITCHELL COUNTY

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2008

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MITCHELL COUNTY

Osage, Iowa

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Joel Voaklander	Board of Supervisors	Jan 2011
Robert Marreel	Board of Supervisors	Jan 2011
Stan Walk	Board of Supervisors	Jan 2009
Lowell Tesch	County Auditor	Jan 2009
Carol Zerck	County Treasurer	Jan 2011
Pat Skuster	County Recorder	Jan 2011
Curtis Younker	County Sheriff	Jan 2009
Mark Walk	County Attorney	Jan 2011
L. Dean Pohren	County Assessor	Appointed

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Mitchell County
Osage, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mitchell County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Mitchell County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Mitchell County at June 30, 2008, and the respective changes in financial position and the cash flows, where applicable, 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 February 13, 2009 on our consideration of Mitchell County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 10 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mitchell County's basic financial statements. The financial statements and supplemental data for the years June 30, 2007, 2006, 2005, 2004 and 2003 (none of which are presented herein) were audited by other auditors in accordance with the standards referred to in the second paragraph of this report who expressed unqualified opinions on those financial statements and supplemental data. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

February 13, 2009

Renner & Birchem, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mitchell County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of Mitchell County 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 8.99% or approximately \$993,000, from fiscal 2007 to fiscal 2008. Property taxes increased approximately \$63,000, and capital grants and contributions decreased approximately \$1,988,000.
- Program expenses were 17.43%, or approximately \$1,489,000 more in fiscal 2008 than in fiscal 2007. Roads and transportation expense increased approximately \$717,000, county environment and education increased approximately \$501,000 and public safety and legal services increased approximately \$93,000.
- The County's net assets increased .18%, or approximately \$19,000 from June 30, 2007 to June 30, 2008.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the non-major Special Revenue and the individual Agency funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information 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, 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.

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

Fund Financial Statements

The County has two types of funds:

(1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenues Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Mitchell County's combined net assets increased slightly from a year ago, increasing from \$10,299,614 to \$10,319,070.

Net Assets of Governmental Activities

(Expressed in Thousands)

	June 30	
	2008	2007
Current and Other Assets	\$8,135	8,053
Capital Assets	9,613	9,867
Total Assets	<u>17,748</u>	<u>17,920</u>
Long-Term Debt Outstanding	2,825	3,132
Other Liabilities	4,604	4,488
Total Liabilities	<u>7,429</u>	<u>7,620</u>
Net Assets:		
Invested in Capital Assets, Net of debt	7,290	7,112
Restricted	1,955	2,419
Unrestricted	1,074	769
Total Net Assets	<u>\$10,319</u>	<u>10,300</u>

Net assets of the County's governmental activities increased by approximately .18%, \$10,300,000 compared to \$10,319,000. The largest portion of the County's net assets is the Invested in Capital Assets (infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. 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.

Changes in Net Assets of Governmental Activities

	June 30	
	2008	2007
Program Revenues:		
Charges for service	\$1,442	1,298
Operating grants and contributions	3,406	2,929
Capital grants and contributions	29	2,017
Property taxes	3,882	3,819
Unrestricted investments earnings	147	212
Other general revenues	1,146	770
Total revenues	<u>10,052</u>	<u>11,045</u>
Program Expenses:		
Public safety and legal services	1,434	1,341
Physical health and social services	897	812
Mental health	1,412	1,420
County environment and education	1,143	642
Roads and transportation	3,758	3,041
Government services to residents	382	237
Administration	942	943
Non-program	3	10
Interest on long-term debt	62	98
Total expenses	<u>10,033</u>	<u>8,544</u>
Increase in net assets	19	2,501
Net assets beginning of year	<u>10,300</u>	<u>7,799</u>
Net assets end of year	<u>\$10,319</u>	<u>10,300</u>

The County's revenue decreased 8.99% (\$993,000). The total cost of programs and services increased 17.43%, (\$1,489,000) with no new programs added this year.

INDIVIDUAL MAJOR FUNDS

As Mitchell County completed the year, its governmental funds reported a combined fund balance of \$3,414,970, which is \$245,531 below last year's total of \$3,660,501. The following are the major reasons for the changes in fund balances from the prior year.

General Basic – Part of increase was due to the continuation of the General Supplemental Fund, since we are at our levy limit for General Basic and we were depleting our fund balance below 25% of completed expenses. We have reallocated expenditures to the General Supplemental Fund in order to increase the fund balance in General Basic.

Mental Health – The reduction of balance in the MH-DD Fund was as a result of an intentional attempt to reduce the balance.

Rural Services- Increase of \$67,231 due to normal operations.

Secondary Roads –Decrease of \$473,133 due to an increase in operating costs.

Debt Service – Slight increase of \$805 due to normal operations.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mitchell County amended its budget two times. The first amendment was made in December 2007 and resulted in an increase in total revenues of \$238,206. Total increase of expenditures was \$721,227.

The second amendment was made in May 2008 and resulted in an increase of \$193,867 in revenues and a total increase in expenditures of \$128,554.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, Mitchell County had approximately \$9.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$255,000.

Capital Assets of Governmental Activities at Year End

(Expressed in Thousands)

	June 30	
	2008	2007
Land	\$1,380	1,304
Buildings and Improvements	3,120	3,202
Equipment and vehicles	1,193	1,379
Infrastructure	3,919	3,982
Total	\$9,612	9,867

The County had depreciation expense of \$520,294 for the year ended June 30, 2008 and total accumulated depreciation as of June 30, 2008 of \$5,377,756.

Debt Administration

At June 30, 2008, the County had approximately \$2,828,235 in general obligation bonds and other debt outstanding compared to approximately \$3,295,410 at June 30, 2007, as shown below.

Outstanding Debt of Governmental Activities at Year-End

(Expressed in Thousands)

	June 30	
	2008	2007
LOSST Bonds	\$1,220	1,375
G.O. Capital Loan Notes	863	1,095
RUT Revenue Anticipation Notes	380	465
Loan Agreements	161	178
Drainage Improvement Certificates	18	19
Compensated Absences	183	163
Total	<u>\$2,825</u>	<u>3,295</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Mitchell County's outstanding general obligation debt is significantly below its constitutional debt limit. More detail about the County's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Mitchell County's elected and appointed officials and citizens considered many factors when setting the 2009 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy which includes oil, gas prices and utility costs. Others include land valuations and the consumer price index (CPI). The County has added no major programs or initiative to the 2009 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the 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, 508 State Street, Osage, Iowa.

BASIC FINANCIAL STATEMENTS

Mitchell County
Osage, Iowa

Exhibit A

Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,455,339
Receivables:	
Property tax:	
Delinquent	79,732
Succeeding year	3,902,650
Accounts	98,531
Interest	14,035
Drainage assessments	17,952
Due from other governments	351,492
Inventories	215,928
Capital assets (net of accumulated depreciation)	9,612,665
Total assets	<u>17,748,324</u>
Liabilities	
Accounts payable	588,918
Salaries and benefits payable	65,817
Due to other governments	62,286
Deferred revenue:	
Succeeding year property tax	3,902,650
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	252,071
Local option sales tax revenue bonds	160,000
Road use tax revenue anticipation	90,000
Compensated absences	166,961
Portion due or payable after one year:	
General obligation notes	772,599
Local option sales tax revenue bonds	1,060,000
Road use tax revenue anticipation	290,000
Drainage certificates payable	17,952
Total liabilities	<u>7,429,254</u>
Net Assets	
Invested in capital assets net of related debt	7,290,495
Restricted for:	
Mental health purposes	3,987
Secondary roads purposes	792,498
Other purposes	1,157,937
Unrestricted	1,074,153
Total net assets	<u>\$ 10,319,070</u>

See notes to financial statements.

Statement of Activities
Year ended June 30, 2008

	Program Revenues				Net (Expense) Revenue Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,434,278	357,101			(1,077,177)
Physical health and social services	896,501	129,707	815,680		48,886
Mental health	1,412,281	94,862	545,724		(771,695)
County environment and education	1,142,423	99,166	13,213		(1,030,044)
Roads & transportation	3,758,180	218,291	2,031,103	29,367	(1,479,419)
Governmental services to residents	382,039	539,957			157,918
Administrative services	941,994				(941,994)
Non-program	3,120	2,759			(361)
Interest on long-term debt	62,343				(62,343)
Total	\$ 10,033,159	1,441,843	3,405,720	29,367	(5,156,229)
General Revenues:					
Property and other county tax levied for:					
General purposes					3,751,389
Debt service					130,194
Penalty and interest on property tax					23,232
State tax credits					219,418
Local option sales tax					528,970
Unrestricted investment earnings					147,051
Miscellaneous					375,431
Total general revenues					5,175,685
Change in net assets					19,456
Net assets beginning of year					10,299,614
Net assets end of year					\$ 10,319,070

See notes to financial statements.

Mitchell County
Osage, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2008

Special Revenue

	General	Mental Health	Rural Services	Secondary Roads	Debt Service	Nonmajor	Total
Assets							
Cash and pooled investments	\$ 1,267,786	90,976	282,182	955,822	60,082	798,491	3,455,339
Receivables:							
Property tax:							
Delinquent	67,583	3,549	7,716		884		79,732
Succeeding year	2,127,320	565,014	1,063,724		146,592		3,902,650
Accounts	75,397	11,568	267	11,299			98,531
Accrued interest	13,081					954	14,035
Drainage assessments						17,952	17,952
Due from other governments	158,259	6,195		162,083		24,955	351,492
Inventories				215,928			215,928
Total assets	\$ 3,709,426	677,302	1,353,889	1,345,132	207,558	842,352	8,135,659
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 99,426	31,567	4,288	453,637			588,918
Salaries and benefits payable	36,335	6,536	391	22,555			65,817
Due to other governments		62,286					62,286
Deferred revenue:							
Succeeding year property tax	2,127,320	565,014	1,063,724		146,592		3,902,650
Other	66,741	7,912	7,559		854	17,952	101,018
Total liabilities	2,329,822	673,315	1,075,962	476,192	147,446	17,952	4,720,689
Fund balances:							
Reserved for:							
Debt service					60,112		60,112
Closure						4,502	4,502
Unreserved, reported in:							
General fund	1,379,604						1,379,604
Special revenue funds		3,987	277,927	868,940		754,699	1,905,553
Capital projects						65,199	65,199
Total fund balances	1,379,604	3,987	277,927	868,940	60,112	824,400	3,414,970
Total liabilities and fund balances	\$ 3,709,426	677,302	1,353,889	1,345,132	207,558	842,352	8,135,659

See notes to financial statements.

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

June 30, 2008

Total governmental fund balances (page 14) \$ 3,414,970

*Amounts reported for governmental activities in the statement of net
assets are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$14,990,421 and the accumulated depreciation is \$5,377,756. 9,612,665

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 101,018

Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (2,809,583)

Net assets of governmental activities (page 12) \$ 10,319,070

See notes to financial statements.

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

Year ended June 30, 2008

	Special Revenue						Total
	General	Mental Health	Rural Services	Secondary Roads	Debt Service	Nonmajor	
Revenue:							
Property and other county tax	\$ 2,259,746	577,656	1,054,533		129,340		4,021,275
Interest and penalty on property tax	23,232						23,232
Intergovernmental	962,605	578,998	56,004	2,060,470	7,315	383,098	4,048,490
Licenses and permits	7,085			15,399			22,484
Charges for services	1,077,623	90,378	12,409	218,291		35,899	1,434,600
Use of money and property	309,091			1,000		36,195	346,286
Miscellaneous	13,156	206		18,074		8,826	40,262
		1,247,238	1,122,946				
Total revenues	4,652,538			2,313,234	136,655	464,018	9,936,629
Expenditures:							
Current:							
Public safety and legal services	1,383,788		10,280				1,394,068
Physical health and social services	895,289						895,289
Mental health		1,410,701					1,410,701
County environment and education services	1,048,500		161,935			9,027	1,219,462
Roads and transportation				3,126,576			3,126,576
Governmental services to residents	223,811					147,022	370,833
Administrative services	925,431		20,000				945,431
Non-program						3,120	3,120
Debt service				238,841	135,850	202,443	577,134
Capital projects				350,000			350,000
		1,410,701					
Total expenditures	4,476,819		192,215	3,715,417	135,850	361,612	10,292,614
Excess(deficiency) of revenue over (under) expenditures	175,719	(163,463)	930,731	(1,402,183)	805	102,406	(355,985)
Other financing sources (uses):							
Sale of capital asset	2,009						2,009
Operating transfers in	100,000			929,050		92,000	1,121,050
Operating transfers out	(157,550)		(863,500)			(100,000)	(1,121,050)
Proceeds long-term debt	92,000					16,445	108,445
Total other financing sources (uses)	36,459		(863,500)	929,050		8,445	110,454
Net change in fund balances	212,178	(163,463)	67,231	(473,133)	805	110,851	(245,531)
Fund balances beginning of year	1,167,426	167,450	210,696	1,342,073	59,307	713,549	3,660,501
Fund balances end of year	\$ 1,379,604	3,987	277,927	868,940	60,112	824,400	3,414,970

See notes to financial statements.

Mitchell County
Osage, Iowa

Exhibit F

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

June 30, 2008

Net change in fund balances - Total governmental fund (page 16) \$ (245,531)

Amounts reported for governmental activities in the statement of activities are different because:

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

Expenditures for capital assets	283,806	
Depreciation expense	<u>(520,294)</u>	(236,488)

In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (17,779)

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	18,830	
Other	<u>2,685</u>	21,515

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows: 489,484

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

Compensated absences	(18,848)	
Interest on long-term debt	<u>27,103</u>	<u>8,255</u>

Change in net assets of governmental activities (page 13) \$ 19,456

See notes to financial statements.

Mitchell County
Osage, Iowa

Exhibit G

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2008

Assets

Cash and pooled investments:

County Treasurer	\$ 744,212
Other County officials	96,862

Property tax receivable:

Delinquent	2,132
Succeeding year	9,177,160

Accounts receivable	25,832
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Accrued interest	180
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Total assets	<u>\$ 10,046,378</u>
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Liabilities

Accounts payable	\$ 15,326
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Salaries payable	3,717
------------------	-------

Due to other governments	9,914,821
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Trust payable	96,862
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Compensated absences	15,652
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Total liabilities	<u>10,046,378</u>
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Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

Mitchell County
Osage, Iowa

Notes to Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies

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

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

A. REPORTING ENTITY

For financial reporting purposes, Mitchell County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Mitchell County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by Mitchell County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Mitchell County Auditor's office.

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following board and commissions: Mitchell County Assessor's Conference Board, Mitchell County Emergency Management Commission, and Mitchell County Joint E911 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 the Agency Funds of the County.

B. BASIS OF PRESENTATION

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long term debt.

Additionally, the County reports the following funds:

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated

absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

D. **ASSETS, LIABILITIES, AND FUND EQUITY**

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

Cash, Pooled Investments and Cash Equivalents - 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 non-negotiable certificates of deposit which are stated at cost.

For purpose 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.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with 1 1/2% 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 – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable, but has not been collected.

Drainage Assessments Receivable - Drainage assessments receivable represents the amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than ten nor more than twenty annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessment receivable represents assessments which are due and payable but have not been collected. Assessment receivable represent assessments which are due and payable but have not been collected.

Due From and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent 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 fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutter, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost 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, based on Board of Supervisors resolution.

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

Capital assets of the County is depreciated using the straight line method over the following estimated useful lives.

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings and improvements	20 – 50
Infrastructure	12 – 65
Equipment	5 – 10
Vehicles	5 – 10

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

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

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

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

Compensated Absences - County employees accumulated 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, proprietary 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 absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

Long-term Liabilities - In the governmental-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

E. **BUDGETS AND BUDGETARY ACCOUNTING**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the debt service function.

2. **Cash and Pooled Investments**

The County's deposits 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.

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) in 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.

Concentration of Credit Risk – The County places no limit on the amount that may be invested in any one issuer.

3. **Interfund Transfers**

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 863,500
Secondary Roads	General	65,550
Conservation	General	22,000
Capital Projects	General	70,000
General	LOSST Bond Sinking	<u>100,000</u>
		<u>\$1,121,050</u>

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

4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,303,835	76,500		1,380,335
Total capital assets not being depreciated	<u>1,303,835</u>	<u>76,500</u>		<u>1,380,335</u>
Capital assets being depreciated:				
Buildings	5,027,365			5,027,365
Improvements other than building	229,071			229,071
Machinery and equipment	3,822,007	70,226	48,205	3,844,028
Infrastructure	4,372,542	137,080		4,509,622
Total capital assets being depreciated	<u>13,450,985</u>	<u>207,306</u>	<u>48,205</u>	<u>13,610,086</u>
Less accumulated depreciation for:				
Buildings	1,984,193	72,533		2,056,726
Improvements other than building	69,985	9,163		79,148
Machinery and equipment	2,443,453	238,308	30,426	2,651,335
Infrastructure, road network	390,257	200,290		590,547
Total accumulated depreciation	<u>4,887,888</u>	<u>520,294</u>	<u>30,426</u>	<u>5,377,756</u>
Total capital assets being depreciated, net	<u>8,563,097</u>	<u>(312,988)</u>	<u>17,779</u>	<u>8,232,330</u>
Governmental activities capital assets, net	<u>9,866,932</u>	<u>(236,488)</u>	<u>17,779</u>	<u>9,612,665</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities	
Public safety and legal services	\$ 61,091
Physical health and social services	1,134
Mental health	4,329
County environment and education	14,298
Roads and transportation	407,409
Governmental services to residents	3,822
Administrative services	28,211
Total depreciation expense - Governmental activities	<u>\$ 520,294</u>

5. **Due to Other Governments**

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	\$ <u>62,286</u>
Total for Governmental Funds		\$ <u>62,286</u>
Agency:		
Agricultural Extension	Collections	\$ 131,377
Assessor		158,577
Schools		6,020,838
Community Colleges		281,872
Corporations		1,962,799
Auto License & Use Tax		190,272
All others		<u>1,169,086</u>
Total for Agency Funds		\$ <u>9,914,821</u>

6. **Changes in Long-Term Debt**

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

	LOSST	General Obligation Capital Loan	Road Use Tax Revenue Anticipation	Loan Agreements	Drainage Improvement Certificates	Compensated Absences	Total
	Bonds	Notes	Note				
Beginning Balance	\$ 1,375,000	1,094,899	465,000	177,459	19,748	163,304	3,295,410
Increases						19,309	19,309
Decreases	155,000	232,001	85,000	15,687	1,796		489,484
Ending Balance	\$ 1,220,000	862,898	380,000	161,772	17,952	182,613	2,825,235
Due Within One Year	\$ 160,000	241,576	90,000	10,495	1,796	182,613	686,480

Bonds Payable

In April of 2000, the County issued \$2,100,000 of Local Option Sales and Service Tax Revenue bonds for the construction of and purchase of equipment for a County Law Enforcement Center. The bonds will be repaid for Local Option Sales and Service Tax revenues. Interest is due semi-annually with rates of 5.00% to 5.40%, payable on November 1 and May 1 of each year. Principal payments are due annually on May 1. During the fiscal year ended June 30, 2006, the County refunded the remaining outstanding bonds with \$1,690,000 Local Option Sales and Service Tax Revenue Refunding Bonds, Series 2005A. These bonds will be repaid from Local Option Sales and Service Tax revenues. Interest is due semi-annually with rates of 2.75% to 3.75% payable on November 1 and May 1, of each year. Principal payments are due annually on May 1. The bonds mature on May 1, 2015. Details on the bond agreement are as follows.

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 160,000	42,240	202,240
2010	160,000	37,200	197,200
2011	170,000	32,000	202,000
2012	175,000	26,305	201,305
2013	180,000	20,268	200,268
2014-2015	<u>375,000</u>	<u>21,003</u>	<u>396,003</u>
	<u>\$1,220,000</u>	<u>179,016</u>	<u>1,399,016</u>

During the year ended June 30, 2008, the County retired \$155,000 of bonds.

General Obligation Capital Loan Notes

On September 15, 2005, the County issued \$800,00 of General Obligation Capital Loan Notes to finance the construction of the County Services Building, the acquiring of voting machines or an electronic voting system and acquiring, developing and improving of the geographic computer database system suitable for automated mapping and facilities management. Interest is due semi-annually with rates of 3.20% to 3.80% payable on December 1 and June 1 of each year. Principal payments are due annually on June 1, 2013. Details on the note agreement are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 115,000	21,820	136,820
2010	115,000	17,910	132,910
2011	120,000	13,885	133,885
2012	125,000	9,565	134,565
2013	<u>130,000</u>	<u>4,940</u>	<u>134,940</u>
	<u>\$ 605,000</u>	<u>68,120</u>	<u>673,120</u>

During the year ended June 30, 2008 the County retired \$110,000 of the notes.

On October 31, 2002, the County issued \$825,370.23 of General Obligation Capital Loan Notes, Series 2002, to finance the purchase of six new Volvo motor graders. Principal and interest payments are due annually commencing on October 31, 2003. The notes include interest at a rate of 3.75% per year on the unpaid balance. Details on the note agreement are as follows:

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 126,576	9,671	136,247
2010	<u>131,322</u>	<u>4,925</u>	<u>136,247</u>
	\$ <u>257,898</u>	<u>14,596</u>	<u>272,494</u>

Road Use Tax Revenue Anticipation Capital Loan Notes

In August of 2006, the County issued \$465,000 of Road Use Tax Revenue Anticipation Capital Loan Notes for the purpose of purchasing 5 new Sterling tandem trucks for the Secondary Road Department.

Interest is due semi-annually with rates of 4.0% to 4.15% on November 1st and May 1st. Principal is due annually on May 1st. The bonds mature on November 1, 2011. Details on the note agreement are as follows:

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 90,000	13,693	103,693
2010	95,000	9,969	104,969
2011	95,000	6,096	101,096
2012	<u>100,000</u>	<u>2,075</u>	<u>102,075</u>
	\$ <u>380,000</u>	<u>31,833</u>	<u>411,833</u>

Loan Agreements

On December 21, 2005, the County issued \$164,500 of Notes to finance the purchase of 180 acres of land in Otranto Township. Principal and interest payments are due annually on December 21. Interest is at a rate of 6.35%. Details on the loan agreement are as follows:

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 8,632	8,798	17,430
2010	8,704	8,726	17,430
2011	9,265	8,165	17,430
2012	9,861	7,569	17,430
2013	10,477	6,953	17,430
2014-2021	<u>97,177</u>	<u>27,142</u>	<u>124,319</u>
	\$ <u>144,116</u>	<u>67,353</u>	<u>211,469</u>

On March 31, 2006, the County issued \$23,250 of Notes to finance the purchase of 30 acres of land in Burr Oak Township. Principal and interest payments are due annually on March 31. Interest is at a rate of 5.95%. Details on the loan agreement are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,863	1,301	3,164
2010	2,212	952	3,164
2011	2,345	819	3,164
2012	2,484	680	3,164
2013	2,637	527	3,164
2014-2016	<u>6,115</u>	<u>590</u>	<u>6,705</u>
	<u>\$ 17,656</u>	<u>4,869</u>	<u>22,525</u>

Drainage Improvement Certificates Payable

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

Drainage improvement certificates are paid from the special Fund solely from drainage assessments against benefited properties.

7. Township Fire Equipment

In January 1999, the County entered into a lease agreement for a township fire truck totaling \$129,946. The lease purchase is payable from a continuing annual levy of taxes against all taxable property within certain townships. The agreement requires annual payments of \$17,350, which includes 5.63% per annum interest on the unpaid balance with final payment due April 15, 2009. Minimum future obligations on the lease obligations in effect at June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>_____</u>
2009	\$ <u>17,350</u>
	17,350
Less amount representing interest	<u>1,035</u>
	\$ <u>16,315</u>

Ag Extension Building Loan

On September 14, 2005, the County entered into a loan agreement with Home Trust and Savings Bank to benefit the Mitchell County Ag Extension. The loan was to finance the purchase and renovation of a property to house the Mitchell County Ag Extension office. A line of credit was utilized during the renovation, at the end of construction, \$69,998 was rolled into a loan with 5.5% interest. Monthly principal and interest payments are required. The County is not directly liable for the payment of the loan.

8. **Closure and Postclosure Care Costs**

Mitchell County is a member of the Floyd-Mitchell-Chickasaw Solid Waste Management Agency. The agency is an inter-governmental agency, established in accordance with the provisions of Chapter 28E of the State Code of Iowa (Inter-governmental Cooperation Agreement). The purpose of the Agency is to provide for the economic disposal or collection and disposal of all solid waste produced or generated with each member city, town, and the unincorporated portion of Floyd, Mitchell and Chickasaw Counties, comprising the municipalities. In performing its duties, the Agency may contract with and expend funds from federal, state, and local agencies and private individuals and corporations.

State and Federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring function at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near and after the date that the landfill stops accepting waste, state laws require the Agency to submit a closure and postclosure plan detailing the schedule for and the methods by which the operator will meet the conditions for proper closure and postclosure. The Agency is in compliance with this requirement.

9. **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% of their annual covered salary and the County is required to contribute 6.05% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$199,251, \$182,441, and \$169,734 respectively, equal to the required contributions for each year.

10. **Risk Management**

Mitchell 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 automobile physical damage and crime lines of business on an occurrence basis. General liability coverage is written on a claims-made basis. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all of any portion of any deficiency in capital.

The Pool also provides property, inland marine, boiler, public officials errors and omissions, law enforcement liability and business income and extra expense coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of 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 \$211,803.

The Pool uses reinsurance and excess sharing agreements to reduce its exposure to large losses. The Pool retains automobile and general liability risks in excess of \$250,000 up to \$2,000,000 per claim. The Pool retains workers' compensation risks in excess of \$350,000 up to \$2,000,000 per claim. Automobile and general liability claims exceeding \$1,000,000 are reinsured in an amount not to exceed \$3,000,000 per claim. Workers' compensation claims exceeding \$1,000,000 are reinsured in an amount not to exceed \$2,000,000. 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 replacement cost of the vehicle. All property, inland marine, boiler, public officials errors and omissions, business income and expense, and law enforcement liability risks are also reinsured on an individual member basis.

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

Members agree to continue membership in the Pool for a period of not less than three full years. Subsequent to this initial term, the member may withdraw at the end of the third fiscal year of any three year term, only after at least 60 days prior written notice. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility for the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one year period following withdrawal and the member's proportionate share of any capital deficiency.

REQUIRED SUPPLEMENTARY INFORMATION

Mitchell County
Osage, Iowa

Budgetary Comparison Schedule of

Receipts, Disbursements and Changes in Balances -

Budget and Actual (Cash Basis) - All Governmental Funds

Required Supplementary Information

Year ended June 30, 2008

	Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final Variance to Net
				Original	Final	
Receipts:						
Property and other County tax	\$ 4,392,691		4,392,691	4,310,746	4,310,746	81,945
Interest and penalty on property tax	22,864		22,864	20,300	20,300	2,564
Intergovernmental	3,689,361		3,689,361	3,648,931	3,866,808	(177,447)
Licenses and permits	11,130		11,130	9,550	9,550	1,580
Charges for services	1,448,112		1,448,112	1,317,601	1,383,270	64,842
Use of money and property	366,487		366,487	192,110	215,645	150,842
Miscellaneous	62,154	2,759	59,395	6,900	31,892	27,503
Total receipts	<u>9,992,799</u>	<u>2,759</u>	<u>9,990,040</u>	<u>9,506,138</u>	<u>9,838,211</u>	<u>151,829</u>
Disbursements:						
Public safety and legal services	1,374,629		1,374,629	1,401,281	1,461,181	86,552
Physical health and social services	892,978		892,978	908,370	951,890	58,912
Mental health	1,461,665		1,461,665	1,514,994	1,514,994	53,329
County environment and education services	1,304,438		1,304,438	1,079,781	1,340,560	36,122
Roads and transportation	2,854,790		2,854,790	3,200,000	3,325,000	470,210
Governmental services to residents	222,210		222,210	249,310	252,310	30,100
Administrative services	946,236		946,236	885,368	961,749	15,513
Non-program	3,120	3,120		500	500	500
Debt service	577,133		577,133	340,418	571,619	(5,514)
Capital projects	393,551		393,551	415,000	465,000	71,449
Total disbursements	<u>10,030,750</u>	<u>3,120</u>	<u>10,027,630</u>	<u>9,995,022</u>	<u>10,844,803</u>	<u>817,173</u>
Excess (deficiency) of receipts over (under) disbursements	(37,951)	(361)	(37,590)	(488,884)	(1,006,592)	969,002
Other financing sources, net	<u>111,994</u>		<u>111,994</u>	<u>8,000</u>	<u>108,000</u>	<u>(3,994)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	74,043	(361)	74,404	(480,884)	(898,592)	972,996
Balance beginning of year	<u>3,401,938</u>	<u>12,518</u>	<u>3,389,420</u>	<u>2,478,758</u>	<u>2,478,758</u>	<u>910,662</u>
Balance end of year	<u>\$ 3,475,981</u>	<u>12,157</u>	<u>3,463,824</u>	<u>1,997,874</u>	<u>1,580,166</u>	<u>1,883,658</u>

See accompanying independent auditor's report.

Mitchell County
Osage, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,992,799	(56,170)	9,936,629
Expenditures	10,030,750	261,864	10,292,614
Net	(37,951)	(318,034)	(355,985)
Other financing sources, net	111,994	(1,540)	110,454
Beginning fund balances	3,401,938	258,563	3,660,501
Ending fund balances	\$ 3,475,981	(61,011)	3,414,970

See accompanying independent auditor's report.

Mitchell County
Osage, Iowa

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 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 blended component units and 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 or fund type. 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, administrative services, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendment increased budgeted disbursements by \$849,781. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the debt service function.

OTHER SUPPLEMENTARY INFORMATION

MITCHELL COUNTY
Osage, Iowa
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2008

	County Disposal Closure	Local Option Sales Tax Bond Sinking Fund	Senior Health Clinic	Home Health Capital Improvement	Drug Enforcement	Resource Enhancement & Protection	County Recorder's Electronic Transaction Fee	County Recorder's Records Management	Drainage Districts	Conservation Land Acquisitions	Capital Projects	K-9 Fund	Total
ASSETS													
Cash and pooled investments	\$ 4,491	478,532	8,447	48,512	18,141	8,100	6	7,325	12,157	143,552	65,199	4,029	798,491
Receivables:													
Accrued interest	11	563		117	109	10		9		132		3	954
Drainage assessments									17,952				17,952
Due from other governments		24,955											24,955
TOTAL ASSETS	4,502	504,050	8,447	48,629	18,250	8,110	6	7,334	30,109	143,684	65,199	4,032	842,352
LIABILITIES AND FUND EQUITY													
Liabilities:													
Deferred revenue:													
Other									17,952				17,952
Total liabilities									17,952				17,952
Fund equity:													
Fund balance:													
Reserved for:													
Closure	4,502												4,502
Unreserved		504,050	8,447	48,629	18,250	8,110	6	7,334	12,157	143,684	65,199	4,032	819,898
Total fund equity	4,502	504,050	8,447	48,629	18,250	8,110	6	7,334	12,157	143,684	65,199	4,032	824,400
TOTAL LIABILITIES & FUND EQUITY	\$ 4,502	504,050	8,447	48,629	18,250	8,110	6	7,334	30,109	143,684	65,199	4,032	842,352

See accompanying independent auditor's report.

MITCHELL COUNTY
Osage, Iowa

Schedule 2

NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year ended June 30, 2008

	County Disposal Closure	Local Option Sales Tax Bond Sinking Fund	Senior Health Clinic	Home Health Capital Improvement	Drug Enforcement	Resource Enhancement & Protection	County Recorder's Electronic Transaction Fee	County Recorder's Records Management	Drainage Districts	Conservation Land Acquisitions	Capital Projects	K-9 Fund	Total
REVENUES:													
Intergovernmental		369,885				13,213							383,098
Charges for services								2,141		33,758			35,899
Uses of money and property	\$ 180	563		1,930	626	195		266		32,423		12	36,195
Miscellaneous				965					2,759	1,082		4,020	8,826
Total revenues	180	370,448		2,895	626	13,408		2,407	2,759	67,263		4,032	464,018
EXPENDITURES:													
Operating:													
Physical health and social services													
County environment and education						9,027							9,027
Government services to residents				245	385			4,000		105,490	36,902		147,022
Capital projects													
Non-Program									3,120				3,120
Debt Service		202,443											202,443
Total expenditures		202,443		245	385	9,027		4,000	3,120	105,490	36,902		361,612
Excess (deficiency) of revenues over (under) expenditures	180	168,005		2,650	241	4,381		(1,593)	(361)	(38,227)	(36,902)	4,032	102,406
Other financing sources (uses):													
Transfers (out)		(100,000)											(100,000)
Transfers in										22,000	70,000		92,000
Proceeds from long-term debt		16,445											16,445
Total other financing sources (uses):		(83,555)								22,000	70,000		8,445
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:	180	84,450		2,650	241	4,381		(1,593)	(361)	(16,227)	33,098	4,032	110,851
Fund balances beginning of year	4,322	419,600	8,447	45,979	18,009	3,729	6	8,927	12,518	159,911	32,101		713,549
Fund balances end of year	\$ 4,502	504,050	8,447	48,629	18,250	8,110	6	7,334	12,157	143,684	65,199	4,032	824,400

See accompanying independent auditor's report.

MITCHELL COUNTY
Osage, Iowa

Schedule 3

AGENCY FUNDS
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2008

	County Offices	Auto License & Use Tax	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assessment	Ag Extension Education	Other	Total
ASSETS											
Cash and pooled investments:											
County treasurer		190,272	57,876	85,281	4,049	25,308	1,592	3,157	1,864	374,813	744,212
Other County officials	\$ 96,862										96,862
Receivables:											
Property tax:											
Delinquent			25	1,276	61	588	16		28	138	2,132
Succeeding year			116,118	5,934,281	277,762	1,936,903	125,113		129,485	657,498	9,177,160
Accounts										25,832	25,832
Accrued interest										180	180
TOTAL ASSETS	<u>96,862</u>	<u>190,272</u>	<u>174,019</u>	<u>6,020,838</u>	<u>281,872</u>	<u>1,962,799</u>	<u>126,721</u>	<u>3,157</u>	<u>131,377</u>	<u>1,058,461</u>	<u>10,046,378</u>
LIABILITIES											
Salaries payable			2,457							1,260	3,717
Accounts payable			474							14,852	15,326
Due to other governments		190,272	158,577	6,020,838	281,872	1,962,799	126,721	3,157	131,377	1,039,208	9,914,821
Trusts payable	96,862										96,862
Compensated absences			12,511							3,141	15,652
TOTAL LIABILITIES	<u>\$ 96,862</u>	<u>190,272</u>	<u>174,019</u>	<u>6,020,838</u>	<u>281,872</u>	<u>1,962,799</u>	<u>126,721</u>	<u>3,157</u>	<u>131,377</u>	<u>1,058,461</u>	<u>10,046,378</u>

See accompanying independent auditor's report.

MITCHELL COUNTY
Osage, Iowa

Schedule 4

AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Year ended June 30, 2008

ASSETS AND LIABILITIES	County Offices	Auto License & Use Tax	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assessment	Agricultural Extension Education	Other	Total
Balance beginning of year	\$ 87,374	200,985	158,641	5,796,764	276,804	1,900,046	103,878	2,994	127,289	974,001	9,628,776
Additions:											
Property and other county tax			118,005	6,035,955	282,304	1,960,197	126,973		131,582	667,581	9,322,597
E-911 surcharge										172,614	172,614
State tax credits			6,704	337,640	16,233	101,283	5,871		7,449	41,476	516,656
Office fees and collections	587,459										587,459
Auto licenses, use tax and postage		2,529,929									2,529,929
Assessments								36,987			36,987
Trusts	188,112									130,921	319,033
Miscellaneous			82							110,032	110,114
Total additions	775,571	2,529,929	124,791	6,373,595	298,537	2,061,480	132,844	36,987	139,031	1,122,624	13,595,389
Deductions:											
Agency remittances:											
To other funds	463,719										463,719
To other governments	124,405	2,540,642	109,413	6,149,521	293,469	1,998,727	110,001	36,824	134,943	1,038,164	12,536,109
Trusts paid out	177,959										177,959
Total deductions	766,083	2,540,642	109,413	6,149,521	293,469	1,998,727	110,001	36,824	134,943	1,038,164	13,177,787
Balance end of year	\$ 96,862	190,272	174,019	6,020,838	281,872	1,962,799	126,721	3,157	131,377	1,058,461	10,046,378

See accompanying independent auditor's report.

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUND
For the Last Six Years

	Modified Accrual Basis					
	2008	2007	2006	2005	2004	2003
Revenues:						
Property and other county tax	\$ 4,021,275	4,273,600	4,010,883	3,259,499	3,375,423	3,481,525
Interest and penalty on property tax	23,232	20,062	22,033	22,511	20,380	22,043
Intergovernmental	4,048,490	3,599,659	3,626,941	3,580,887	3,431,000	3,442,863
Licenses and permits	22,484	15,250	5,475	4,965	4,445	4,698
Charges for service	1,434,600	846,795	826,869	847,642	695,362	832,773
Use of money and property	346,286	326,770	192,282	109,334	82,143	103,358
Miscellaneous	40,262	81,771	86,806	56,755	40,424	101,679
Total	\$ 9,936,629	9,163,907	8,771,289	7,881,593	7,649,177	7,988,939
Expenditures:						
Current:						
Public safety and legal services	\$ 1,394,068	1,305,710	1,261,404	1,178,288	1,124,200	1,081,302
Physical health and social services	895,289	814,105	768,857	694,819	717,634	611,694
Mental health	1,410,701	1,416,077	1,277,208	1,344,854	1,525,248	1,449,681
County environment and education services	1,219,462	664,312	805,665	577,426	608,744	686,286
Roads and transportation	3,126,576	3,415,976	2,686,256	2,659,391	2,269,216	2,982,794
Governmental services to residents	370,833	232,917	374,699	232,922	240,475	211,603
Administrative services	945,431	914,867	920,800	745,282	702,140	89,244
Non-program	3,120	10,115	3,257	26,763	43,329	106,104
Debt service	577,134	348,829	1,910,474	208,365	203,765	204,015
Capital projects	350,000	293,658	877,979	174,489	644,901	237,359
Total	\$ 10,292,614	9,416,566	10,886,599	7,842,599	8,079,652	7,660,082

See accompanying independent auditor's report.

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

To the Officials of Mitchell County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mitchell County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated February 13, 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 Mitchell 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 our opinion on the effectiveness of Mitchell County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mitchell County's internal control over financial reporting.

Our consideration of the 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 and other deficiencies we consider to be material weaknesses.

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

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 Mitchell County'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 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, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mitchell County and other parties to whom Mitchell County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

February 13, 2009

Renner & Birchem, P.C.

MITCHELL COUNTY

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

Significant Deficiencies

I-A-08 Segregation of Duties-During our review of the internal accounting control structure, the existing procedures are evaluated in order that incompatible duties, from a control viewpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements.

Recommendation-We realize that with a limited number of office employees, segregation of duties is difficult. However, the County officials should continue to review the operating procedures of the office to obtain maximum internal control possible under the circumstances.

Response-In small Counties where there are fewer employees, they sometimes do a variety of duties which may overlap from time to time. However, we try to comply with the segregation of duties as much as possible and continue our review of that work.

Conclusion-Response accepted.

Instances of Non-Compliance

No matters were reported.

MITCHELL COUNTY

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget-Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the debt service function.

Recommendation-The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response-We will amend the budget when required.

Conclusion-Response accepted.

II-B-08 Questionable Expenditures-We noted no expenditures that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-08 Travel Expense-No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-D-08 Business Transactions-No business transactions between the County and County officials or employees were noted.

II-E-08 Bond Coverage-Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure that the coverage is adequate for current operations.

II-F-08 Board Minutes-No transactions were found that we believe should have been approved in the board minutes but were not.

II-G-08 Deposits and Investments-No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

II-H-08 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).

II-I-08 County Extension Office-The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and consequently, is not included in Exhibits A or B.

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