

MAHASKA COUNTY

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

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MAHASKA COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2009)		
Henry Van Weelden	Board of Supervisors	Jan. 2009
Lawrence Rouw	Board of Supervisors	Jan. 2011
Greg Gordy	Board of Supervisors	Jan. 2011
Kay Swanson	County Auditor	Jan. 2009
Sone Scott	County Treasurer	Jan. 2011
Diane Upton Crookham	County Recorder	Jan. 2011
Paul De Geest	County Sheriff	Jan. 2009
Rose Anne Mefford	County Attorney	Jan. 2011
Gary Smith	County Assessor	Jan. 2010
(After January 2009)		
Lawrence Rouw	Board of Supervisors	Jan. 2011
Greg Gordy	Board of Supervisors	Jan. 2011
Henry Van Weelden	Board of Supervisors	Jan. 2013
Kay Swanson	County Auditor	Jan. 2013
Sone Scott	County Treasurer	Jan. 2011
Diane Upton Crookham	County Recorder	Jan. 2011
Paul De Geest	County Sheriff	Jan. 2013
Rose Anne Mefford	County Attorney	Jan. 2011
Gary Smith	County Assessor	Jan. 2010

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Mahaska County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mahaska County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Mahaska County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, each major fund, and the aggregate remaining fund information of Mahaska County as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2010 on our consideration of Mahaska County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 54 through 57 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mahaska County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein). For the years ended June 30, 2008 and June 30, 2005, we expressed unqualified opinions on those financial statements. For the two years ended June 30, 2007, we expressed a qualified opinion on the Secondary Roads Fund due to the effects of a written and held warrant and unqualified opinions on the governmental activities, General Fund, Mental Health Fund, Rural Services Fund, and the aggregate remaining fund information. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
March 23, 2010

# Management's Discussion and Analysis

Management of Mahaska County provides this Management's Discussion and Analysis of Mahaska County's annual financial statements. This narrative overview and analysis of the financial activities of Mahaska County 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

- County governmental funds revenue totaled \$14,698,420 for 2009, a slight decrease from 2008, or \$55,437. Property and other county taxes totaled \$7,814,318 for 2009, which was an increase of \$493,689 from 2008. County revenue other than property tax was down \$549,126. Levy rates were down slightly from 2008 but equalization orders on agricultural, residential and commercial property caused an 8.82% increase in valuations providing the county an increase in property tax revenue.
- County governmental funds functional expenditures totaled \$14,873,710 for 2009, a decrease of \$162,275, or 1.08% under the 2008 expenditures. No capital project monies were expended in fiscal year 2009 and Secondary Road expenses were lower than the previous year albeit flooded road repair continued.
- The County's governmental fund balances at June 30, 2009 were \$9,868,764, a decrease of \$175,290 due to the above noted factors.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements.

- The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances.
- Fund financial statements immediately follow this report. For governmental activities these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds.
- The remaining statements provide financial information about activities for which the County acts solely as an agent or custodian for the benefit of those outside the government (Agency Funds).

## **The County as a Whole Reporting**

### *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, 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 and decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

### *Fund Financial Statements*

The fund financial statements provide detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County establishes many other funds to help it control and manage money for particular purposes.

Most of the County's basic services are accounted for in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual 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 government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

### *Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

### *Supplementary Information*

The supplementary information provides detailed information about the non-major governmental funds and the individual agency funds.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position.

### **STATEMENT OF NET ASSETS –GOVERNMENTAL ACTIVITIES**

	2009	2008	2007
Current and other Assets	\$ 18,811,841	\$ 19,388,159	\$ 18,600,834
Capital assets	28,188,151	29,221,979	30,103,755
Total Assets	46,999,992	48,610,138	48,704,589
Long term debt outstanding	413,202	393,499	397,182
Other liabilities	8,345,306	8,653,748	7,692,795
Total liabilities	8,758,508	9,047,247	8,089,977
Net Assets			
Invested in capital assets	28,188,151	29,200,979	30,082,755
Restricted	6,471,140	6,612,626	6,847,190
Unrestricted	3,582,193	3,749,286	3,684,667
Total net assets	\$38,241,484	\$39,562,891	\$40,614,612

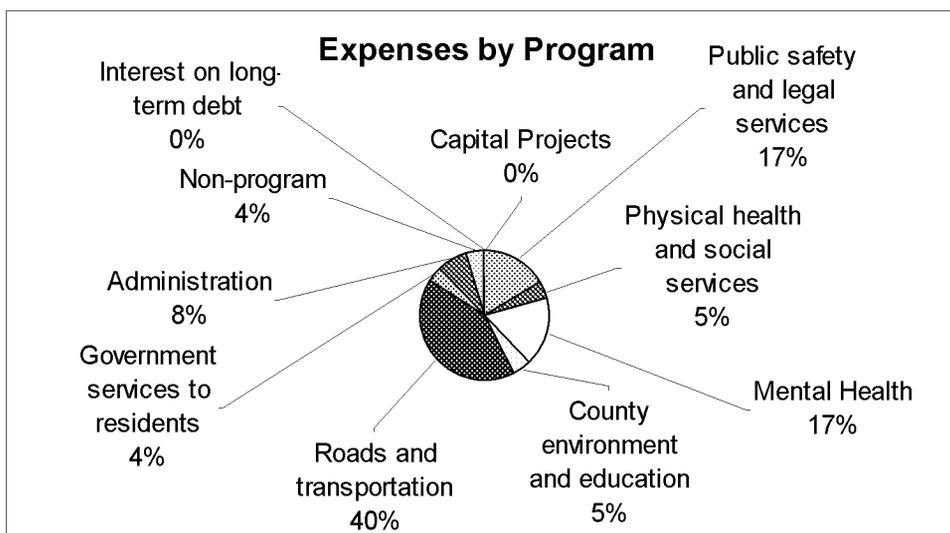
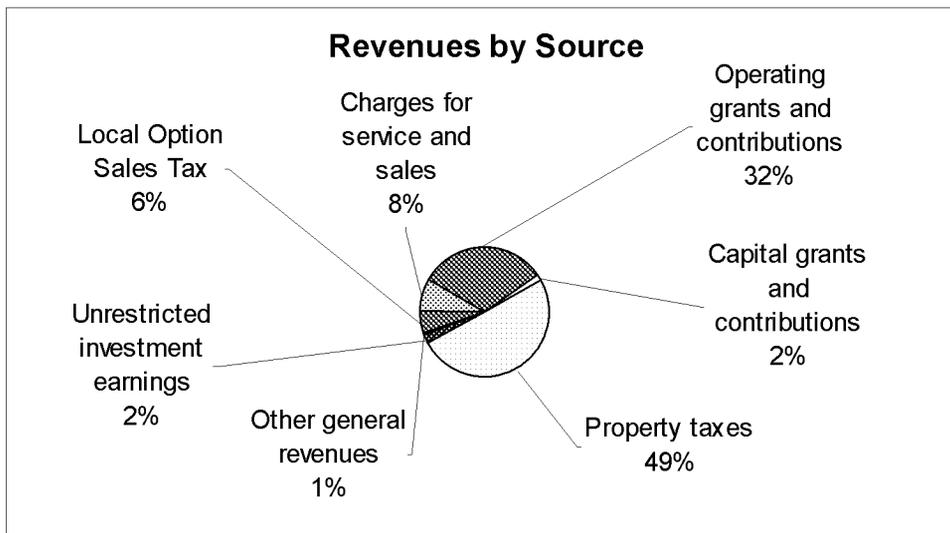
The County's combined net assets showed a 3.3% decrease from a year ago from \$39,562,891 to \$38,241,484. The largest portion of the County's net assets is the Invested in Capital Assets (that is, infrastructure, buildings and equipment). Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

The decrease in net assets of \$1,321,407 for governmental activities is mostly due to the following factors: Capital asset additions were lower in 2009 reflecting the fact that the county did not add any infrastructure projects. The county's net of capital asset additions/deletions was \$624,089, less than depreciation on all capital assets. These factors had a negative effect on net assets.

### **Changes in Net Assets of Governmental Activities**

<b>Revenues:</b>	<b>2009</b>	<b>2008</b>
<b>Program revenues:</b>		
Charges for Service	\$1,200,841	\$1,333,760
Operating grants and contributions	4,777,555	5,173,610
Capital grants and contributions	232,362	269,439
<b>General revenues:</b>		
Property taxes, penalties & tax credits	7,355,764	6,806,559
Unrestricted investment earnings	268,882	301,138
Local Option sales and services tax	826,757	890,372
Other general revenues	80,606	73,948
<b>Total Revenues</b>	<b>\$14,742,767</b>	<b>\$14,848,826</b>

	2009	2008
<b>Program expenses:</b>		
Public safety and legal services	\$2,666,551	\$2,474,698
Physical health and social services	736,945	725,840
Mental health	2,684,839	2,712,067
County environment and education	757,584	553,161
Roads and transportation	6,660,936	6,832,984
Government services to residents	615,608	507,359
Administration	1,242,924	1,188,811
Non-program	697,285	904,052
Interest on long-term debt	1,502	1,575
Capital Projects		
<b>Total expenses</b>	<b>\$16,064,174</b>	<b>\$15,900,547</b>
<b>Increase (decrease) in net assets</b>	<b>(1,321,407)</b>	<b>(1,051,721)</b>
<b>Net assets July 1, 2008</b>	<b>\$39,562,891</b>	<b>\$40,614,612</b>
<b>Net assets June 30, 2009</b>	<b>\$38,241,484</b>	<b>\$39,562,891</b>



## **THE COUNTY'S INDIVIDUAL MAJOR FUNDS**

As the County completed the year, its governmental funds reported combined fund balances of \$9,868,764. Revenue received in the County funds was \$175,290 less than was expended for the year. The following are the major reasons for the changes in fund balances for the year:

Expenditures in the General Fund increased \$372,720 from \$4,950,415 to \$5,323,135 when compared to the prior year. Revenues in the General Fund remained consistent, with the exception of property tax, which increased \$383,178 over 2008. The levy rate remained at 3.50 leaving the change attributable to the \$60,866,878 rise in valuations due to an equalization order on agricultural, residential and commercial property. The ending fund balance showed an increase from the prior year of \$178,517.

Mental Health revenues decreased from \$3,115,679 in 2008 to \$2,495,539. The state did not disburse Allowable Growth Factor monies to the county in fiscal year 2009. As the County budgeted for the year the levy was lowered from 1.67013 to 1.51851 as there was a \$597,777 balance in the fund at the end of 2008. Expenditures for the year totaled \$2,683,269 down \$33,730 from the year before. The Mental Health fund showed an ending fund balance decrease of \$187,730.

Rural Services Fund revenues did not meet expenditures due to the full transfer to the Secondary Roads Fund. The property tax levy remained at \$3.95 which is the maximum allowed. The ending fund balance showed a decrease of \$25,001 compared to 2008.

There were no major projects done in fiscal year 2009 through the Secondary Road Fund. Regular expenses for the fund are consistent with the previous year with continued repairs needed due to flooding and severe winter weather damage to the county road system. The Secondary Road fund balance at the end of the year decreased from \$3,367,892 to \$2,850,459.

The beginning balance in the Non-Major Governmental Funds was restated by \$130,000 to include Conservation Land Acquisition Funds that were invested outside of the county and not included in the prior year financial statement balances.

## **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 internal service and 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 a cash basis.

Over the course of the year, the County amended its operating budget one time. The amendment was made on May 28, 2009 and resulted in an increase to Roads & Transportation for repairs to flood damaged roads; and an increase to County Environment & Education for flood repair and development of conservation property, as well as other smaller changes. The amendment increased total budgeted disbursements for the County by \$1,901,429 and increased receipts by \$960,852. Disbursements did not exceed the amount budgeted in any County function at year end. However, disbursements in the Roads & Transportation function exceeded the amount budgeted prior to the budget amendment.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of FY09, the County had \$28,188,151 (net of accumulated depreciation) invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net decrease (including additions and deletions) of \$1,033,828. Depreciation expense for the year ended June 30, 2009 was \$1,657,917 and total accumulated depreciation as of June 30, 2009 was \$22,891,846.

### **Capital Assets, Net of Accumulated Depreciation**

	2009	2008
Land	\$897,924	\$887,924
Construction in progress	247,546	167,166
Buildings and Imp	3,911,807	3,897,075
Machinery & equip	1,753,681	1,910,291
Infrastructure	21,377,193	22,359,523
TOTALS	\$28,188,151	\$29,221,979

### **Debt**

At year-end, the County had \$413,202 in loans and other long term liabilities compared to \$393,499 a year ago, as shown below.

Annual payments continue to be made on the Intermediary Relending Program Loan from the USDA. In the year ended June 30, 2004 the County entered into an interest-free agreement with the Iowa Natural Heritage Foundation to purchase 51 acres of land for \$55,000. A final payment of \$21,000 was made in fiscal year 2009. Liability for Other Postemployment Benefits (OPEB) was added to the debt schedule in 2009 through the implementation of GASB Statement No. 45, (Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions). This reflects liability the county incurs from medical benefits provided for retirees.

### **Outstanding Debt at Year End**

	2009	2008
Intermediary Relending Program Loan	146,233	153,190
Compensated Absences	224,162	219,309
Net OPEB Liability	42,807	
Real Estate Purchase		21,000
TOTALS	413,202	393,499

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The County's elected and appointed officials and citizens considered many factors when setting the 2010 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. Amounts available for appropriation in the operating budget are \$15,239,074 compared to \$21,054,528 in 2009, a decrease of approximately 27.6% over the final 2009 budget. This decrease is due to a lower Capital Projects line item budget for the year.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Mahaska County, at 106 S. 1<sup>st</sup> St., Oskaloosa, IA 52577.

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## Basic Financial Statements

MAHASKA COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2009

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 10,117,733
Investments with fiscal agent	261,466
Receivables:	
Property tax:	
Delinquent	15,236
Succeeding year	7,007,000
Interest and penalty on property tax	69,711
Accounts	203,803
Accrued interest	173,150
Due from other governments	350,310
Loans receivable (note 4)	258,379
Inventories	355,053
Capital assets, net of accumulated depreciation (note 5)	<u>28,188,151</u>
 Total assets	 <u>46,999,992</u>
Liabilities	
Accounts payable	541,183
Salaries and benefits payable	193,360
Due to other governments (note 6)	318,028
Accrued interest payable	609
Incurred but not reported health claims (note 11)	182,485
Deferred revenue:	
Succeeding year property tax	7,007,000
Other	102,641
Long-term liabilities (note 7 and note 8):	
Portion due or payable within one year:	
Intermediary relending program loan	7,027
Compensated absences	224,162
Portion due or payable after one year:	
Intermediary relending program loan	139,206
Net OPEB liability	<u>42,807</u>
 Total liabilities	 <u>8,758,508</u>

MAHASKA COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2009

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets	\$ 28,188,151
Restricted for:	
Supplemental levy purposes	910,437
Mental health purposes	401,936
Rural services	391,909
Secondary roads	2,763,627
Cemetery levy	6,823
Other special revenue purposes	1,996,408
Unrestricted	<u>3,582,193</u>
Total net assets	<u>\$ 38,241,484</u>

See notes to financial statements.

MAHASKA COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 2,666,551	\$ 195,806	\$ 227,510	\$ -	\$ (2,243,235)
Physical health and social services	736,945	12,107	159,294	-	(565,544)
Mental health	2,684,839	65,495	1,207,814	-	(1,411,530)
County environment and education	757,584	75,759	331,774	15,000	(335,051)
Roads and transportation	6,660,936	463,170	2,827,404	183,709	(3,186,653)
Government services to residents	615,608	352,958	486	33,653	(228,511)
Administration	1,242,924	35,546	23,273	-	(1,184,105)
Non-program	697,285	-	-	-	(697,285)
Interest on long-term debt	1,502	-	-	-	(1,502)
Total	<u>\$ 16,064,174</u>	<u>\$ 1,200,841</u>	<u>\$ 4,777,555</u>	<u>\$ 232,362</u>	<u>(9,853,416)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					6,989,361
Penalty and interest on property tax					70,534
State tax credits					295,869
Local option sales and services tax					826,757
Unrestricted investment earnings					268,882
Miscellaneous					<u>80,606</u>
Total general revenues					<u>8,532,009</u>
Change in net assets					(1,321,407)
Net assets beginning of year, as restated (note 15)					<u>39,562,891</u>
Net assets end of year					<u>\$ 38,241,484</u>

See notes to financial statements.

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MAHASKA COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 4,274,323	\$ 792,718	\$ 420,507	\$ 2,625,839
Investments held by fiscal agent	-	-	-	-
Receivables:				
Property tax:				
Delinquent	9,369	2,730	3,137	-
Succeeding year	3,999,000	1,166,000	1,842,000	-
Interest and penalty on property tax	69,711	-	-	-
Accounts	88,627	66,606	-	23,584
Accrued interest	145,112	-	-	-
Due from other governments	17,741	-	-	207,449
Loans receivable (note 4)	-	-	-	-
Inventories	-	-	-	355,053
<b>Total assets</b>	<b>\$ 8,603,883</b>	<b>\$ 2,028,054</b>	<b>\$ 2,265,644</b>	<b>\$ 3,211,925</b>

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,485,281	\$ 9,598,668
261,466	261,466
-	15,236
-	7,007,000
-	69,711
1,477	180,294
28,038	173,150
125,120	350,310
258,379	258,379
-	355,053
<u>\$ 2,159,761</u>	<u>\$ 18,269,267</u>

MAHASKA COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 100,759	\$ 126,458	\$ 218	\$ 297,237
Salaries and benefits payable	111,796	9,774	7,561	64,229
Due to other governments (note 6)	4,746	313,282	-	-
Deferred revenue:				
Succeeding year property tax	3,999,000	1,166,000	1,842,000	-
Other	77,428	2,493	2,632	-
<b>Total liabilities</b>	<b>4,293,729</b>	<b>1,618,007</b>	<b>1,852,411</b>	<b>361,466</b>
<b>Fund balances:</b>				
Reserved for:				
Inventories	-	-	-	355,053
Supplemental levy purposes	927,887	-	-	-
Cemetery levy	6,812	-	-	-
Revolving loan	-	-	-	-
Unreserved:				
Designated for:				
Mapping	15,000	-	-	-
Technology	35,000	-	-	-
Maintenance for courthouse building and grounds	200,000	-	-	-
Future conservation nature center	20,000	-	-	-
Undesignated, reported in:				
General fund	3,105,455	-	-	-
Special revenue funds	-	410,047	413,233	2,495,406
<b>Total fund balances</b>	<b>4,310,154</b>	<b>410,047</b>	<b>413,233</b>	<b>2,850,459</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,603,883</b>	<b>\$ 2,028,054</b>	<b>\$ 2,265,644</b>	<b>\$ 3,211,925</b>

See notes to financial statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 16,511	\$ 541,183
-	193,360
-	318,028
-	7,007,000
258,379	340,932
<u>274,890</u>	<u>8,400,503</u>
-	355,053
-	927,887
-	6,812
341,474	341,474
-	15,000
-	35,000
-	200,000
-	20,000
-	3,105,455
1,543,397	4,862,083
<u>1,884,871</u>	<u>9,868,764</u>
<u>\$ 2,159,761</u>	<u>\$ 18,269,267</u>

## MAHASKA COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2009

Total fund balances of governmental funds	\$ 9,868,764
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$51,079,997 and the accumulated depreciation is \$22,891,846.	28,188,151
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	340,932
The Internal Service Fund is used by management to charge the costs of the 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.	257,448
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(609)
Long-term liabilities, including loans payable, compensated absences payable, and net OPEB liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(413,202)</u>
Net assets of governmental activities	<u>\$ 38,241,484</u>
See notes to financial statements.	

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MAHASKA COUNTY

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

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other County tax	\$ 4,037,671	\$ 1,172,866	\$ 1,777,024	\$ -
Interest and penalty on property tax	65,469	-	-	-
Intergovernmental	585,976	1,257,178	96,022	3,135,158
Licenses and permits	1,844	-	14,000	5,150
Charges for service	509,762	-	100	100
Use of money and property	354,537	-	-	-
Miscellaneous	82,673	65,495	-	333,875
Total revenues	<u>5,637,932</u>	<u>2,495,539</u>	<u>1,887,146</u>	<u>3,474,283</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	2,394,879	-	233,987	-
Physical health and social services	647,949	-	83,932	-
Mental health	-	2,683,269	-	-
County environment and education	454,930	-	174,093	-
Roads and transportation	-	-	3,639	5,537,301
Government services to residents	566,964	-	-	-
Administration	1,257,768	-	7,191	-
Non-program	645	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>5,323,135</u>	<u>2,683,269</u>	<u>502,842</u>	<u>5,537,301</u>
Excess (deficiency) of revenues over (under) expenditures	314,797	(187,730)	1,384,304	(2,063,018)
<b>Other financing sources (uses):</b>				
Interfund transfers in (note 3)	-	-	-	1,545,585
Interfund transfers out (note 3)	(136,280)	-	(1,409,305)	-
Total other financing sources (uses)	<u>(136,280)</u>	<u>-</u>	<u>(1,409,305)</u>	<u>1,545,585</u>
Net change in fund balances	178,517	(187,730)	(25,001)	(517,433)
Fund balances beginning of year, as restated (note 15)	<u>4,131,637</u>	<u>597,777</u>	<u>438,234</u>	<u>3,367,892</u>
Fund balances end of year	<u>\$ 4,310,154</u>	<u>\$ 410,047</u>	<u>\$ 413,233</u>	<u>\$ 2,850,459</u>

See notes to financial statements.

Nonmajor Governmental		
<u>Funds</u>		<u>Total</u>
\$ 826,757	\$	7,814,318
-		65,469
84,500		5,158,834
-		20,994
42,489		552,451
68,529		423,066
181,245		663,288
<u>1,203,520</u>		<u>14,698,420</u>
2,416		2,631,282
-		731,881
-		2,683,269
119,617		748,640
-		5,540,940
-		566,964
-		1,264,959
696,640		697,285
8,490		8,490
<u>827,163</u>		<u>14,873,710</u>
376,357		(175,290)
-		1,545,585
-		(1,545,585)
<u>-</u>		<u>-</u>
376,357		(175,290)
<u>1,508,514</u>		<u>10,044,054</u>
<u>\$ 1,884,871</u>	<u>\$</u>	<u>9,868,764</u>

MAHASKA COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

Net change in fund balances - total governmental funds \$ (175,290)

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

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

Expenditures for capital assets	\$ 575,436	
Capital assets contributed by others	48,653	
Depreciation expense	<u>(1,657,917)</u>	(1,033,828)

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

Property tax	1,800	
Loan payments	(39,674)	
Other	<u>5,065</u>	(32,809)

Payments by other entities to retire long-term liabilities are not recorded in  
governmental funds. However, the payments are recorded as revenues in  
the Statement of Activities to offset the long-term liability retired. 21,000

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the Statement of  
Net Assets. 6,957

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

Compensated absences	(4,853)	
Net OPEB liability	(42,807)	
Interest on long-term debt	<u>31</u>	(47,629)

MAHASKA COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

The Internal Service Fund is used by management to charge the costs of the self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

\$ (59,808)

Change in net assets of governmental activities

\$ (1,321,407)

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 519,065
Accounts receivable	<u>23,509</u>
Total assets	<u>542,574</u>
Liabilities	
Incurred but not reported health claims (note 11)	182,485
Deferred revenue	<u>102,641</u>
Total liabilities	<u>285,126</u>
Net Assets	
Unrestricted	<u><u>\$ 257,448</u></u>

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Charges to County operating funds and others	\$ 1,494,419
Stop loss insurance reimbursements	<u>125,185</u>
Total operating revenues	<u>1,619,604</u>
Operating expenses:	
Medical claims	1,380,337
Insurance premiums	255,508
Administrative fees	33,595
Miscellaneous	<u>17,475</u>
Total operating expenses	<u>1,686,915</u>
Operating loss	(67,311)
Non-operating revenues:	
Interest on investments	<u>7,503</u>
Net loss	(59,808)
Net assets beginning of year	<u>317,256</u>
Net assets end of year	<u>\$ 257,448</u>

See notes to financial statements.

MAHASKA COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2009

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from charges to operating funds and others	\$ 1,498,153
Cash received from stop loss reimbursements	136,284
Cash payments to suppliers for services	<u>(1,654,430)</u>
Net cash used by operating activities	<u>(19,993)</u>
Cash flows from investing activities:	
Interest on investments	<u>7,503</u>
Net decrease in cash and cash equivalents	(12,490)
Cash and cash equivalents beginning of year	<u>531,555</u>
Cash and cash equivalents end of year	<u>\$ 519,065</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (67,311)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	11,099
Increase in incurred but not reported health claims	32,485
Increase in deferred revenue	<u>3,734</u>
Net cash used by operating activities	<u>\$ (19,993)</u>

See notes to financial statements.

MAHASKA COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2009

Assets

Cash and pooled investments:		
County Treasurer	\$	1,600,345
Other County officials		120,686
Receivables:		
Property tax:		
Delinquent		54,368
Succeeding year		20,848,000
Accounts		28,287
Accrued interest		14,362
Due from other governments		<u>33,049</u>
 Total assets	 \$	 <u><u>22,699,097</u></u>

Liabilities

Accounts payable	\$	57,334
Salaries and benefits payable		27,364
Due to other governments (note 6)		22,497,563
Trusts payable		73,968
Compensated absences		<u>42,868</u>
 Total liabilities	 \$	 <u><u>22,699,097</u></u>

See notes to financial statements.

## MAHASKA COUNTY

### NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2009

#### Note 1. Summary of Significant Accounting Policies

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

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

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

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

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

Three drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Mahaska County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the drainage districts can be obtained from the Mahaska County Auditor's office. The drainage districts had no assets or liabilities at June 30, 2009.

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

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, 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 nonmajor governmental funds.

The County reports the following major governmental funds:

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

Special Revenue:

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

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

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

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

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used 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.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% 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 – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

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

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

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

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

MAHASKA COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

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

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

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

Deferred revenue in the proprietary fund consists of prepaid health insurance charges.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and health insurance charges that will not be recognized as revenue until the year for which the related premiums are due.

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

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

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. 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, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the 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 absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2009 consists of \$6,471,140.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the roads and transportation function prior to the amendment of the County budget. Disbursements in the courthouse annex, public health nursing, and correctional services departments exceeded the amounts appropriated prior to the amendment of the County appropriations.

Note 2. Cash and Pooled 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. The 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.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 2. Cash and Pooled Investments (continued)

During the two years ended June 30, 2009, the County transferred a total of \$252,716 received by the County through an estate bequest to a local non-profit organization (Foundation). At June 30, 2009, the carrying amount and fair value was \$261,466. The Foundation holds investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 136,280
	Special Revenue: Rural Services	<u>1,409,305</u>
		<u>\$ 1,545,585</u>

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

Note 4. Loans Receivable

The County has \$599,853 available to use for revolving loans for economic development within the County, of which \$258,379 was loaned at June 30, 2009. The original amounts were previously provided through a Community Development Block Grant and a Community Economic Betterment Account Grant. Additional amounts were made available through an Intermediary Relending Program Loan (see note 7). The County may make new loans from repayments of both principal and interest. As of June 30, 2009, there were six outstanding loans. All payments are current.

Mahaska Community Development Group – 5% interest loan payable in monthly installments of \$384.97, including interest.

Pro-Line Company, Inc. – 3.9% interest loan payable in monthly installments of \$3,677, including interest.

Beyond Elegance – 4% loan payable in monthly installments of \$818.07, including interest, with an \$80,124 balloon payment on April 1, 2016.

Randau Family Agency – 4% interest loan payable in monthly installments of \$184.92, including interest.

Limo 4 U – 5.75% interest loan payable in monthly installments of \$111.57, including interest.

Town and Country Landscaping – 4% interest loan payable in monthly installments of \$111.37, including interest.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 4. Loans Receivable (continued)

The following is a schedule of payments showing amounts to be collected over the life of the loans:

Year Ending June 30,	Mahaska Community Development Group	Pro-Line Company	Beyond Elegance	Randau Family Agency
2010	\$ 4,620	\$ 44,125	\$ 9,817	\$ 2,219
2011	4,620	3,677	9,817	2,219
2012	4,620	-	9,817	2,219
2013	4,620	-	9,817	2,219
2014	4,620	-	9,817	2,219
2015-2019	23,098	-	98,121	11,095
2020-2024	23,098	-	-	4,993
2025-2027	12,703	-	-	-
	<u>\$ 81,999</u>	<u>\$ 47,802</u>	<u>\$ 147,206</u>	<u>\$ 27,183</u>

Year Ending June 30,	Limo 4 U	Town and Country Landscaping	Less: Amount Representing Interest	Total
2010	\$ 1,339	\$ 1,336	\$ (9,957)	\$ 53,499
2011	1,339	1,336	(8,445)	14,563
2012	1,339	1,336	(7,959)	11,372
2013	1,339	1,336	(7,440)	11,891
2014	892	1,336	(6,912)	11,972
2015-2019	-	6,462	(18,084)	120,692
2020-2024	-	-	(5,540)	22,551
2025-2027	-	-	(864)	11,839
	<u>\$ 6,248</u>	<u>\$ 13,142</u>	<u>\$ (65,201)</u>	<u>\$ 258,379</u>

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 887,924	\$ 10,000	\$ -	\$ 897,924
Construction in progress	167,166	80,380	-	247,546
Total capital assets not being depreciated	<u>1,055,090</u>	<u>90,380</u>	<u>-</u>	<u>1,145,470</u>
Capital assets being depreciated:				
Buildings	7,787,047	175,000	-	7,962,047
Machinery and equipment	6,526,837	452,436	187,768	6,791,505
Infrastructure	35,180,975	-	-	35,180,975
Total capital assets being depreciated	<u>49,494,859</u>	<u>627,436</u>	<u>187,768</u>	<u>49,934,527</u>
Less accumulated depreciation for:				
Buildings	3,889,972	160,268	-	4,050,240
Machinery and equipment	4,616,546	515,319	94,041	5,037,824
Infrastructure	12,821,452	982,330	-	13,803,782
Total accumulated depreciation	<u>21,327,970</u>	<u>1,657,917</u>	<u>94,041</u>	<u>22,891,846</u>
Total capital assets being depreciated, net	<u>28,166,889</u>	<u>(1,030,481)</u>	<u>93,727</u>	<u>27,042,681</u>
Governmental activities capital assets, net	<u>\$ 29,221,979</u>	<u>\$ (940,101)</u>	<u>\$ 93,727</u>	<u>\$ 28,188,151</u>

MAHASKA COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended June 30, 2009

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	62,412
Physical health and social services		3,230
County environment and education		43,396
Roads and transportation		1,348,462
Government services to residents		48,449
Administration		<u>151,968</u>
Total depreciation expense - governmental activities	\$	<u><u>1,657,917</u></u>

Note 6. Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 4,746
Special Revenue:		
Mental Health		<u>313,282</u>
Total for governmental funds		\$ <u><u>318,028</u></u>
Agency:		
County Hospital	Collections	\$ 1,858,439
Stephens Memorial Animal Shelter		460,601
County Assessor		529,879
Corporations		5,120,895
Schools		12,670,813
Area Schools		723,731
Auto License and Use Tax		457,906
All Other		<u>675,299</u>
Total for agency funds		\$ <u><u>22,497,563</u></u>

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 7. Long-Term Liabilities

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

	Intermediary Relending Program Loan	Real Estate Purchase Agreement	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 153,190	\$ 21,000	\$ 219,309	\$ -	\$ 393,499
Increases	-	-	224,162	42,807	266,969
Decreases	6,957	21,000	219,309	-	247,266
Balance end of year	<u>\$ 146,233</u>	<u>\$ -</u>	<u>\$ 224,162</u>	<u>\$ 42,807</u>	<u>\$ 413,202</u>
Due within one year	<u>\$ 7,027</u>	<u>\$ -</u>	<u>\$ 224,162</u>	<u>\$ -</u>	<u>\$ 231,189</u>

Intermediary Relending Program Loan

In January 1998, the County entered into an agreement with the U.S. Department of Agriculture whereby the County will receive up to \$200,000 through the Intermediary Relending Program. The money will be relented by the County to eligible local businesses for the purpose of economic development. The County must first repay the loan to the Department of Agriculture, interest only, at a fixed rate of 1% per annum, for the first three years, with subsequent payment of principal and interest in 27 equal annual amortized installments beginning on the fourth anniversary of the date the County began the program.

Details of the County's June 30, 2009 intermediary relending program loan indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 7,027	\$ 1,462	\$ 8,489
2011	7,097	1,392	8,489
2012	7,168	1,321	8,489
2013	7,240	1,249	8,489
2014	7,312	1,177	8,489
2015-2019	37,672	4,773	42,445
2020-2024	39,593	2,852	42,445
2025-2028	33,124	832	33,956
	<u>\$ 146,233</u>	<u>\$ 15,058</u>	<u>\$ 161,291</u>

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 8. Other Postemployment Benefits (OPEB)

Mahaska County prospectively implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description – The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 101 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage, which is a self-funded medical plan, is administered by Auxiant. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 51,338
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>51,338</u>
Contributions made	<u>8,531</u>
Increase in net OPEB obligation	42,807
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 42,807</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year. The County did not comply with GASB Statement No. 45 requirements related to the timing of the actuarial report.

For the year ended June 30, 2009, the County contributed \$8,531 to the medical plan.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 8. Other Postemployment Benefits (OPEB) (continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 51,338	16.6%	\$ 42,807

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$444,931, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$444,931. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,240,915 and the ratio of the UAAL to covered payroll was 10.5%. As of June 30, 2009, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$580 per month for retirees less than age 55, \$754 per month for retirees between the ages of 55 and 59, and \$928 per month for retirees between the ages of 60 and 64. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 9. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$284,486, \$252,641 and \$235,087, respectively, equal to the required contributions for each year.

Note 10. Risk Management

Mahaska 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 with ten member Counties throughout the State of Iowa. The Pool was formed in July 1987 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, and workers' compensation. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2009 were \$369,999.

Initial risk of loss is retained by the Pool. The risk pool is reinsured through commercial companies for 100% of claims in excess of \$400,000 per occurrence for general, automobile, law enforcement and public officials liabilities, \$750,000 per occurrence for workers compensation, and \$100,000 per occurrence for property losses. The risk pool fund includes reserves established to account for the liability for claims reported but not yet paid. A liability is also factored in for claims incurred but not reported (referred to as IBNR claims). As of June 30, 2009, the Pool maintained a surplus over the reserves and IBNR claims.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 10. 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 certificate, 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 of reinsurance or excess risk-sharing 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 since the pool's inception.

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

Note 11. Employee Health Insurance Plan

The Mahaska County Employee Group Health Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is administered through a service agreement with Auxiant. The agreement, which was effective July 1, 2006, is subject to automatic renewal provisions.

The County purchased commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$45,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in the 2009 fiscal plan year.

Monthly payments of service fees and plan contributions to the Mahaska County Employee Group Health 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 One Bank, trustee for the plan, from the Mahaska County Employee Group Health Fund. The trustee administers the funds of the plan in accordance with the provision of a trust agreement entered into by Mahaska County and MidWest One Bank. The County records the plan assets and related liabilities of the Mahaska County Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2009 was \$1,494,419.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 11. Employee Health Insurance Plan (continued)

Amounts payable from the Employee Group Health Fund at June 30, 2009 total \$182,485, which is for incurred but not reported (IBNR) and reported but not paid 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. That reserve was \$257,448 at June 30, 2009 and is reported as net assets of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 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. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims at July 1, 2008	\$ 150,000
Incurred claims (including claims incurred but not reported at June 30, 2009)	1,380,337
Payments	<u>1,347,852</u>
Unpaid claims at June 30, 2009	<u>\$ 182,485</u>

Note 12. Construction Commitment

The County has entered into various contracts totaling \$4,919,058 for bridge construction and roadway paving. As of June 30, 2009, costs of \$247,546 have been incurred against the contracts. The balance remaining at June 30, 2009 of \$4,671,512 will be paid as work on the projects progresses.

Note 13. Mahaska County Care Facility

The Mahaska County Care Facility is managed and operated by Country Life Health Care, Inc. The County is leasing the Care Facility site to Country Life Health Care, Inc. for a one year period which ends June 30, 2009. The County provides financial support for the operation of the Care Facility. The lease is reviewed on an annual basis and has been renewed for the upcoming year.

Note 14. Contingent Liabilities

Hospital Revenue Bonds

The County Hospital has issued Hospital Revenue Bonds in accordance with Chapters 331.402, 384.24A, and 331.443 of the Code of Iowa. These bonds are payable primarily from revenue generated by the Hospital, which has agreed to maintain rates which will generate sufficient revenues to make all principal and interest payments. The County itself is only liable upon default on the issue by the County Hospital.

Lawsuit

The County is the defendant in an ongoing lawsuit. The case has not gone to trial yet and the outcome can not be determined at this time. The County's insurance carrier is providing coverage for the lawsuit.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2009

Note 15. Restatement of Beginning Balances

The beginning balances of the governmental activities and nonmajor Special Revenue, Conservation Land Acquisition Fund have been restated to properly include investments held by the Greater Des Moines Community Foundation as shown below.

	<u>Governmental Activities</u>	<u>Conservation Land Acquisition Fund</u>
Beginning net assets or fund balance, as previously reported	\$ 39,432,891	\$ 179,088
Adjustments:		
Unrecorded investments	<u>130,000</u>	<u>130,000</u>
Beginning net assets or fund balance, as restated	<u>\$ 39,562,891</u>	<u>\$ 309,088</u>

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Required Supplementary Information

MAHASKA COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds  
 Required Supplementary Information  
 Year Ended June 30, 2009

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 7,823,463	\$ 8,216,038	\$ 8,218,818	\$ (395,355)
Interest and penalty on property tax	64,891	9,700	37,746	27,145
Intergovernmental	5,308,050	8,549,962	8,900,220	(3,592,170)
Licenses and permits	20,944	22,350	23,500	(2,556)
Charges for service	640,578	534,210	673,753	(33,175)
Use of money and property	337,615	513,259	551,453	(213,838)
Miscellaneous	685,955	336,150	737,031	(51,076)
Total receipts	<u>14,881,496</u>	<u>18,181,669</u>	<u>19,142,521</u>	<u>(4,261,025)</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	2,698,096	2,669,568	2,801,824	103,728
Physical health and social services	694,274	858,937	930,982	236,708
Mental health	2,658,116	2,687,919	2,818,249	160,133
County environment and education	727,480	741,318	1,047,466	319,986
Roads and transportation	5,969,899	4,764,000	6,020,380	50,481
Government services to residents	566,369	619,435	619,435	53,066
Administration	1,281,814	1,419,732	1,424,002	142,188
Non-program	836,204	1,048,300	1,048,300	212,096
Debt service	8,490	8,490	8,490	-
Capital projects	21,773	4,335,400	4,335,400	4,313,627
Total disbursements	<u>15,462,515</u>	<u>19,153,099</u>	<u>21,054,528</u>	<u>5,592,013</u>
Excess (deficiency) of receipts over (under) disbursements	(581,019)	(971,430)	(1,912,007)	1,330,988
Balance beginning of year, as restated	<u>10,441,153</u>	<u>9,188,748</u>	<u>9,188,748</u>	<u>1,252,405</u>
Balance end of year	<u>\$ 9,860,134</u>	<u>\$ 8,217,318</u>	<u>\$ 7,276,741</u>	<u>\$ 2,583,393</u>

See accompanying independent auditor's report.

MAHASKA COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,881,496	\$ (183,076)	\$ 14,698,420
Expenditures	15,462,515	(588,805)	14,873,710
Net	(581,019)	405,729	(175,290)
Beginning fund balances, as restated	10,441,153	(397,099)	10,044,054
Ending fund balances	<u>\$ 9,860,134</u>	<u>\$ 8,630</u>	<u>\$ 9,868,764</u>

See accompanying independent auditor's report.

MAHASKA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
June 30, 2009

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$1,901,429. This budget amendment is 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.

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the roads and transportation function prior to the amendment of the County budget. Disbursements in three departments also exceeded the amounts appropriated prior to the amendment of the County appropriations.

MAHASKA COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
 Required Supplementary Information  
 Year Ended June 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
July 1, 2009	\$ -	\$ 444,931	\$ 444,931	0.0%	\$ 4,240,915	10.5%

See note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

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## Other Supplementary Information

MAHASKA COUNTY

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2009

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Land Acquisition
<b>Assets</b>				
Cash and pooled investments	\$ 22,504	\$ 18	\$ 70,566	\$ 221,870
Investments held by fiscal agent	-	-	-	261,466
Receivables:				
Accounts	1,187	-	-	290
Accrued interest	486	1	1,682	-
Due from other governments	-	-	-	-
Loans receivable	-	-	-	-
	<hr/>			
Total assets	\$ <u>24,177</u>	\$ <u>19</u>	\$ <u>72,248</u>	\$ <u>483,626</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 16,511
Deferred revenue:				
Other	-	-	-	-
Total liabilities	<hr/> -	<hr/> -	<hr/> -	<hr/> 16,511
<b>Fund balances:</b>				
Reserved for:				
Revolving loan	-	-	-	-
Unreserved	24,177	19	72,248	467,115
Total fund balances	<hr/> 24,177	<hr/> 19	<hr/> 72,248	<hr/> 467,115
	<hr/>			
Total liabilities and fund balances	\$ <u>24,177</u>	\$ <u>19</u>	\$ <u>72,248</u>	\$ <u>483,626</u>

See accompanying independent auditor's report.

<u>Revolving Loan</u>	<u>Local Option Sales and Services Tax Revenue</u>	<u>Law Enforcement Center Improvement</u>	<u>County Sheriff's Forfeiture</u>	<u>Total</u>
\$ 334,167	\$ 5,000	\$ 809,204	\$ 21,952	\$ 1,485,281
-	-	-	-	261,466
-	-	-	-	1,477
7,307	-	18,562	-	28,038
-	125,120	-	-	125,120
258,379	-	-	-	258,379
<u>\$ 599,853</u>	<u>\$ 130,120</u>	<u>\$ 827,766</u>	<u>\$ 21,952</u>	<u>\$ 2,159,761</u>
\$ -	\$ -	\$ -	\$ -	16,511
258,379	-	-	-	258,379
258,379	-	-	-	274,890
341,474	-	-	-	341,474
-	130,120	827,766	21,952	1,543,397
341,474	130,120	827,766	21,952	1,884,871
<u>\$ 599,853</u>	<u>\$ 130,120</u>	<u>\$ 827,766</u>	<u>\$ 21,952</u>	<u>\$ 2,159,761</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2009

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Land Acquisition
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	19,682	14,143
Charges for service	4,250	-	-	38,239
Use of money and property	486	-	1,682	28,824
Miscellaneous	-	-	-	166,567
Total revenues	<u>4,736</u>	<u>-</u>	<u>21,364</u>	<u>247,773</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	18,871	89,746
Non-program	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>18,871</u>	<u>89,746</u>
Excess of revenues over expenditures	4,736	-	2,493	158,027
Fund balances beginning of year, as restated	<u>19,441</u>	<u>19</u>	<u>69,755</u>	<u>309,088</u>
Fund balances end of year	<u>\$ 24,177</u>	<u>\$ 19</u>	<u>\$ 72,248</u>	<u>\$ 467,115</u>

See accompanying independent auditor's report.

<u>Revolving Loan</u>	<u>Local Option Sales and Services Tax Revenue</u>	<u>Law Enforcement Center Improvement</u>	<u>County Sheriff's Forfeiture</u>	<u>Total</u>
\$ -	\$ 826,757	\$ -	\$ -	\$ 826,757
50,675	-	-	-	84,500
-	-	-	-	42,489
18,974	-	18,563	-	68,529
-	-	-	14,678	181,245
<u>69,649</u>	<u>826,757</u>	<u>18,563</u>	<u>14,678</u>	<u>1,203,520</u>
-	-	-	2,416	2,416
11,000	-	-	-	119,617
-	696,640	-	-	696,640
8,490	-	-	-	8,490
<u>19,490</u>	<u>696,640</u>	<u>-</u>	<u>2,416</u>	<u>827,163</u>
50,159	130,117	18,563	12,262	376,357
<u>291,315</u>	<u>3</u>	<u>809,203</u>	<u>9,690</u>	<u>1,508,514</u>
<u>\$ 341,474</u>	<u>\$ 130,120</u>	<u>\$ 827,766</u>	<u>\$ 21,952</u>	<u>\$ 1,884,871</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2009

	County Offices			City Special Assessments
	County Auditor	County Recorder	County Sheriff	
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	987
Other County officials	7,500	46,997	66,189	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	284	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 7,500</b>	<b>\$ 47,281</b>	<b>\$ 66,189</b>	<b>\$ 987</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 34,492	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	12,789	-	987
Trusts payable	7,500	-	66,189	-
Compensated absences	-	-	-	-
<b>Total liabilities</b>	<b>\$ 7,500</b>	<b>\$ 47,281</b>	<b>\$ 66,189</b>	<b>\$ 987</b>

<u>Emergency Management Services</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Stephens Memorial Animal Shelter</u>	<u>County Assessor</u>	<u>Townships</u>
\$ 3,965	\$ 39	\$ 2,401	\$ 26,157	\$ 457,534	\$ 203,510	\$ 4,065
-	-	-	-	-	-	-
-	6	415	4,282	-	781	464
-	2,000	177,000	1,828,000	-	334,000	276,000
-	-	-	-	1,003	-	-
-	-	-	-	10,321	-	-
25,441	-	-	-	-	-	-
<u>\$ 29,406</u>	<u>\$ 2,045</u>	<u>\$ 179,816</u>	<u>\$ 1,858,439</u>	<u>\$ 468,858</u>	<u>\$ 538,291</u>	<u>\$ 280,529</u>
\$ 206	\$ -	\$ -	\$ -	\$ 2,242	\$ 2	\$ -
1,037	-	-	-	4,766	5,343	-
28,163	2,045	179,816	1,858,439	460,601	529,879	280,529
-	-	-	-	-	-	-
-	-	-	-	1,249	3,067	-
<u>\$ 29,406</u>	<u>\$ 2,045</u>	<u>\$ 179,816</u>	<u>\$ 1,858,439</u>	<u>\$ 468,858</u>	<u>\$ 538,291</u>	<u>\$ 280,529</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2009

	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Lynndana Sanitary Sewer District</u>
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 64,258	\$ 163,721	\$ 9,040	\$ 4
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	16,637	30,092	1,691	-
Succeeding year	5,040,000	12,477,000	713,000	1,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 5,120,895</u>	<u>\$ 12,670,813</u>	<u>\$ 723,731</u>	<u>\$ 1,004</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	5,120,895	12,670,813	723,731	1,004
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$ 5,120,895</u>	<u>\$ 12,670,813</u>	<u>\$ 723,731</u>	<u>\$ 1,004</u>

See accompanying independent auditor's report.

<u>Auto License and Use Tax</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>E-911</u>	<u>Bankruptcy Trust</u>	<u>Unclaimed Property</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 477,570	\$ 30	\$ 186,422	\$ 84	\$ 195	\$ 363	\$ 1,600,345
-	-	-	-	-	-	120,686
-	-	-	-	-	-	54,368
-	-	-	-	-	-	20,848,000
-	-	26,545	-	-	455	28,287
-	-	4,041	-	-	-	14,362
-	-	7,608	-	-	-	33,049
<u>\$ 477,570</u>	<u>\$ 30</u>	<u>\$ 224,616</u>	<u>\$ 84</u>	<u>\$ 195</u>	<u>\$ 818</u>	<u>\$ 22,699,097</u>
\$ 19,664	\$ -	\$ 728	\$ -	\$ -	\$ -	\$ 57,334
-	-	16,218	-	-	-	27,364
457,906	30	169,118	-	-	818	22,497,563
-	-	-	84	195	-	73,968
-	-	38,552	-	-	-	42,868
<u>\$ 477,570</u>	<u>\$ 30</u>	<u>\$ 224,616</u>	<u>\$ 84</u>	<u>\$ 195</u>	<u>\$ 818</u>	<u>\$ 22,699,097</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2009

	County Offices			City Special Assessments
	County Auditor	County Recorder	County Sheriff	
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 7,500	\$ 53,813	\$ 57,683	\$ 210
Additions:				
Property and other County tax	-	-	-	-
E-911 surcharge	-	-	-	-
E-911 local contributions	-	-	-	-
State tax credits	-	-	-	-
Federal grants	-	-	-	-
Office fees and collections	2,771	285,997	124,883	-
Drivers license fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Interest	-	-	-	-
Assessments	-	-	-	19,631
Trusts	-	-	407,438	-
Miscellaneous	-	-	-	-
Total additions	<u>2,771</u>	<u>285,997</u>	<u>532,321</u>	<u>19,631</u>
Deductions:				
Agency remittances:				
To other funds	2,771	132,841	125,661	-
To other governments	-	159,688	3,157	18,854
Trusts paid out	-	-	394,997	-
Total deductions	<u>2,771</u>	<u>292,529</u>	<u>523,815</u>	<u>18,854</u>
Balances end of year	\$ <u>7,500</u>	\$ <u>47,281</u>	\$ <u>66,189</u>	\$ <u>987</u>

<u>Emergency Management Services</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Stephens Memorial Animal Shelter</u>	<u>County Assessor</u>	<u>Townships</u>
\$ 11,703	\$ 3,037	\$ 169,294	\$ 1,849,115	\$ 277,353	\$ 393,711	\$ 262,444
-	1,711	178,378	1,840,151	-	335,826	282,157
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	114	7,084	77,174	-	10,546	11,675
31,943	-	-	-	-	-	-
-	-	-	-	-	361	-
-	-	-	-	-	-	-
-	-	-	-	10,321	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
35,500	-	-	-	353,167	-	-
<u>67,443</u>	<u>1,825</u>	<u>185,462</u>	<u>1,917,325</u>	<u>363,488</u>	<u>346,733</u>	<u>293,832</u>
-	-	-	-	-	-	-
49,740	2,817	174,940	1,908,001	171,983	202,153	275,747
-	-	-	-	-	-	-
<u>49,740</u>	<u>2,817</u>	<u>174,940</u>	<u>1,908,001</u>	<u>171,983</u>	<u>202,153</u>	<u>275,747</u>
\$ <u>29,406</u>	\$ <u>2,045</u>	\$ <u>179,816</u>	\$ <u>1,858,439</u>	\$ <u>468,858</u>	\$ <u>538,291</u>	\$ <u>280,529</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2009

	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Lynndana Sanitary Sewer District</u>	<u>Auto License and Use Tax</u>
<b>ASSETS AND LIABILITIES</b>					
Balances beginning of year	\$ 5,397,117	\$ 11,781,356	\$ 632,487	\$ 1,004	\$ 414,080
<b>Additions:</b>					
Property and other County tax	4,872,775	12,513,121	717,960	1,025	-
E-911 surcharge	-	-	-	-	-
E-911 local contributions	-	-	-	-	-
State tax credits	198,205	488,179	26,442	48	-
Federal grants	-	-	-	-	-
Office fees and collections	-	-	-	-	-
Drivers license fees	-	-	-	-	162,079
Auto licenses, use tax and postage	-	-	-	-	4,992,722
Interest	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	<u>5,070,980</u>	<u>13,001,300</u>	<u>744,402</u>	<u>1,073</u>	<u>5,154,801</u>
<b>Deductions:</b>					
<b>Agency remittances:</b>					
To other funds	-	-	-	-	283,139
To other governments	5,347,202	12,111,843	653,158	1,073	4,808,172
Trusts paid out	-	-	-	-	-
Total deductions	<u>5,347,202</u>	<u>12,111,843</u>	<u>653,158</u>	<u>1,073</u>	<u>5,091,311</u>
Balances end of year	<u>\$ 5,120,895</u>	<u>\$ 12,670,813</u>	<u>\$ 723,731</u>	<u>\$ 1,004</u>	<u>\$ 477,570</u>

See accompanying independent auditor's report.

Anatomical Gift, Public Awareness and Transportation	E-911	Tax Sale Redemption Trust	Bankruptcy Trust	Unclaimed Property	County Recorder's Electronic Transaction Fee	Total
\$ 23	\$ 255,022	\$ -	\$ 84	\$ 138	\$ 871	\$ 21,568,045
-	-	-	-	-	-	20,743,104
-	140,723	-	-	-	-	140,723
-	357,663	-	-	-	-	357,663
-	-	-	-	-	-	819,467
-	-	-	-	-	-	31,943
-	-	-	-	-	4,250	418,262
-	-	-	-	-	-	162,079
-	-	-	-	-	-	4,992,722
-	4,041	-	-	-	10	14,372
-	-	-	-	-	-	19,631
-	-	320,153	-	110	-	727,701
188	7,204	-	-	-	-	396,059
188	509,631	320,153	-	110	4,260	28,823,726
9	-	-	-	-	-	544,421
172	540,037	-	-	-	4,313	26,433,050
-	-	320,153	-	53	-	715,203
181	540,037	320,153	-	53	4,313	27,692,674
\$ 30	\$ 224,616	\$ -	\$ 84	\$ 195	\$ 818	\$ 22,699,097

## MAHASKA COUNTY

## SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FIVE YEARS

	Years Ended June 30,				
	2009	2008	2007	2006	2005
<b>Revenues</b>					
Property and other County tax	\$ 7,814,318	\$ 7,320,629	\$ 6,841,706	\$ 6,950,971	\$ 6,249,202
Interest and penalty on property tax	65,469	66,920	69,288	69,879	61,651
Intergovernmental	5,158,834	5,517,349	4,646,922	5,368,724	6,489,935
Licenses and permits	20,994	21,247	30,934	22,931	15,963
Charges for service	552,451	592,030	554,364	540,405	528,465
Use of money and property	423,066	462,304	670,026	432,643	251,624
Miscellaneous	663,288	773,378	498,512	441,435	332,090
<b>Total revenues</b>	<b>\$ 14,698,420</b>	<b>\$ 14,753,857</b>	<b>\$ 13,311,752</b>	<b>\$ 13,826,988</b>	<b>\$ 13,928,930</b>
<b>Expenditures:</b>					
<b>Operating:</b>					
Public safety and legal services	\$ 2,631,282	\$ 2,545,494	\$ 2,501,567	\$ 2,335,596	\$ 2,237,833
Physical health and social services	731,881	724,414	796,612	767,501	809,841
Mental health	2,683,269	2,716,999	2,616,932	2,340,063	2,307,713
County environment and education	748,640	729,400	695,074	967,373	572,451
Roads and transportation	5,540,940	5,801,883	4,405,418	4,287,635	4,068,474
Government services to residents	566,964	513,243	510,555	641,544	468,244
Administration	1,264,959	1,076,258	1,008,633	1,068,734	913,191
Non-program	697,285	904,052	826,746	759,880	764,545
Debt service	8,490	8,490	8,490	8,490	-
Capital projects	-	145,752	2,357,365	1,306,207	534,746
<b>Total expenditures</b>	<b>\$ 14,873,710</b>	<b>\$ 15,165,985</b>	<b>\$ 15,727,392</b>	<b>\$ 14,483,023</b>	<b>\$ 12,677,038</b>

See accompanying independent auditor's report.

MAHASKA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Natural Resources Conservation Service:			
Emergency Watershed Protection Program	10.923	FY 09	\$ <u>101,757</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY 09	<u>13,532</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BHS 62(55)	64,304
Highway Planning and Construction	20.205	JVA 62-001, JVA 62-002	<u>124,045</u>
			<u>188,349</u>
Iowa Department of Public Safety:			
Safety Incentive Grants for Use of Seatbelts	20.604	406 Task 102	<u>1,156</u>
U.S. General Services Administration:			
Iowa Secretary of State:			
Election Reform Payments	39.011	HAVA	<u>3,650</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	IA DR1763	<u>274,417</u>
Hazard Mitigation Grant	97.039	FY 09	<u>21,550</u>
Emergency Management Performance Grants	97.042	FY 09	<u>25,265</u>

MAHASKA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558	FY 09	\$ <u>12,530</u>
Refugee and Entrant Assistance - State Administered Programs	93.566	FY 09	<u>23</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY 09	<u>3,566</u>
Foster Care - Title IV-E	93.658	FY 09	<u>7,677</u>
Adoption Assistance	93.659	FY 09	<u>1,837</u>
Children's Health Insurance Program	93.767	FY 09	<u>105</u>
Medical Assistance Program	93.778	FY 09	<u>16,593</u>
Social Services Block Grant	93.667	FY 09	<u>8,213</u>
Social Services Block Grant	93.667	FY 09	<u>106,871</u>
			<u>115,084</u>
Total			\$ <u><u>787,091</u></u>

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

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Mahaska County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mahaska County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Mahaska 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 Mahaska County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mahaska 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, including deficiencies we consider to be material weaknesses.

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 Mahaska County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Mahaska County's financial statements that is more than inconsequential will not be prevented or detected by Mahaska County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in 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, of the significant deficiencies described above, we believe item II-B-09 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Mahaska County's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

Oskaloosa, Iowa  
March 23, 2010

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

To the Officials of Mahaska County:

Compliance

We have audited the compliance of Mahaska County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Mahaska County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Mahaska County's management. Our responsibility is to express an opinion on Mahaska County's compliance based on our audit.

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

In our opinion, Mahaska County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Mahaska County's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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

Oskaloosa, Iowa  
March 23, 2010

MAHASKA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 20.205 Highway Planning and Construction
  - CFDA Number 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Mahaska County did not qualify as a low-risk auditee.

MAHASKA COUNTY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties

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

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Recorder, Sheriff, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Auditor, Recorder, Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

MAHASKA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009

Part II: Findings Related to the Basic Financial Statements (continued):

SIGNIFICANT DEFICIENCIES (continued):

II-A-09 Segregation of Duties (continued)

Responses –

County Auditor – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

County Recorder – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

County Sheriff – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

Conclusion – Responses accepted.

II-B-09 Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the County's financial statements. We also noted that the June motor vehicle transactions were not recorded in the general ledger. Adjustments were subsequently made by the County to properly include these amounts in the financial statements. In addition, the beginning balances of the governmental activities and nonmajor Special Revenue, Conservation Land Acquisition Fund were restated by \$130,000 to include investments held by the Greater Des Moines Community Foundation.

Recommendation – The County should implement procedures to ensure all investments, receivables, payables and motor vehicle transactions are identified and included in the County's financial statements.

Response – We will review our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

MAHASKA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009

Part II: Findings Related to the Basic Financial Statements (continued):

SIGNIFICANT DEFICIENCIES (continued):

II-C-09 Credit Card Controls – We noted several warrants to credit card companies that were not cashed for between two and twenty-three months after being written. Upon inquiry regarding the delays, we noted that some warrants for credit card purchases are written and held until receipts are turned in. We also noted that the County does not balance the credit card statement charges to the supporting receipts or invoices. Because of these practices, the County incurred \$293 of finance charges and late fees for the year. We also noted four payments on County credit cards totaling \$470 that lacked support documentation.

Recommendations – All charges on the County’s credit cards should be reconciled monthly to supporting detail receipts and invoices. The supporting receipt or invoice should be required for all credit card purchases, as stated in the County’s credit card policy. The County should cease writing and holding warrants as this bypasses the budgeting process and misstates the financial position of the County at any given time any warrants are written and held.

Response – We will consider these recommendations and implement changes to the credit card procedures as necessary.

Conclusion – Response accepted.

MAHASKA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

MAHASKA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the roads and transportation function prior to the amendment of the County budget. Disbursements in the courthouse annex, public health nursing, and correctional services departments exceeded the amounts appropriated prior to the amendment of the County appropriations. In addition, the Emergency Management budget, approved by the County Emergency Management Commission, was exceeded prior to the amendment.

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

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 by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will amend the budget when required in the future and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

IV-B-09 Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
1) Elan Financial Services and Chase Card Services	Credit card interest and fees	\$ 293
2) Various employees	Unauthorized holiday pay	<u>6,362</u>
		<u>\$6,655</u>

Recommendation –

- 1) The County should pay the monthly balance due on the credit cards to avoid interest and late fees. All charges on the cards should be reconciled monthly to the supporting receipts or invoices and any discrepancies should be investigated immediately. The County may need to stress to employees the importance of turning in detailed credit card receipts in a timely manner.
- 2) The Department heads should address how employees should report Courthouse department closures on other than Board of Supervisor authorized holidays on their timesheets in order to comply with this finding. The time should be reported as compensatory time, vacation, or time off with no pay. The affected employees who took holiday pay on December 26, which was not an approved holiday, should reduce their compensatory or vacation time by one day for regular pay or one and one-half days for overtime holiday pay.

Response – We will consider these recommendations.

Conclusion – Response accepted.

MAHASKA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting (continued):

- IV-C-09 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-09 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-E-09 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- IV-F-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-09 Deposits and Investments – Except as noted in IV-K-09, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.
- IV-H-09 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).
- IV-I-09 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2009 for the County Extension Office did not exceed the amount budgeted.

The County Extension organization has grant agreements with Community Action of Eastern Iowa to provide child care resource and referral services. Revenues from these grants totaled \$102,317 for the year ended June 30, 2009. They included an operational grant of \$74,317, an Educational Opportunities for Family Child Care Providers Grant of \$8,000, and a Parent Expansion Grant of \$20,000.

- IV-J-09 Treasurer's Semi-annual Report – The County Treasurer's semi-annual report for the six months ended June 30, 2009 was published as required by Chapter 349.16(3) of the Code of Iowa. However, we noted some material differences.

Recommendation – The Treasurer's semi-annual reports should be published accurately. The report should equal the Treasurer's bank reconciliation and general ledger.

Response – We will try to publish the required reports accurately in the future. The differences are due to the timing of recording auto license and use tax funds, which are recorded on the first day of the month which follows their actual month of collection and deposit.

Conclusion – Response accepted.

MAHASKA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting (continued):

IV-K-09 Bequest to the Mahaska County Conservation Board – During the year ended June 30, 2008, the Mahaska County Conservation Board was named as a beneficiary in a last will and testament. The Conservation Board remitted \$130,000 of the bequest to the Greater Des Moines Community Foundation (Foundation) in the year ended June 30, 2008 and \$122,716 in the year ended June 30, 2009. The Conservation Board signed a “Designated Passthrough Fund Agreement” and a “Designated Endowment Fund Agreement” with the Foundation. Both agreements state, in part, “the Donor hereby irrevocably assigns, conveys, transfers and delivers to the GDMCF (Foundation) all of the Donor’s rights, title and interest in the property described.” As of June 30, 2009, these funds were still deposited with the Foundation.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 states, “No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly.” In addition, Chapter 350.4 of the Code of Iowa states, in part, “a County conservation board may accept in the name of the County gifts, bequests, contributions and appropriations of money and other personal property for conservation purposes.”

Chapter 331.552 of the Code of Iowa states, in part, that a County shall “keep a true account of all receipts and disbursements of the County.”

A letter of advice from the Iowa Attorney General regarding gifts to governmental entities and the propriety of giving proceeds from a gift to a private non-profit Foundation has been issued dated April 22, 2008. The letter of advice states, in part:

“...I do not believe that a board may simply donate funds received from private donors to a private non-profit organization to use and invest as the non-profit organization sees fit. Unless the board retains the ability to oversee expenditures and to demand return of the funds in the event that future trustees do not agree with that delegation of control over the funds, the transaction violates the public purpose and non-delegation principles discussed above. Further, even if safeguards are put in place to assure ongoing oversight and control, I believe that the funds continue to be ‘public funds,’ subject to the deposit and investment standards contained in Code sections 12B and 12C (of the Code of Iowa) and that the funds must be earmarked and spent for the purpose for which the gift was given. A 28E agreement may provide a vehicle to facilitate joint public and private influence over the use of gifts received by a governmental body, by incorporating ongoing public oversight and accountability to the joint undertaking.”

In addition, consistent with the Iowa Attorney General’s letter of advice, the proceeds and related income are public funds and must be accounted for, deposited and invested pursuant to Chapters 12B and 12C of the Code of Iowa and the County’s investment policy. According to financial reports of the Foundation, at June 30, 2009, the Foundation had investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash. These types of investments are not included in the list of allowable investments of public funds specified in Chapter 12B.10(5) of the Code of Iowa.

Also, the agreement with the Foundation does not require the Foundation to notify the County in writing of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the type of services being provided under the agreement.

MAHASKA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting (continued):

IV-K-09 Bequest to the Mahaska County Conservation Board (continued)

Recommendation – A 28E agreement, as described in the letter of advice, does not exist. We are not aware of any statutory authority for the Conservation Board and/or County to relinquish its fiduciary responsibility over the public funds to a separate non-profit organization.

The Mahaska County Conservation Board, through its action to give these public funds to the Foundation during the two years ended June 30, 2009, has put these public funds at risk since the Board and the Foundation have not invested and accounted for the proceeds from the bequest, including all income derived from the investment of the bequest, as required by Chapter 12B.10(5) of the Code of Iowa and Chapter 331.552 of the Code of Iowa.

The County should consult legal counsel and recover the proceeds of the bequest held by the Foundation, including all income derived from the investment of the bequest from the time it was remitted to the Foundation.

Until the County recovers the funds, it should seek to amend the agreement with the Foundation to require the Foundation to notify the County in writing of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the type of services being provided under the agreement.

Response – We will work on withdrawing these funds from the Foundation.

Conclusion – Response accepted.

IV-L-09 GASB Statement No. 45 Implementation – The County is required to implement GASB Statement No. 45 for the year ended June 30, 2009. However, the County obtained the required actuarial report for the year ending June 30, 2010.

Recommendation – The County should be aware of and follow all required implementation dates to ensure compliance with governmental accounting standards.

Response – We will make sure the GASB Statement No. 45 actuarial report is properly dated in the future and any new standards are properly implemented. Our actuary has stated that there would be no difference in the calculated amounts due to this timing difference.

Conclusion – Response accepted.

MAHASKA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting (continued):

IV-M-09 Health Insurance Administrative Agreement – We noted that the County’s employee health insurance administrative agreement with Auxiant for the year ended June 30, 2009 was not approved by the Board of Supervisors. The agreement was signed by the Board chairman.

Recommendation – Although the Board allows the Board chairman to sign and authorize certain agreements on their behalf, the agreement should then be approved by the full Board and documented in the Board minutes.

Response – We will make sure that the health insurance administrative agreement is approved by the full Board of Supervisors in the future.

Conclusion – Response accepted.