

**CHICKASAW COUNTY
NEW HAMPTON, IOWA**

FINANCIAL REPORT

JUNE 30, 2009

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	14-28
Required Supplementary Information	
Budgetary Comparison Schedule	
Statement of Receipts, Disbursements, and Changes in Balance –	
Budget and Actual (Cash Basis) - All Governmental Funds	29
Budget to GAAP Reconciliation	30
Notes to Required Supplementary Information - Budgetary Reporting	31
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION	32
OTHER SUPPLEMENTARY INFORMATION	<u>Schedule</u>
Governmental Activities	
Nonmajor Governmental Funds	
Combining Balance Sheet	1 33
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 34
Nonmajor Special Revenue Funds	
Combining Balance Sheet	3 35
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4 36
Agency Funds	
Combining Schedule of Fiduciary Assets and Liabilities	5 37
Combining Schedule of Changes in Fiduciary Assets and Liabilities	6 38
Comparative Schedule of Revenues by Source and Expenditures by Function -	
All Governmental Fund Types	7 39

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>	40-42
MANAGEMENT LETTER	43-45

CHICKASAW COUNTY

OFFICIALS

Name	Title	Term Expires
Arnie Boge	Board of Supervisors	January 2011
Sherry Mattke	Board of Supervisors	January 2011
Rick Holthaus	Board of Supervisors	January 2012
John Anderson	Board of Supervisors	January 2012
Virgil Pickar, Jr.	Board of Supervisors	January 2012
Joan Knoll	County Auditor	January 2012
Sue Breitbach	County Treasurer	January 2011
Cindy Messersmith	County Recorder	January 2011
Martin Larsen	County Sheriff	January 2012
W. Patrick Wegman	County Attorney	January 2011
Douglas Welton	County Assessor	January 2015

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, 2009, 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, 2009, 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 January 25, 2010, 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 should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on page 3 and pages 29 through 31, 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
January 25, 2010

Hacker, Nelson & Co., P.C.

CHICKASAW COUNTY
NEW HAMPTON, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2009

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, 2009. 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 increased 1.96%, or approximately \$220,000, from fiscal 2008 to fiscal 2009. Operating grants and capital grants increased approximately \$580,000, while general revenues decreased approximately \$410,000.
- Program expenses were 12.12%, or approximately \$1,216,000, more in fiscal 2009 than in fiscal 2008. Public safety and legal service expenses increased approximately \$107,000, roads and transportation expenses increased approximately \$871,000 and administration expenses increased approximately \$147,000.
- The County's net assets increased 0.87%, or approximately \$208,000, from June 30, 2008 to June 30, 2009.

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)		
	2009	2008	Percent Change
Current and other assets	\$ 12,921	\$ 12,585	2.67%
Capital assets	16,926	17,309	-2.21%
Total assets	29,847	29,894	-0.16%
Long-term debt outstanding	474	504	-5.95%
Other liabilities	5,241	5,466	-4.12%
Total liabilities	5,715	5,970	-4.27%
Net assets			
Invested in capital assets	16,926	17,309	-2.21%
Restricted	2,268	2,415	-6.09%
Unrestricted	4,938	4,200	17.57%
Total net assets	\$ 24,132	\$ 23,924	0.87%

Chickasaw County's net assets for the governmental activities increased slightly from fiscal 2008 to fiscal 2009. 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 \$541,000 or 12.88%.

The following analysis shows the change in net assets for the year ending June 30, 2009:

	Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	2009	2008	Percent Change
Revenues:			
Program revenue			
Charges for service	\$ 1,181	\$ 1,130	4.51%
Operating grants	5,235	3,924	33.41%
Capital grants	536	1,267	-57.70%
General revenue			
Property taxes	3,185	3,630	-12.26%
Local option sales tax	645	635	1.57%
Penalty and interest on property taxes	26	27	-3.70%
State tax credits	206	195	5.64%
Rents	85	73	16.44%
Grants and contributions	114	48	137.50%
Unrestricted investment earnings	228	296	-22.97%
Gain (loss) on sale of capital assets	(1)	(3)	-66.67%
Other	16	14	14.29%
Total revenues	11,456	11,236	1.96%
Program expenses:			
Public safety and legal services	1,308	1,201	8.91%
Physical health and social services	1,287	1,193	7.88%
Mental health	1,028	1,199	-14.26%
County environment and education	581	528	10.04%
Roads and transportation	5,450	4,579	19.02%
Government services to residents	397	363	9.37%
Administration or general government	918	771	19.07%
Nonprogram	279	198	40.91%
Total expenses	11,248	10,032	12.12%
Increase in net assets	208	1,204	-82.72%
Net assets beginning of year	23,924	22,720	5.30%
Net assets end of year	\$ 24,132	\$ 23,924	0.87%

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$7,205,159, approximately \$1,262,575 increase from the 2008 fiscal year end balance of \$5,942,584.

- The general fund revenues increased 8.87% from the prior year, whereas, the expenditures also increased by 11.44% from the prior year. The ending fund balance showed an increase of 8.13% from the prior year of \$3,221,220 to \$3,483,166, which is a smaller increase from 2008 fiscal year.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, revenues increased 65.56% and expenditures decreased 14.08% from the prior year. The mental health fund balance at year end increased by \$487,536 from the prior year.

- Secondary roads fund revenues increased approximately \$97,490 over the prior year. For the year, expenditures totaled \$4,434,610, a decrease of \$298,470. This decrease in expenditures results in an increase in the secondary roads fund ending balance of approximately \$460,000, or 58.35%.
- The ending fund balance for the rural service fund increased by \$108,000 or 11.86% 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 decreased due to the fund receiving less 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 2009 fiscal year should have no impact on the 2010 fiscal year's budget. During the year ended June 30, 2009, no disbursements exceeded the amounts budgeted.

The following chart shows the original and amended budget for fiscal 2009 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	\$ 4,550	\$ 4,507	\$ 4,537	\$ 13
Interest and penalty on property tax	26	-	-	26
Intergovernmental	5,469	3,628	4,726	743
Licenses and permits	13	11	11	2
Charges for service	762	859	859	(97)
Use of money and property	249	182	182	67
Miscellaneous	183	63	63	120
Total revenues	11,252	9,250	10,378	874
EXPENDITURES				
Public safety and legal services	1,299	1,335	1,378	79
Physical health and social services	1,292	1,389	1,441	149
Mental health	1,069	1,103	1,165	96
County environment and education services	681	731	789	108
Roads and transportation	4,238	2,974	4,242	4
Governmental services to residents	390	413	431	41
Administrative services	996	1,041	1,109	113
Nonprogram	-	-	-	-
Debt service	-	-	-	-
Capital project	393	418	716	323
Total expenditures	\$ 10,358	\$ 9,404	\$ 11,271	\$ 913

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2009, Chickasaw County had \$16,925,761 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 \$842,410 for fiscal year 2009 and total accumulated depreciation of \$11,790,348 as of June 30, 2009 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, 2009, Chickasaw County has approximately \$466,472 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 2008, the estimate was \$503,622. The County is required to demonstrate financial assurance for the estimated costs at a minimum. At June 30, 2009, the balance restricted for postclosure costs was \$606,193.

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.

Some of the accomplishments of Chickasaw County:

- Participated in a goal planning session facilitated by the Institute of Public Affairs (from the University of Iowa)
- Changed the position of County Attorney from part-time to full-time effective January 1, 2010
- Toured various industrial and commercial enterprises in Chickasaw County
- Evaluated courthouse security through the assistance of a Homeland Security consultant
- Completed Phase I of a courthouse tuck pointing project
- Approved a contract with a tourism coordinator
- Made a transition by contract to a new provider of ambulance services in the County
- Re-instituted regular department head meetings
- Re-allocated LOSST funds to increase the amount of dollars available for roads
- Renewed the lease with Community Care Incorporated for our former County home facility

The ethanol plant opened in the Spring of 2009. The County is in the process of creating a zoning ordinance and has hired a part time zoning administrator, integrating homemaker services into the array of services by the Department of Public Health will be effective July 1, 2010, and updating the County employee handbook.

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.

Following is a chart showing four years of tax askings, levies, and taxable values:

	2007-08	2008-09	2009-10	2010-11
General Basic	1,867,103	1,976,726	2,076,684	2,178,876
Pioneer Cemetery	1,963	1,965	1,970	1,973
General Supplemental	337,674	282,576	344,605	268,076
MD-DD Services	393,457	562,627	518,352	451,058
Rural Services Basic	1,140,187	1,221,024	1,103,308	1,144,934
Tax Asking	3,740,384	4,044,918	4,044,919	4,044,917
Levy Rate	7.87798	8.00375	7.53695	7.23756
Taxable Valuation	533,458,032	564,778,948	593,338,425	622,535,891

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, but the County has kept the tax asking the same for the last three 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 and employees receive annual fiscal year wage increases each July 1st. Chickasaw County's workforce is made up of elected and appointed department heads, union and non-union employees. Elected officials, department heads and management wages are frozen for FY2010-11. 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).

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, 2009

EXHIBIT A

		Governmental Activities
ASSETS		
Cash and pooled investments	\$	7,465,344
Receivables		
Property tax		
Delinquent		8,362
Succeeding year		4,040,052
Accounts		69,341
Accrued interest		54,759
Due from other governments		404,800
Inventories		623,086
Prepaid expenses		48,856
Nondepreciable assets		1,636,650
Capital assets, net of accumulated depreciation		15,289,111
Investment in insurance pool		206,708
		29,847,069
Total assets	\$	29,847,069
LIABILITIES AND NET ASSETS		
Accounts payable	\$	875,566
Salaries and benefits payable		113,103
Due to other governments		57,673
Deferred revenue		
Succeeding year property tax		4,040,048
Other		-
Long-term liabilities		
Portion due within one year		
Bonds payable		-
Notes payable		-
Compensated absences		154,573
Portion due after one year		
Postclosure costs		474,072
		5,715,035
Total liabilities		5,715,035
NET ASSETS		
Invested in capital assets		16,925,760
Restricted for		
Rural service		1,020,278
Secondary roads		607,851
Other special revenue		16,354
Other purposes		623,086
Unrestricted		4,938,705
		24,132,034
Total net assets		24,132,034
Total liabilities and net assets	\$	29,847,069

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

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	\$ 1,308,506	\$ 67,572	\$ 147,418		\$ (1,093,516)
Physical health and social services	1,286,807	287,147	926,434	\$ -	(73,226)
Mental health	1,028,039	28,937	901,576		(97,526)
County environment and education	580,696	16,976	16,144		(547,576)
Roads and transportation	5,449,894	91,491	2,495,849	536,128	(2,326,426)
Government services to residents	397,056	228,459	4,067		(164,530)
Administration or general government	918,009	147,704			(770,305)
Nonprogram	279,864	313,180			33,316
Total governmental activities	<u>\$ 11,248,871</u>	<u>\$ 1,181,466</u>	<u>\$ 4,491,488</u>	<u>\$ 536,128</u>	<u>(5,039,789)</u>
General revenues					
Property taxes levied for					
General purposes					3,928,670
Local option sales tax					645,155
Penalty and interest on property taxes					25,694
State tax credits					206,060
Rents					84,805
Grants and contributions					114,398
Unrestricted investment earnings					228,044
Loss on sale of capital assets					(1,175)
Miscellaneous					15,964
Total general revenues					<u>5,247,615</u>
Change in net assets					207,826
Net assets, beginning of year					<u>23,924,208</u>
Net assets, end of year					<u>\$ 24,132,034</u>

See Notes to Financial Statements.

This Page Intentionally Left Blank

CHICKASAW COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	ASSETS	Special Revenue		
		General	Mental Health	Rural Services
Cash and pooled investments		\$ 3,271,774	\$ 622,571	\$ 976,418
Receivables				
Property tax				
Delinquent		5,104	1,265	1,993
Succeeding year		2,421,289	513,481	1,103,308
Accounts		67,623	576	-
Accrued interest		48,429	-	-
Due from other governments		198,938	-	41,911
Inventories		-	-	-
Investment in insurance pool		206,708		
Prepaid insurance		31,570		
		<u>6,251,435</u>	<u>1,137,893</u>	<u>2,123,630</u>
		\$ 6,251,435	\$ 1,137,893	\$ 2,123,630
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable		\$ 79,104	\$ 75,549	\$ 44
Salaries and benefits payable		55,852	395	-
Due to other governments		212	55,817	-
Deferred revenue				
Succeeding year property tax		2,421,289	513,481	1,103,308
Other		5,104	10,618	1,993
		<u>2,561,561</u>	<u>655,860</u>	<u>1,105,345</u>
		2,561,561	655,860	1,105,345
Fund balances				
Reserved for				
Inventories				
Prepaid expenditures		31,570		
Other				
Unreserved				
General fund		3,658,304		
Capital projects fund				
Special revenue funds			482,033	1,018,285
		<u>3,689,874</u>	<u>482,033</u>	<u>1,018,285</u>
		3,689,874	482,033	1,018,285
Total fund balances		<u>3,689,874</u>	<u>482,033</u>	<u>1,018,285</u>
		3,689,874	482,033	1,018,285
Total liabilities and fund balances		<u>\$ 6,251,435</u>	<u>\$ 1,137,893</u>	<u>\$ 2,123,630</u>
		\$ 6,251,435	\$ 1,137,893	\$ 2,123,630

See Notes to Financial Statements.

EXHIBIT C

Special Revenue		Landfill Postclosure Costs	Nonmajor Governmental Funds	Total Governmental Funds
Secondary Roads				
\$ 1,038,406	\$ 605,579	\$ 370,971	\$ 6,885,719	
-	-	-	8,362	
-	-	1,974	4,040,052	
893	-	249	69,341	
-	935	10	49,374	
147,831	-	16,120	404,800	
623,086	-	-	623,086	
-	-	-	206,708	
17,286	-	-	48,856	
<u>\$ 1,827,502</u>	<u>\$ 606,514</u>	<u>\$ 389,324</u>	<u>\$ 12,336,298</u>	
\$ 520,779	\$ 321	\$ 21,335	\$ 697,132	
56,856	-	-	113,103	
1,644	-	-	57,673	
-	-	1,974	4,040,052	
-	-	-	17,715	
<u>579,279</u>	<u>321</u>	<u>23,309</u>	<u>4,925,675</u>	
623,086	-	-	623,086	
17,286	-	-	48,856	
-	606,193	16,354	622,547	
-	-	-	3,658,304	
-	-	222,426	222,426	
607,851	-	127,235	2,235,404	
<u>1,248,223</u>	<u>606,193</u>	<u>366,015</u>	<u>7,410,623</u>	
<u>\$ 1,827,502</u>	<u>\$ 606,514</u>	<u>\$ 389,324</u>	<u>\$ 12,336,298</u>	

CHICKASAW COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

Reconciliation of governmental fund balances to net assets	
Total governmental fund balances	\$ 7,410,623
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 \$ 11,790,348	16,925,761
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	17,719
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.	406,576
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	(474,072)
Compensated absences	<u>(154,573)</u>
Net assets of governmental activities	<u>\$ 24,132,034</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, 2009

	Special Revenue		
	General	Mental Health	Rural Services
REVENUES			
Property and other County tax	\$ 2,190,741	\$ 541,213	\$ 1,355,883
Interest and penalty on property tax	25,694		
Intergovernmental	1,156,561	944,993	64,889
Licenses and permits	9,815		-
Charges for service	832,889	27,984	-
Use of money and property	172,905		
Miscellaneous	173,193	(1,244)	-
Total revenues	4,561,798	1,512,946	1,420,772
EXPENDITURES			
Current			
Public safety and legal services	1,242,077		6,547
Physical health and social services	1,276,889		
Mental health		1,025,410	
County environment and education services	394,135		50,721
Roads and transportation			
Governmental services to residents	387,688		
Administrative services	887,979		
Nonprogram	4,664	-	-
Capital project			
Total expenditures	4,193,432	1,025,410	57,268
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	368,366	487,536	1,363,504
OTHER FINANCING SOURCES (USES)			
Transfers in			
Proceeds from disposal of capital assets	373		
Transfers out	(12,500)		(1,255,702)
	(12,127)	-	(1,255,702)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	356,239	487,536	107,802
FUND BALANCES, beginning of year	3,333,635	(5,503)	910,483
FUND BALANCES, end of year	\$ 3,689,874	\$ 482,033	\$ 1,018,285

See Notes to Financial Statements.

EXHIBIT D

Special Revenue			
Secondary Roads	Landfill Postclosure Costs	Other Governmental Funds	Total Governmental Funds
\$ 328,289	\$ -	\$ 148,027	\$ 4,564,153
			25,694
3,251,177		16,144	5,433,764
3,210			13,025
4,250		2,725	867,848
	15,375	141	188,421
61,715		550	234,214
<u>3,648,641</u>	<u>15,375</u>	<u>167,587</u>	<u>11,327,119</u>
	-	51,030	1,299,654
	-		1,276,889
	-		1,025,410
	29,548	182,000	656,404
4,208,117			4,208,117
		1	387,689
			887,979
			4,664
226,493	-	-	226,493
<u>4,434,610</u>	<u>29,548</u>	<u>233,031</u>	<u>9,973,299</u>
<u>(785,969)</u>	<u>(14,173)</u>	<u>(65,444)</u>	<u>1,353,820</u>
1,243,202	-	25,000	1,268,202
2,675			3,048
	-		(1,268,202)
<u>1,245,877</u>	<u>-</u>	<u>25,000</u>	<u>3,048</u>
459,908	(14,173)	(40,444)	1,356,868
<u>788,315</u>	<u>620,366</u>	<u>406,459</u>	<u>6,053,755</u>
<u>\$ 1,248,223</u>	<u>\$ 606,193</u>	<u>\$ 366,015</u>	<u>\$ 7,410,623</u>

CHICKASAW COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

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	\$	1,356,868
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	\$	463,667
Depreciation		<u>(842,410)</u>
		(378,743)
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		9,110
Other		<u>(743,631)</u>
		(734,521)
The net effect of disposal of capital assets.		
		(4,223)
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.		
		(89,686)
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		28,583
Postclosure costs		<u>29,548</u>
		<u>58,131</u>
Change in net assets of governmental activities	\$	<u>207,826</u>

CHICKASAW COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2009

		Internal Service
ASSETS		
Cash and pooled investments	\$	579,625
Accrued interest receivable		5,385
Total assets		\$ 585,010
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$	109,267
Deferred revenue		69,167
Total liabilities		178,434
Net assets		
Unrestricted		406,576
Total liabilities and net assets	\$	585,010

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2009

	<u>Internal Service</u>
OPERATING REVENUES	
Charges for service	\$ 943,854
OPERATING EXPENSES	
Insurance claims paid	846,696
Administrative fees	<u>202,811</u>
Total operating expenses	<u>1,049,507</u>
Operating loss	<u>(105,653)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>15,967</u>
Change in net assets	(89,686)
NET ASSETS, beginning of year	<u>496,262</u>
NET ASSETS, end of year	<u>\$ 406,576</u>

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2009

	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from interfund services provided	\$ 948,958
Cash payments to suppliers for services	<u>(962,033)</u>
Net cash (used in) operating activities	<u>(13,075)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>16,395</u>
Net increase in cash and cash equivalents	3,320
CASH and CASH EQUIVALENTS, beginning of year	<u>576,305</u>
CASH and CASH EQUIVALENTS, end of year	<u>\$ 579,625</u>
Reconciliation of operating loss to net cash (used in) operating activities	
Operating loss	\$ (105,653)
Adjustments to reconcile operating loss to net cash (used in) operating activities	
Increase in salaries and benefits payable	87,472
Increase in deferred revenue	<u>5,106</u>
Net cash (used in) operating activities	<u>\$ (13,075)</u>

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2009

ASSETS

Cash and pooled investments		
County Treasurer	\$	1,201,097
Other County officials		61,702
Receivables		
Property tax		
Delinquent		26,994
Succeeding year		11,000,166
Accounts		56,397
Accrued interest		628
Due from other governments		-
Prepaid insurance		5,849
		<hr/>
Total assets		12,352,833

LIABILITIES

Accounts payable		14,289
Salaries and benefits payable		13,610
Due to other governments		12,037,626
Trusts payable		279,772
Compensated absences		7,536
		<hr/>
Total liabilities		12,352,833

NET ASSETS

\$ None

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, 2009, 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, 2009 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, 2009. 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

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, 2009 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 \$41,506, 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, 2009:

Governmental	
General fund	
Bioterrorism	\$ 2,025
Medicare	72,145
CSD Grant	5,418
Other	119,350
	198,938
Special revenue	
Rural services fund	
Local option sales tax	41,911
Secondary roads fund	
Local option sales tax	32,239
Road use tax	6,448
Road construction	109,144
	147,831
Nonmajor governmental	16,120
Total governmental	\$ 404,800

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Governmental activities				
Land	\$ 1,636,650			\$ 1,636,650
Infrastructure in progress	242,375		\$ 242,375	
	<u>1,879,025</u>	\$ -	<u>242,375</u>	<u>1,636,650</u>
Capital assets being depreciated				
Buildings	3,342,052	34,964		3,377,016
Equipment	3,230,965	118,794	6,108	3,343,651
Vehicles	1,861,094	160,064	75,687	1,945,471
Infrastructure	18,021,100	392,221		18,413,321
	<u>26,455,211</u>	<u>706,043</u>	<u>81,795</u>	<u>27,079,459</u>
Less accumulated depreciation				
Buildings	800,584	51,942		852,526
Equipment	1,561,271	131,789	6,108	1,686,952
Vehicles	1,079,544	103,480	71,464	1,111,560
Infrastructure	7,584,111	555,199		8,139,310
	<u>11,025,510</u>	<u>842,410</u>	<u>77,572</u>	<u>11,790,348</u>
Total capital assets being depreciated, net	<u>15,429,701</u>	<u>(136,367)</u>	<u>4,223</u>	<u>15,289,111</u>
Governmental activities				
Capital assets, net	<u>\$ 17,308,726</u>	<u>\$ (136,367)</u>	<u>\$ 246,598</u>	<u>\$ 16,925,761</u>

Depreciation expense was charged to functions of the primary government for the year ended June 30, 2009 as follows:

Governmental activities	
Public safety and legal services	\$ 23,662
Physical health and social services	6,406
Mental health	2,629
County environment and education	22,669
Roads and transportation	754,932
Governmental services to residents	6,844
Administrative services	<u>25,268</u>
	<u>\$ 842,410</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, 2009 is as follows:

Governmental			
General fund	Services	\$	212
Special revenue fund			
Secondary roads	Services		1,644
Mental health			55,817
			57,461
Total for special revenue			
		\$	57,673
			57,673
Fiduciary			
Agency			
County offices	Collections	\$	15,512
Agricultural extension			171,761
Assessor			255,305
Schools			7,574,845
Area schools			605,850
Corporations			2,304,269
Townships			171,375
City special assessment			1,721
Auto license and use tax			245,614
Other			691,374
			691,374
Total for agency funds		\$	12,037,626
			12,037,626

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 4.10%, 3.90%, and 3.70% of their annual covered salary and the County is required to contribute 6.35%, 6.05%, and 5.75% of annual covered salary for the years ended June 30, 2009, 2008, and 2007 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, 2009, 2008, and 2007 were \$223,980, \$206,549, and \$196,784, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

7. Construction, Purchase and Other Commitments

At June 30, 2009, the total outstanding construction and purchase commitments of the County amount to \$531,053. Of these commitments, none will be funded by state and federal grants.

8. Leases

The County has leased farm land to Gordon Davis, Jr. for \$9,809 from March 1, 2010 through March 1, 2011.

The County has leased business property to Heritage Regional Services for \$5,200/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, 2009 through June 30, 2010.

9. Changes in Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009, is as follows:

	Estimated Liability for Landfill Postclosure Costs	Compensated Absences	Total
Balance, beginning of year	\$ 503,622	\$ 183,156	\$ 686,778
Additions	None	154,573	154,573
Reductions	(29,550)	(183,156)	(212,706)
Balance, end of year	\$ 474,072	\$ 154,573	\$ 628,645

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 \$474,072 reported as estimated liability for landfill postclosure care costs at June 30, 2009, 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, 2009. 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 \$606,193 as of June 30, 2009 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, 2009 is as follows:

	Transfers In	Transfers Out
General fund		
Nonmajor governmental		\$ 12,500
Special revenue		
Rural services		1,255,702
Secondary roads	\$ 1,243,202	
	1,243,202	1,255,702
Nonmajor governmental	25,000	
Total	\$ 1,268,202	\$ 1,268,202

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 \$2,267,569 of restricted net assets, of which \$1,628,129 is restricted by enabling legislation.

The amounts restricted at June 30, 2009 are as follows:

Restricted net assets	
Special revenue fund	
Rural services	\$ 1,020,278
Secondary roads	607,851
Nonmajor governmental funds	16,354
Other purposes	623,086
	\$ 2,267,569

The amounts reserved at June 30, 2009 are as follows:

Reserved fund balances	
General fund	
Prepaid expenditures	\$ 31,570
Special revenue fund	
Inventories	623,086
Prepaid expenditures	17,286
Landfill postclosure costs	606,193
Nonmajor governmental funds	16,354
	1,262,919
	\$ 1,294,489

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, 2009 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 counties 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, 2009 were \$277,013.

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 \$7,000,000 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, 2009, no liability has been recorded in the County's financial statements. As of June 30, 2009, 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, 2009 was \$658,685.

Amounts payable from the health insurance fund at June 30, 2009 total \$109,267 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:

	2009	2008
Beginning liability	\$ 21,796	\$ 51,597
Claims and changes in estimates	1,049,504	640,059
Claim payments	(962,033)	(669,860)
Ending liability	\$ 109,267	\$ 21,796

15. Fund Balance Deficits

The ambulance fund has a deficit fund balance as of June 30, 2009.

CHICKASAW COUNTY
 BUDGETARY COMPARISON SCHEDULE
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 June 30, 2009

	Actual	Budget Amounts		Final to Actual Variance-Positive (Negative)
		Original	Final	
RECEIPTS				
Property and other County tax	\$ 4,550,121	\$ 4,507,265	\$ 4,537,465	\$ 12,656
Interest and penalty on property tax	25,694	-	-	25,694
Intergovernmental	5,469,334	3,627,847	4,726,373	742,961
Licenses and permits	12,617	10,950	10,950	1,667
Charges for service	762,177	858,718	858,718	(96,541)
Use of money and property	249,176	181,581	181,581	67,595
Miscellaneous	182,818	63,250	63,250	119,568
Total receipts	11,251,937	9,249,611	10,378,337	873,600
DISBURSEMENTS				
Public safety and legal services	1,298,383	1,334,801	1,376,656	78,273
Physical health and social services	1,291,980	1,389,454	1,441,469	149,489
Mental health	1,068,866	1,102,950	1,164,615	95,749
County environment and education services	680,877	731,285	789,485	108,608
Roads and transportation	4,238,278	2,974,000	4,242,293	4,015
Governmental services to residents	390,262	412,686	431,186	40,924
Administrative services	995,770	1,040,506	1,109,425	113,655
Capital project	393,036	418,000	715,907	322,871
Total disbursements	10,357,452	9,403,682	11,271,036	913,584
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	894,485	(154,071)	(892,699)	1,787,184
OTHER FINANCING SOURCES, NET	3,048	-	-	3,048
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	897,533	(154,071)	(892,699)	1,790,232
BALANCE, beginning of year	5,988,186	3,563,189	3,563,189	2,424,997
BALANCE, end of year	\$ 6,885,719	\$ 3,409,118	\$ 2,670,490	\$ 4,215,229

See Notes to Required Supplementary Information.

CHICKASAW COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 BUDGET TO GAAP RECONCILIATION
 For the Year Ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 11,251,937	\$ 75,182	\$ 11,327,119
Expenditures	10,357,452	(384,153)	9,973,299
Net	894,485	459,335	1,353,820
Other financing sources, net	3,048	-	3,048
Beginning fund balance	5,988,186	65,569	6,053,755
Ending fund balance	<u>\$ 6,885,719</u>	<u>\$ 524,904</u>	<u>\$ 7,410,623</u>

See Notes to Required Supplementary Information.

CHICKASAW COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2009

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 \$1,128,726 and budgeted disbursements by \$1,867,354. 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 report on our audit of the basic financial statements of Chickasaw County as of and for the year ended June 30, 2009 appears on page 2. 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, such information is fairly stated in all material respects, in relation to the basic financial statements 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, 2008, 2007, 2006, and 2005, which are 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 four years in the period ended June 30, 2008, appearing on page 39, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived. The basic financial statements for the years ended June 30, 2004 and 2003, which are not presented herein, were audited by other auditors whose report dated May 27, 2005, expressed unqualified opinions. Their report dated May 27, 2005, stated that, in their opinion, such information for the years ended June 30, 2004 and 2003 shown on page 39, was fairly stated in all material respects in relation to the basic financial statements for which it was derived.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
January 25, 2010

CHICKASAW COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2009

SCHEDULE 1

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and pooled investments	\$ 148,545	\$ 222,426	\$ 370,971
Receivables			
Property tax			
Delinquent	-		-
Succeeding year	1,974		1,974
Accounts	249		249
Accrued interest	10		10
Due from other governments	16,120		16,120
Total assets	\$ 166,898	\$ 222,426	\$ 389,324
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 21,335		\$ 21,335
Salaries and benefits payable	-		-
Deferred revenue	1,974		1,974
Other	-		-
Total liabilities	23,309	\$ -	23,309
Fund balances			
Reserved			
REAP grant	16,354		16,354
Unreserved	127,235	222,426	349,661
Total fund balances	143,589	222,426	366,015
Total liabilities and fund balances	\$ 166,898	\$ 222,426	\$ 389,324

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, 2009

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Property and other County tax	\$ 148,027		\$ 148,027
Intergovernmental	16,144	\$ -	16,144
Charges for service	2,725	-	2,725
Use of money and property	141		141
Miscellaneous	550	-	550
Total revenues	167,587	-	167,587
EXPENDITURES			
Operating			
Public safety and legal services	51,030		51,030
County environment and education	182,000		182,000
Government services to residence	1		1
Capital projects		-	-
Total expenditures	233,031	-	233,031
DEFICIENCY OF REVENUES OVER EXPENDITURES	(65,444)	-	(65,444)
OTHER FINANCING SOURCES			
Operating transfers in	25,000	-	25,000
Operating transfers out	-	-	-
	25,000	-	25,000
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(40,444)	-	(40,444)
FUND BALANCES, beginning of year	184,033	222,426	406,459
FUND BALANCES, end of year	\$ 143,589	\$ 222,426	\$ 366,015

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, 2009

	REAP	Recorder's Records Management	County Betterment	Economic Development
ASSETS				
Cash and pooled investments	\$ 16,348	\$ 6,153	\$ 74,390	\$ 50,850
Receivables				
Property tax				
Delinquent				
Succeeding year				
Accounts	-	249	-	-
Accrued interest	6	4	-	-
Due from other governments			16,120	
Total assets	\$ 16,354	\$ 6,406	\$ 90,510	\$ 50,850
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue				
Succeeding year property taxes				
Other				
Salaries and benefits payable	-	-	-	-
Total liabilities	-	-	-	-
Fund balances				
Reserved				
REAP grant	16,354			
Landfill				
Unreserved		6,406	90,510	50,850
Total fund balances	16,354	6,406	90,510	50,850
Total liabilities and fund balances	\$ 16,354	\$ 6,406	\$ 90,510	\$ 50,850

See Independent Auditor's Report on the Supplementary Information.

Sheriff's K-9 Unit	Sheriff's DARE	Chickasaw County Pioneer Cemetery	Ambulance	Recorders Electronic Transaction Fee	Drug Investigation	Total Special Revenue
\$ 13	\$ 464	\$ 27	\$ -	\$ -	\$ 300	\$ 148,545
		-				-
		1,974				1,974
-	-	-		-	-	249
-	-			-	-	10
						16,120
<u>\$ 13</u>	<u>\$ 464</u>	<u>\$ 2,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 166,898</u>
\$ -	\$ -	\$ -	\$ 21,335	\$ -	\$ -	\$ 21,335
		1,974	-			1,974
		-	-			-
-	-	-	-	-	-	-
-	-	1,974	21,335	-	-	23,309
						16,354
13	464	27	(21,335)	-	300	127,235
13	464	27	(21,335)	-	300	143,589
<u>\$ 13</u>	<u>\$ 464</u>	<u>\$ 2,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 166,898</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, 2009

	REAP	Recorder's Records Management	County Betterment	Economic Development
REVENUES				
Property and other County tax	\$ -	\$ -	\$ 95,264	\$ 52,763
Intergovernmental	16,144			
Charges for service	-	2,725		
Use of money and property	65	46		
Miscellaneous	-			
Total revenues	16,209	2,771	95,264	52,763
EXPENDITURES				
Operating				
Public safety and legal services	-	-	-	-
County environment and education	-	-	67,000	115,000
Government services to residence	-	-	-	-
Total expenditures	-	-	67,000	115,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	16,209	2,771	28,264	(62,237)
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	16,209	2,771	28,264	(62,237)
FUND BALANCES, beginning of year	145	3,635	62,246	113,087
FUND BALANCES, end of year	\$ 16,354	\$ 6,406	\$ 90,510	\$ 50,850

See Independent Auditor's Report on the Supplementary Information.

<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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 148,027
						16,144
26	2				2	2,725
<u>250</u>	<u>300</u>					<u>141</u>
						550
<u>276</u>	<u>302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>167,587</u>
4,401	294	-	46,335	-	-	51,030
-	-	-	-	-	-	182,000
-	-	-	-	1	-	1
<u>4,401</u>	<u>294</u>	<u>-</u>	<u>46,335</u>	<u>1</u>	<u>-</u>	<u>233,031</u>
<u>(4,125)</u>	<u>8</u>	<u>-</u>	<u>(46,335)</u>	<u>(1)</u>	<u>2</u>	<u>(65,444)</u>
-	-	-	25,000	-	-	25,000
						-
-	-	-	25,000	-	-	25,000
(4,125)	8	-	(21,335)	(1)	2	(40,444)
<u>4,138</u>	<u>456</u>	<u>27</u>	<u>-</u>	<u>1</u>	<u>298</u>	<u>184,033</u>
<u>\$ 13</u>	<u>\$ 464</u>	<u>\$ 27</u>	<u>\$ (21,335)</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 143,589</u>

This Page Intentionally Left Blank

CHICKASAW COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash and pooled investments				
County Treasurer		\$ 2,278	\$ 117,929	\$ 97,135
Other County Officials	\$ 61,702			
Receivables				
Property Tax				
Delinquent		382	311	16,054
Succeeding year		169,101	137,844	7,461,656
Accounts	-			
Accrued interest				
Due from other government	-			
Prepaid insurance			2,004	
Total assets	\$ 61,702	\$ 171,761	\$ 258,088	\$ 7,574,845
LIABILITIES				
Accounts payable			\$ 1,355	
Salaries and benefits payable			1,428	
Due to other funds	\$ -			
Due to other governments	15,512	\$ 171,761	255,305	\$ 7,574,845
Trusts payable	46,190			
Compensated absences				
Total liabilities	\$ 61,702	\$ 171,761	\$ 258,088	\$ 7,574,845

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>
\$ 5,050	\$ 30,272	\$ 2,409	\$ 1,721	\$ 245,614	\$ 698,689	\$ 1,201,097 61,702
1,076	8,346	473			352	26,994
599,724	2,265,651	168,493			197,697	11,000,166
					56,397	56,397
					628	628
					-	-
					3,845	5,849
<u>\$ 605,850</u>	<u>\$ 2,304,269</u>	<u>\$ 171,375</u>	<u>\$ 1,721</u>	<u>\$ 245,614</u>	<u>\$ 957,608</u>	<u>\$ 12,352,833</u>
					\$ 12,934	\$ 14,289
					12,182	13,610
\$ 605,850	\$ 2,304,269	\$ 171,375	\$ 1,721	\$ 245,614	691,374	12,037,626
					233,582	279,772
					7,536	7,536
<u>\$ 605,850</u>	<u>\$ 2,304,269</u>	<u>\$ 171,375</u>	<u>\$ 1,721</u>	<u>\$ 245,614</u>	<u>\$ 957,608</u>	<u>\$ 12,352,833</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, 2009

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Schools</u>
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 41,118	\$ 2,548	\$ 134,172	\$ 111,332
Additions				
Property tax		163,479	133,067	6,947,726
E-911 surcharge				
State tax credits		8,854	7,208	378,853
Office fees and collections	261,401			
Auto licenses, use tax and postage				
Trusts	47,553			
Miscellaneous	166,343		-	
Total additions	<u>475,297</u>	<u>172,333</u>	<u>140,275</u>	<u>7,326,579</u>
Deductions				
Agency remittances				
To other funds	132,720			
To other governments	141,121	172,221	154,203	7,324,722
Miscellaneous	133,319			
Trusts paid out	47,553			
Total deductions	<u>454,713</u>	<u>172,221</u>	<u>154,203</u>	<u>7,324,722</u>
Other financing sources (uses)				
Operating transfers in (out)			-	-
Balances end of year	<u>\$ 61,702</u>	<u>\$ 2,660</u>	<u>\$ 120,244</u>	<u>\$ 113,189</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>
\$ 5,930	\$ 33,675	\$ 2,835	\$ -	\$ 208,584	\$ 631,434	\$ 1,171,628
344,648	2,012,109	159,158			621,878	10,382,065
19,241	119,340	8,763			104,041	104,041
					13,974	556,233
					380,301	641,702
				3,399,575	-	3,399,575
					-	47,553
			2,783		147,623	316,749
363,889	2,131,449	167,921	2,783	3,399,575	1,267,817	15,447,918
363,693	2,126,506	167,874		102,835	-	235,555
				3,259,710	971,762	14,681,812
			1,062		167,578	301,959
					-	47,553
363,693	2,126,506	167,874	1,062	3,362,545	1,139,340	15,266,879
-	-				-	-
\$ 6,126	\$ 38,618	\$ 2,882	\$ 1,721	\$ 245,614	\$ 759,911	\$ 1,352,667

This Page Intentionally Left Blank

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

	Modified Accrual			
	2009	2008	2007	2006
REVENUES				
Property and other County tax	\$ 4,564,153	\$ 4,253,366	\$ 4,174,830	\$ 4,468,324
Interest and penalty on property tax	25,694	26,881	28,360	24,732
Intergovernmental	5,433,764	4,121,929	4,411,154	4,065,174
Licenses and permits	13,025	13,043	14,791	15,201
Charges for service	867,848	792,280	637,096	653,626
Use of money and property	188,421	299,578	363,080	244,136
Miscellaneous	234,214	121,828	278,898	148,077
Total revenues	<u>\$ 11,327,119</u>	<u>\$ 9,628,905</u>	<u>\$ 9,908,209</u>	<u>\$ 9,619,270</u>
EXPENDITURES				
Current				
Public safety and legal services	\$ 1,299,654	\$ 1,243,205	\$ 1,178,065	\$ 1,155,863
Physical health and social services	1,276,889	1,212,382	1,172,291	1,078,649
Mental health	1,025,410	1,193,450	1,171,598	994,267
County environment and education services	656,404	549,175	408,617	628,992
Roads and transportation	4,208,117	4,161,107	3,531,863	3,337,844
Governmental services to residents	387,689	365,589	337,670	497,853
Administrative services	887,979	777,028	960,981	861,831
Nonprogram	4,664	-	-	-
Capital project	226,493	604,555	1,012,022	671,495
Total expenditures	<u>\$ 9,973,299</u>	<u>\$ 10,106,491</u>	<u>\$ 9,773,107</u>	<u>\$ 9,226,794</u>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 7

2005	2004	2003
\$ 4,191,062	\$ 3,740,774	\$ 3,111,405
25,617	28,503	27,431
3,940,560	4,007,690	3,622,117
12,260	13,165	9,842
686,820	689,513	700,818
173,860	148,715	200,168
139,365	180,712	60,703
\$ 9,169,544	\$ 8,809,072	\$ 7,732,484
\$ 1,112,189	\$ 1,063,303	\$ 1,156,610
1,125,307	1,049,749	1,050,744
986,241	963,821	1,058,135
477,599	606,179	485,164
3,573,374	3,641,090	3,273,852
354,532	295,670	271,566
835,439	832,928	1,018,133
100,108	-	-
219,487	431,342	141,970
\$ 8,784,276	\$ 8,884,082	\$ 8,456,174

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, 2009, which collectively comprise Chickasaw County's basic financial statements and have issued our report thereon dated January 25, 2010. 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 described below to be significant deficiencies in internal control over financial reporting.

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 accepted.

2. Segregation of Duties

One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Bank deposits are prepared by the same person who opens the bank statement. Disbursements and checks are prepared by one person.

Recommendation

While we do recognize the County offices are not large enough to permit a segregation of duties for an effective internal control, we believe it is important the Board be aware that this condition does exist.

Response

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

Conclusion

Response accepted.

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 January 25, 2010.

Chickasaw County's response to the findings identified in our audit is described above. 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
January 25, 2010

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, 2009, 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 10 below are compliance comments required by the Iowa Auditor of State. A separate report dated January 25, 2010, contains our report on significant deficiencies in the County's internal control. This letter does not affect our report dated January 25, 2010 on the basic financial statements of Chickasaw County. Comments 1, 9, and 11 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

Human Services and Dare departments exceeded appropriations prior to amendment. The agricultural extension exceeded their budget at June 30, 2009. The various miscellaneous budgets exceeded the budget for various line items but did not exceed the overall budget.

Recommendation

Budgets should be amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. 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, 2009.

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, 2009 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. County Assessor-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.

11. 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. There were some new purchases not approved by the Board of Supervisors.

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.

12. 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.

13. Transfers

The County exceeded the maximum amount allowed to be transferred from rural services fund to secondary roads fund.

Recommendation

We recommend the County take extra care in calculating the maximum amount allowed to be transferred from rural services to secondary roads.

Response

The County will not include the state replacement tax credits in the current tax collected.

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.

Decorah, Iowa
January 25, 2010

Hacker, Nelson & Co., P.C.