

MITCHELL COUNTY

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

June 30, 2009

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MITCHELL COUNTY

Osage, Iowa

OFFICIALS

(Before January 2009)

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

(After January 2009)

Joel Voaklander	Board of Supervisors	Jan 2011
Robert Marreel	Board of Supervisors	Jan 2011
Stan Walk	Board of Supervisors	Jan 2013
Lowell Tesch	County Auditor	Jan 2013
Carol Zerck	County Treasurer	Jan 2011
Pat Skuster	County Recorder	Jan 2011
Curtis Younker	County Sheriff	Jan 2013
Mark Walk	County Attorney	Jan 2011
L. Dean Pohren	County Assessor	Appointed

## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Mitchell County  
Osage, Iowa

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Mitchell County at June 30, 2009, and the respective changes in financial position and the cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2010 on our consideration of Mitchell County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 10 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mitchell County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements.

The financial statements and supplemental data for the years June 30, 2007, 2006, 2005, 2004 and 2003 (none of which are presented herein) were audited by other auditors in accordance with the standards referred to in the second paragraph of this report who expressed unqualified opinions on those financial statements and supplemental data. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

March 25, 2010

Renner & Birchem, P.C.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Mitchell County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of Mitchell County is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 8.5% or approximately \$859,000, from fiscal 2008 to fiscal 2009. Property taxes increased approximately \$31,000, operating grants and contributions increased approximately \$185,000 and capital grants and contributions increased approximately \$560,000.
- Program expenses were 6.9% or approximately \$693,700 more in fiscal 2009 than in fiscal 2008. County environment and education increased approximately \$337,000.
- The County's net assets increased 1.8%, or approximately \$184,000 from June 30, 2008 to June 30, 2009.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### ***Government-wide Financial Statements***

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

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

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

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

### ***Fund Financial Statements***

The County has two types of funds:

(1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenues Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Mitchell County's combined net assets increased slightly from a year ago, increasing from \$10,339,711 to \$10,523,714.

### Net Assets of Governmental Activities

(Expressed in Thousands)

	June 30	
	2009	2008
Current and Other Assets	\$16,926	8,156
Capital Assets	10,078	9,613
Total Assets	<u>27,004</u>	<u>17,769</u>
Long-Term Debt Outstanding	11,454	2,825
Other Liabilities	5,026	4,604
Total Liabilities	<u>16,480</u>	<u>7,429</u>
Net Assets:		
Invested in Capital Assets, Net of debt	8,200	7,290
Restricted	1,265	1,955
Unrestricted	1,059	1,095
Total Net Assets	<u>\$10,524</u>	<u>10,340</u>

Net assets of the County's governmental activities increased by approximately 1.8%, \$10,340,000 compared to \$10,524,000. The largest portion of the County's net assets is the Invested in Capital Assets (infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

### Changes in Net Assets of Governmental Activities

	June 30	
	2009	2008
Program Revenues:		
Charges for service	\$1,669	1,442
Operating grants and contributions	3,591	3,406
Capital grants and contributions	589	29
Property taxes	3,913	3,882
Unrestricted investments earnings	92	147
Other general revenues	1,057	1,146
Total revenues	<u>10,911</u>	<u>10,052</u>
Program Expenses:		
Public safety and legal services	1,482	1,434
Physical health and social services	1,027	897
Mental health	1,432	1,412
County environment and education	1,480	1,143
Roads and transportation	3,653	3,758
Government services to residents	264	382
Administration	1,070	942
Non-program	5	3
Interest on long-term debt	314	62
Total expenses	<u>10,727</u>	<u>10,033</u>
Increase in net assets	184	19
Net assets beginning of year	10,340	10,300
Restated (note 11)		<u>21</u>
Net assets end of year	<u>\$10,524</u>	<u>10,340</u>

The County's revenue increased 8.55% (\$859,000). The total cost of programs and services increased 6.92%, (\$693,700) with no new programs added this year.

The cost of all governmental activities this year was \$10.7 million compared to \$10.0 million last year. However, as shown in the Statement of Activities on page 13, the amount ultimately financed for these activities through County taxes and other unrestricted revenues was only \$5.0 million because some of the cost was paid by those directly benefited from the programs (\$1,669,424) or by governments and organizations that subsidized certain programs with grants and contributions (\$4,179,721).

**INDIVIDUAL MAJOR FUNDS**

As Mitchell County completed the year, its governmental funds reported a combined fund balance of \$11,879,975, which is \$8,444,364 above last year's total of \$3,435,611. The following are the major reasons for the changes in fund balances from the prior year.

General Basic – Increase of \$152,307 due to the continuation of the General Supplemental Fund, since we are at our levy limit for General Basic and we were depleting our fund balance below 25% of completed expenses. We have reallocated expenditures to the General Supplemental Fund in order to increase the fund balance in General Basic.

Mental Health – Increase of \$140,986 due to normal operations.

Rural Services- Decrease of \$73,762 due to normal operations.

Secondary Roads –Increase of \$8,330,751 due mainly to \$8,756,455 in long-term debt proceeds.

Debt Service – Slight increase of \$21,312 due to normal operations.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, Mitchell County amended its budget two times. Total increase of expenditures was \$1,182,180.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2009, Mitchell County had approximately \$10 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$466,000.

**Capital Assets of Governmental Activities at Year End**

(Expressed in Thousands)

	June 30	
	2009	2008
Land	\$1,584	1,380
Buildings and Improvements	3,039	3,120
Equipment and vehicles	1,414	1,193
Infrastructure	4,041	3,919
Total	\$10,078	9,612

The County had depreciation expense of \$536,399 for the year ended June 30, 2009 and total accumulated depreciation as of June 30, 2009 of \$5,855,236.

## **Debt Administration**

At June 30, 2009, the County had approximately \$11,472,432 in general obligation bonds and other debt outstanding compared to approximately \$2,828,235 at June 30, 2008, as shown below.

### **Outstanding Debt of Governmental Activities at Year-End**

(Expressed in Thousands)

	June 30	
	2009	2008
LOSST Bonds	\$1,060	1,220
G.O. Capital Loan Notes	9,676	863
RUT Revenue Anticipation Notes	290	380
Loan Agreements	251	161
Drainage Improvement Certificates	16	18
Compensated Absences	179	183
Total	<u>\$11,472</u>	<u>2,825</u>

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

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

Mitchell County's elected and appointed officials and citizens considered many factors when setting the 2010 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy which includes oil, gas prices and utility costs. Others include land valuations and the consumer price index (CPI). The County has added no major programs or initiative to the 2010 budget.

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

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, 508 State Street, Osage, Iowa.

**BASIC FINANCIAL STATEMENTS**

Mitchell County  
Osage, Iowa

Exhibit A

Statement of Net Assets  
June 30, 2009

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 12,209,524
Receivables:	
Property tax:	
Delinquent	4,303
Succeeding year	3,993,244
Accounts	109,442
Interest	18,779
Drainage assessments	16,156
Due from other governments	373,230
Inventories	201,496
Capital assets (net of accumulated depreciation)	<u>10,077,815</u>
<b>Total assets</b>	<b><u>27,003,989</u></b>
<b>Liabilities</b>	
Accounts payable	833,702
Salaries and benefits payable	83,855
Due to other governments	115,576
Deferred revenue:	
Succeeding year property tax	3,993,244
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	268,794
Local option sales tax revenue bonds	160,000
Road use tax revenue anticipation	95,000
Compensated absences	160,387
Portion due or payable after one year:	
General obligation notes	9,658,561
Local option sales tax revenue bonds	900,000
Road use tax revenue anticipation	195,000
Drainage certificates payable	<u>16,156</u>
<b>Total liabilities</b>	<b><u>16,480,275</u></b>
<b>Net Assets</b>	
Invested in capital assets net of related debt	8,200,216
Restricted for:	
Mental health purposes	144,973
Secondary roads purposes	765,395
Other purposes	354,031
Unrestricted	<u>1,059,099</u>
<b>Total net assets</b>	<b><u>\$ 10,523,714</u></b>

See notes to financial statements.

Statement of Activities  
Year ended June 30, 2009

	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,482,624	363,903			(1,118,721)
Physical health and social services	1,026,876	118,535	953,239		44,898
Mental health	1,431,737	150,986	805,208		(475,543)
County environment and education	1,479,701	112,205	15,294		(1,352,202)
Roads & transportation	3,652,753	137,515	1,816,848	589,132	(1,109,258)
Governmental services to residents	263,760	786,280			522,520
Administrative services	1,070,003				(1,070,003)
Non-program	4,606				(4,606)
Interest/fees on long-term debt	314,841				(314,841)
<b>Total</b>	<b>\$ 10,726,901</b>	<b>1,669,424</b>	<b>3,590,589</b>	<b>589,132</b>	<b>(4,877,756)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					3,762,813
Debt service					150,012
Penalty and interest on property tax					22,504
State tax credits					232,676
Local option sales tax					497,042
Unrestricted investment earnings					92,104
Miscellaneous					304,608
<b>Total general revenues</b>					<b>5,061,759</b>
<b>Change in net assets</b>					<b>184,003</b>
<b>Net assets beginning of year (note 11)</b>					<b>10,339,711</b>
<b>Net assets end of year</b>					<b>\$ 10,523,714</b>

See notes to financial statements.

Mitchell County  
Osage, Iowa

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2009

Special Revenue

	General	Mental Health	Rural Services	Secondary Roads	Debt Service	Nonmajor	Total
<b>Assets</b>							
Cash and pooled investments	\$ 1,299,034	198,385	205,807	9,682,418	81,408	742,472	12,209,524
Receivables:							
Property tax:							
Delinquent	2,691	522	960		130		4,303
Succeeding year	2,209,847	562,164	1,156,290		64,943		3,993,244
Accounts	93,209	12,308	230	461		3,234	109,442
Accrued interest	17,417					1,362	18,779
Drainage assessments						16,156	16,156
Due from other governments	264,244	75,815				33,171	373,230
Inventories				201,496			201,496
<b>Total assets</b>	<b>\$ 3,886,442</b>	<b>849,194</b>	<b>1,363,287</b>	<b>9,884,375</b>	<b>146,481</b>	<b>796,395</b>	<b>16,926,174</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 90,185	17,360	1,464	662,265		62,428	833,702
Salaries and benefits payable	52,312	8,704	420	22,419			83,855
Due to other governments	41	115,535					115,576
Deferred revenue:							
Succeeding year property tax	2,209,847	562,164	1,156,290		64,943		3,993,244
Other	2,146	458	948		114	16,156	19,822
Total liabilities	2,354,531	704,221	1,159,122	684,684	65,057	78,584	5,046,199
Fund balances:							
Reserved for:							
Debt service					81,424		81,424
Closure						4,613	4,613
Unreserved, reported in:							
General fund	1,531,911						1,531,911
Special revenue funds		144,973	204,165	9,199,691		644,756	10,193,585
Capital projects						68,442	68,442
Total fund balances	1,531,911	144,973	204,165	9,199,691	81,424	717,811	11,879,975
<b>Total liabilities and fund balances</b>	<b>\$ 3,886,442</b>	<b>849,194</b>	<b>1,363,287</b>	<b>9,884,375</b>	<b>146,481</b>	<b>796,395</b>	<b>16,926,174</b>

See notes to financial statements.

Mitchell County  
Osage, Iowa

Exhibit D

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

June 30, 2009

<b>Total governmental fund balances (page 14)</b>	\$ 11,879,975
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$15,933,051 and the accumulated depreciation is \$5,855,236.	10,077,815
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	19,822
Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(11,453,898)</u>
<b>Net assets of governmental activities (page 12)</b>	<u>\$ 10,523,714</u>

See notes to financial statements.

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

Year ended June 30, 2009

	Special Revenue						Total
	General	Mental Health	Rural Services	Secondary Roads	Debt Service	Nonmajor	
Revenue:							
Property and other county tax	\$ 2,322,821	577,234	1,091,751		149,898		4,141,704
Interest and penalty on property tax	22,504						22,504
Intergovernmental	1,102,321	839,084	60,888	2,405,980	8,633	362,857	4,779,763
Licenses and permits	15,211			12,860			28,071
Charges for services	1,349,702	150,986	14,253	137,515		16,968	1,669,424
Use of money and property	436,003					12,143	448,146
Miscellaneous	23,168	4,953	8	24,569		39,744	92,442
		1,572,257			158,531		
Total revenues	5,271,730	7	1,166,900	2,580,924	1	431,712	11,182,054
Expenditures:							
Current:							
Public safety and legal services	1,423,882		13,280			21,195	1,458,357
Physical health and social services	1,019,948					613	1,020,561
Mental health		1,431,271					1,431,271
County environment and education services	1,425,201		164,231			151,130	1,740,562
Roads and transportation				3,660,581			3,660,581
Governmental services to residents	267,026					2,001	269,027
Administrative services	1,018,659		20,000				1,038,659
Non-program						4,606	4,606
Debt service	130,671			239,830	137,219	202,640	710,360
Capital projects				228,404		31,757	260,161
		1,431,271			137,219		
Total expenditures	5,285,387	1	197,511	4,128,815	9	413,942	11,594,145
Excess(deficiency) of revenue over (under) expenditures	(13,657)	140,986	969,389	(1,547,891)	21,312	17,770	(412,091)
Other financing sources (uses):							
Operating transfers in	300,000			1,122,187		55,000	1,477,187
Operating transfers out	(134,036)		(1,043,151)			(300,000)	(1,477,187)
Proceeds long-term debt				8,756,455		100,000	8,856,455
Total other financing sources (uses)	165,964		(1,043,151)	9,878,642		(145,000)	8,856,455
Net change in fund balances	152,307	140,986	(73,762)	8,330,751	21,312	(127,230)	8,444,364
Fund balances beginning of year (note 11)	1,379,604	3,987	277,927	868,940	60,112	845,041	3,435,611
Fund balances end of year	\$ 1,531,911	144,973	204,165	9,199,691	81,424	717,811	11,879,975

See notes to financial statements.

Mitchell County  
Osage, Iowa

Exhibit F

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

June 30, 2009

**Net change in fund balances - Total governmental fund (page 16)** \$ 8,444,364

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

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

Expenditures for capital assets	1,001,549	
Depreciation expense	<u>(536,399)</u>	465,150

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

Property tax	(74,916)	
Other	<u>(6,280)</u>	(81,196)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(9,257,000)	
Repaid	<u>606,111</u>	(8,650,889)

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

Compensated absences		<u>6,574</u>
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**Change in net assets of governmental activities (page 13)** \$ 184,003

See notes to financial statements.

Mitchell County  
Osage, Iowa

Exhibit G

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2009

**Assets**

Cash and pooled investments:

County Treasurer	\$ 846,535
Other County officials	97,508

Property tax receivable:

Delinquent	7,987
Succeeding year	9,640,046

Accounts receivable	16,700
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Accrued interest	149
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Total assets	<u>\$ 10,608,925</u>
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**Liabilities**

Accounts payable	\$ 280,824
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Salaries payable	4,908
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Due to other governments	10,247,013
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Trust payable	57,646
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Compensated absences	18,534
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Total liabilities	<u>10,608,925</u>
-------------------	-------------------

<b>Net assets</b>	<u><u>\$ -</u></u>
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See notes to financial statements.

Mitchell County  
Osage, Iowa

Notes to Financial Statements

June 30, 2009

**1. Summary of Significant Accounting Policies**

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

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

**A. REPORTING ENTITY**

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

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

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

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

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

## **B. BASIS OF PRESENTATION**

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

### **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with 1 1/2% per month penalty for delinquent payments; is based on January 1, 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.

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

**Due From and Due to Other Funds** - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2009, balances of interfund amounts receivable or payable have been recorded in fund financial statements.

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

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

**Capital Assets** – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutter, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years, based on Board of Supervisors resolution.

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

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

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

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

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

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

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

**Compensated Absences** - County employees accumulated a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

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

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

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

## E. **BUDGETS AND BUDGETARY ACCOUNTING**

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

### 2. **Cash and Pooled Investments**

The County's deposits at June 30, 2009 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

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

3. **Interfund Transfers**

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 79,036
	Special Revenue:	
	Rural Services	<u>1,043,151</u>
		1,122,187
Conservation Land Acquisition	General	20,000
Capital Projects	General	35,000
General	LOSST Bond Sinking	<u>300,000</u>
Total		<u>\$1,477,187</u>

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

#### 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decrease s	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,380,335	204,000		1,584,335
Total capital assets not being depreciated	<u>1,380,335</u>	<u>204,000</u>		<u>1,584,335</u>
Capital assets being depreciated:				
Buildings	5,027,365			5,027,365
Improvements other than building	229,071			229,071
Machinery and equipment	3,844,028	468,949	58,919	4,254,058
Infrastructure	4,509,622	328,600		4,838,222
Total capital assets being depreciated	<u>13,610,086</u>	<u>797,549</u>	<u>58,919</u>	<u>14,348,716</u>
Less accumulated depreciation for:				
Buildings	2,056,726	72,533		2,129,259
Improvements other than building	79,148	9,163		88,311
Machinery and equipment	2,651,335	247,841	58,919	2,840,257
Infrastructure, road network	590,547	206,862		797,409
Total accumulated depreciation	<u>5,377,756</u>	<u>536,399</u>	<u>58,919</u>	<u>5,855,236</u>
Total capital assets being depreciated, net	<u>8,232,330</u>	<u>261,150</u>		<u>8,493,480</u>
Governmental activities capital assets, net	<u>9,612,665</u>	<u>465,150</u>		<u>10,077,815</u>

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

Governmental activities	
Public safety and legal services	\$ 56,298
Physical health and social services	1,134
Mental health	2,657
County environment and education	19,631
Roads and transportation	420,251
Governmental services to residents	4,564
Administrative services	31,864
Total depreciation expense - Governmental activities	<u>\$ 536,399</u>

5. **Due to Other Governments**

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 41
Special Revenue:		
Mental Health		<u>115,535</u>
Total for Governmental Funds		\$ <u>115,576</u>
Agency:		
Agricultural Extension	Collections	\$ 136,632
Assessor		172,540
Schools		6,194,643
Community Colleges		309,100
Corporations		2,204,847
Auto License & Use Tax		229,582
All others		<u>999,669</u>
Total for Agency Funds		\$ <u>10,247,013</u>

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

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

	LOSST	General Obligation Capital Loan	Road Use Tax Revenue Anticipation	Loan	Drainage	Compensated	Total
	Bonds	Notes	Note	Agreements	Improvement Certificates	Absences	
Beginning Balance	\$ 1,220,000	862,898	380,000	161,772	17,952	182,613	2,825,235
Increases		9,065,000		192,000			9,257,000
Decreases	160,000	251,820	90,000	102,495	1,796	3,692	609,803
Ending Balance	<u>\$ 1,060,000</u>	<u>9,676,078</u>	<u>290,000</u>	<u>251,277</u>	<u>16,156</u>	<u>178,921</u>	<u>11,472,432</u>
Due Within One Year	<u>\$ 160,000</u>	<u>257,878</u>	<u>95,000</u>	<u>10,916</u>	<u>1,796</u>	<u>178,921</u>	<u>704,511</u>

## **Bonds Payable**

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 160,000	37,200	197,200
2011	170,000	32,000	202,000
2012	175,000	26,305	201,305
2013	180,000	20,268	200,268
2014	185,000	13,878	198,878
2015	<u>190,000</u>	<u>7,125</u>	<u>197,125</u>
	<u>\$1,060,000</u>	<u>136,776</u>	<u>1,196,776</u>

During the year ended June 30, 2009, the County retired \$160,000 of bonds.

## **General Obligation Capital Loan Notes**

On September 15, 2005, the County issued \$800,000 of General Obligation Capital Loan Notes to finance the construction of the County Services Building, the acquiring of voting machines or an electronic voting system and acquiring, developing and improving of the geographic computer database system suitable for automated mapping and facilities management. Interest is due semi-annually with rates of 3.20% to 3.80% payable on December 1 and June 1 of each year. Principal payments are due annually on June 1. The capital loan notes mature on June 1, 2013. Details on the note agreement are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 115,000	17,910	132,910
2011	120,000	13,885	133,885
2012	125,000	9,565	134,565
2013	<u>130,000</u>	<u>4,940</u>	<u>134,940</u>
	<u>\$ 490,000</u>	<u>46,300</u>	<u>536,300</u>

During the year ended June 30, 2009 the County retired \$115,000 of the notes.

On October 31, 2002, the County issued \$825,370 of General Obligation Capital Loan Notes, Series 2002, to finance the purchase of six new Volvo motor graders. Principal and interest payments are due annually commencing on October 31, 2003. The notes include interest at a rate of 3.75% per year on the unpaid balance. Details on the note agreement are as follows:

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ <u>131,478</u>	<u>4,925</u>	<u>136,403</u>

On May 14, 2009 the County issued \$8,965,000 of General Obligation Capital Loan Notes to finance road projects interest is due semi-annually with rates of 1.8% to 3.8% payable on December 1 and June 1 of each year. Principal payments are due annually on June 1, beginning June 1, 2013. The capital loan notes mature June 1, 2021. Details on the note agreement are as follows:

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010		292,858	292,858
2011		270,330	270,330
2012		270,330	270,330
2013	\$ 450,000	270,330	720,330
2014	825,000	262,230	1,087,230
2015-2021	<u>7,690,000</u>	<u>1,082,635</u>	<u>8,772,635</u>
	\$ <u>8,965,000</u>	<u>2,448,713</u>	<u>11,413,713</u>

In May of 2008, the County issued \$100,000 of General Obligation Capital Loan Notes, Series 2008, to acquire and develop land for presentation, conservation and recreation. Principal and interest payments are due annually on September 1. Interest is at a rate of 4.25%. Details on the note agreement are as follows:

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 11,400	3,808	15,208
2011	11,400	3,324	14,724
2012	11,400	2,839	14,239
2013	11,400	2,354	13,754
2014	11,400	1,870	13,270
2015-2016	<u>32,600</u>	<u>2,287</u>	<u>34,887</u>
	\$ <u>89,600</u>	<u>16,482</u>	<u>106,082</u>

During the year ended June 30, 2009 the County retired \$10,400 of the notes.

### **Road Use Tax Revenue Anticipation Capital Loan Notes**

In August of 2006, the County issued \$465,000 of Road Use Tax Revenue Anticipation Capital Loan Notes for the purpose of purchasing 5 new Sterling tandem trucks for the Secondary Road Department. Interest is due semi-annually with rates of 4.0% to 4.15% on November 1<sup>st</sup> and May 1<sup>st</sup>. Principal is due annually on May 1<sup>st</sup>. The bonds mature on November 1, 2011. Details on the note agreement are as follows:

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 95,000	9,969	104,969
2011	95,000	6,096	101,096
2012	<u>100,000</u>	<u>2,075</u>	<u>102,075</u>
	\$ <u>290,000</u>	<u>18,140</u>	<u>308,140</u>

### **Loan Agreements**

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

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 8,704	8,726	17,430
2011	9,265	8,165	17,430
2012	9,861	7,569	17,430
2013	10,477	6,953	17,430
2014	11,170	6,260	17,430
2015-2021	<u>86,007</u>	<u>20,882</u>	<u>106,889</u>
	\$ <u>135,484</u>	<u>58,555</u>	<u>194,039</u>

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

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,212	952	3,164
2011	2,345	819	3,164
2012	2,484	680	3,164
2013	2,637	527	3,164
2014	2,796	368	3,164
2015-2016	<u>3,319</u>	<u>221</u>	<u>3,540</u>
	\$ <u>15,793</u>	<u>3,567</u>	<u>19,360</u>

On May 7, 2009, the County issued \$100,000 of Notes to finance the purchase of equipment. Principal and interest payments are due annually on July 20. Interest is at a rate of 5.22%. Details on the loan agreement are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 17,222	6,278	23,500
2012	19,179	4,321	23,500
2013	20,171	3,329	23,500
2014	21,233	2,267	23,500
2015	<u>22,195</u>	<u>1,159</u>	<u>23,354</u>
	<u>\$ 100,000</u>	<u>17,354</u>	<u>117,354</u>

### **Drainage Improvement Certificates Payable**

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

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

### **7. Ag Extension Building Loan**

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

### **Carpenter Sewer Project Loan**

On May 13, 2009, the County entered into a loan agreement with Cresco Union Savings Bank to benefit the Carpenter Sewer Treatment Project. The loan was used for construction of Carpenter Iowa Sewer Project. A line of credit was utilized during the construction. At June 30, 2009 there was a balance due of \$270,165 and an unadvanced commitment of \$329,835. The variable interest rate was 4% at June 30, 2009. Maturity date is January 25, 2010.

## 8. **Closure and Postclosure Care Costs**

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

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

## 9. **Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County is required to contribute 6.35% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$227,353, \$199,251 and \$182,441 respectively, equal to the required contributions for each year.

## 10. **Risk Management**

Mitchell County is a member in the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool whose 10 members include various governmental entities throughout the State of Iowa. The Pool was formed July 1, 1987 for the purpose of providing a voluntary self-insured program to counties in the State of Iowa. The program is designed to provide members a greatly improved loss control program whose purpose is to reduce claims and accidents; aid through sound and equitable claim management practices to reduce costs; and provide the required and/or desired reinsurance at a discount, based on volume and lower risk exposure. The Pool provides coverage and protection in the following categories: workers' compensation, automobile liability, and automobile physical damage and crime lines of business on an occurrence basis. General liability coverage is written on a claims-made basis. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2009 were \$235,621.

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2009, which covers exposures of specific losses in excess of \$750,000 with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers' compensation, including the retention of the pool, and in excess of \$400,000 per occurrence up to a maximum of \$4,000,000 per occurrence, including the retention of the pool, for general liability, automobile liability, police professional, and errors and omissions. The risk pool fund records a liability for unpaid claims based on estimates of the costs of individual cases of losses and claims reported to year-end, plus a provision for losses incurred but not yet reported. The IBNR estimates are based on the past experience of the Pool upon the experience of similar organizations as determined by Arthur J. Gallagher Risk Management Services, Inc., the Pool's Broker. The Pool also works with an outside actuary on an annual basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The county does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2009 no liability has been recorded in the County's financial statements. As of June 30, 2009 settled claims have not exceeded the risk pool or reinsurance company coverage in any of the past three fiscal year.

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

11. **Beginning Balance Restated**

The Sheriff Asset Forfeiture Fund was reclassified as a Special Revenue Fund. The June 30, 2008 fund balance and net assets were both increased by the Sheriff Asset Forfeiture Fund June 30, 2008 balance of \$20,641.

	<u>Net Assets</u>	<u>Fund Balance</u>
June 30, 2008	\$ 10,319,070	3,414,970
Sheriff Asset Forfeiture Fund	<u>20,641</u>	<u>20,641</u>
June 30, 2008 as restated	\$ <u>10,339,711</u>	<u>3,435,611</u>

REQUIRED SUPPLEMENTARY INFORMATION

Mitchell County  
Osage, Iowa

Budgetary Comparison Schedule of

Receipts, Disbursements and Changes in Balances -

Budget and Actual (Cash Basis) - All Governmental Funds

Required Supplementary Information

Year ended June 30, 2009

	Actual	Less	Net	Budgeted Amounts		Final to Net Variance
		Funds not Required to be Budgeted		Original	Final	
<b>Receipts:</b>						
Property and other County tax	\$ 4,478,526		4,478,526	4,427,412	4,427,412	51,114
Interest and penalty on property tax	22,584		22,584	18,100	18,100	4,484
Intergovernmental	4,421,446		4,421,446	3,651,687	4,310,887	110,559
Licenses and permits	38,602		38,602	6,000	10,400	28,202
Charges for services	1,649,011		1,649,011	1,429,550	1,825,050	(176,039)
Use of money and property	551,759		551,759	216,181	367,315	184,444
Miscellaneous	71,967	6,114	65,853	7,300	26,024	39,829
<b>Total receipts</b>	<b>11,233,895</b>	<b>6,114</b>	<b>11,227,781</b>	<b>9,756,230</b>	<b>10,985,188</b>	<b>242,593</b>
<b>Disbursements:</b>						
Public safety and legal services	1,472,469		1,472,469	1,520,149	1,586,319	113,850
Physical health and social services	1,001,433		1,001,433	975,136	1,086,105	84,672
Mental health	1,390,061		1,390,061	1,657,811	1,657,811	267,750
County environment and education services	1,680,842		1,680,842	1,327,905	1,738,120	57,278
Roads and transportation	3,528,981		3,528,981	3,353,000	3,628,000	99,019
Governmental services to residents	272,827		272,827	273,738	292,238	19,411
Administrative services	1,033,186		1,033,186	944,313	1,082,813	49,627
Non-program	4,606	4,606		250	250	250
Debt service	710,360		710,360	624,888	737,714	27,354
Capital projects	168,836		168,836	200,000	250,000	81,164
<b>Total disbursements</b>	<b>11,263,601</b>	<b>4,606</b>	<b>11,258,995</b>	<b>10,877,190</b>	<b>12,059,370</b>	<b>800,375</b>
Excess (deficiency) of receipts over (under) disbursements	(29,706)	1,508	(31,214)	(1,120,960)	(1,074,182)	1,042,968
Other financing sources, net	8,763,249		8,763,249	8,500	8,500	(8,754,749)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	8,733,543	1,508	8,732,035	(1,112,460)	(1,065,682)	9,797,717
Balance beginning of year	3,475,981	12,157	3,463,824	2,881,676	2,881,676	582,148
Balance end of year	\$ 12,209,524	13,665	12,195,859	1,769,216	1,815,994	10,379,865

See accompanying independent auditor's report.

Mitchell County  
Osage, Iowa

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	\$ 11,233,895	(51,841)	11,182,054
Expenditures	11,263,601	330,544	11,594,145
Net	(29,706)	(382,385)	(412,091)
Other financing sources, net	8,763,249	93,206	8,856,455
Beginning fund balances	3,475,981	(40,370)	3,435,611
Ending fund balances	\$ 12,209,524	(329,549)	11,879,975

See accompanying independent auditor's report.

Mitchell County  
Osage, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administrative services, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,182,180. The budget amendments are reflected in the final budgeted amounts.

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

**OTHER SUPPLEMENTARY INFORMATION**

MITCHELL COUNTY  
Osage, Iowa  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2009

	County Disposal Closure	Local Option Sales Tax Bond Sinking Fund	Senior Health Clinic	Home Health Capital Improvement	Drug Enforcement	Resource Enhancement & Protection	County Recorder's Electronic Transaction Fee	County Recorder's Records Management	Drainage Districts	Conservation Land Acquisitions	Capital Projects	Sheriff Asset Forfeiture	K-9 Fund	Total
<b>ASSETS</b>														
Cash and pooled investments	\$ 4,605	322,596	8,447	50,816	18,609	16,431	6	8,079	13,665	213,491	68,442	17,097	188	742,472
Receivables:														
Accounts								780		1,708		4	746	3,238
Accrued interest	8	318		84	185	7		3		752			1	1,358
Drainage assessments									16,156					16,156
Due from other governments		33,171												33,171
<b>TOTAL ASSETS</b>	<b>4,613</b>	<b>356,085</b>	<b>8,447</b>	<b>50,900</b>	<b>18,794</b>	<b>16,438</b>	<b>6</b>	<b>8,862</b>	<b>29,821</b>	<b>215,951</b>	<b>68,442</b>	<b>17,101</b>	<b>935</b>	<b>796,395</b>
<b>LIABILITIES AND FUND EQUITY</b>														
Liabilities:														
Accounts payable				184						61,779		140	325	62,428
Deferred revenue:														
Other									16,156					16,156
Total liabilities				184					16,156	61,779		140	325	78,584
Fund equity:														
Fund balance:														
Reserved for:														
Closure	4,613													4,613
Unreserved		356,085	8,447	50,716	18,794	16,438	6	8,862	13,665	154,172	68,442	16,961	610	713,198
Total fund equity	4,613	356,085	8,447	50,716	18,794	16,438	6	8,862	13,665	154,172	68,442	16,961	610	717,811
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 4,613</b>	<b>356,085</b>	<b>8,447</b>	<b>50,900</b>	<b>18,794</b>	<b>16,438</b>	<b>6</b>	<b>8,862</b>	<b>29,821</b>	<b>215,951</b>	<b>68,442</b>	<b>17,101</b>	<b>935</b>	<b>796,395</b>

See accompanying independent auditor's report.

MITCHELL COUNTY  
Osage, Iowa

Schedule 2

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

	County Disposal Closure	Local Option Sales Tax Bond Sinking Fund	Senior Health Clinic	Home Health Capital Improvement	Drug Enforcement	Resource Enhancement & Protection	County Recorder's Electronic Transaction Fee	County Recorder's Records Management	Drainage Districts	Conservation Land Acquisitions	Capital Projects	Sheriff Asset Foreiture	K-9 Fund	Total
<b>REVENUES:</b>														
Intergovernmental		347,563				15,294								362,857
Charges for services								3,448		13,520				16,968
Uses of money and property	\$ 111	7,112		1,209	544	82		81		2,707		276	21	12,143
Miscellaneous				1,491					6,114	18,343		5,023	8,773	39,744
Total revenues	111	354,675		2,700	544	15,376		3,529	6,114	34,570		5,299	8,794	431,712
<b>EXPENDITURES:</b>														
Operating:														
Public safety and legal services												8,979	12,216	21,195
Physical health and social services				613										613
County environment and education						7,048				144,082				151,130
Government services to residents								2,001						2,001
Capital projects											31,757			31,757
Non-Program									4,606					4,606
Debt Service		202,640												202,640
Total expenditures		202,640		613		7,048		2,001	4,606	144,082	31,757	8,979	12,216	413,942
Excess (deficiency) of revenues over (under) expenditures	111	152,035		2,087	544	8,328		1,528	1,508	(109,512)	(31,757)	(3,680)	(3,422)	17,770
Other financing sources (uses):														
Transfers (out)		(300,000)												(300,000)
Transfers in										20,000	35,000			55,000
Proceeds from long-term debt										100,000				100,000
Total other financing sources (uses):		(300,000)								120,000	35,000			(145,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:	111	(147,965)		2,087	544	8,328		1,528	1,508	10,488	3,243	(3,680)	(3,422)	(127,230)
Fund balances beginning of year	4,502	504,050	8,447	48,629	18,250	8,110	6	7,334	12,157	143,684	65,199	20,641	4,032	845,041
Fund balances end of year	\$ 4,613	356,085	8,447	50,716	18,794	16,438	6	8,862	13,665	154,172	68,442	16,961	610	717,811

See accompanying independent auditor's report.

MITCHELL COUNTY  
Osage, Iowa

Schedule 3

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

	County Offices	Auto License & Use Tax	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assessment	Ag Extension Education	Other	Total
<b>ASSETS</b>											
Cash and pooled investments:											
County treasurer		229,582	71,181	92,630	4,327	23,313	2,000	1,841	2,024	419,637	846,535
Other County officials	\$ 97,508										97,508
Receivables:											
Property tax:											
Delinquent			108	5,403	260	1,337	165		119	595	7,987
Succeeding year			120,620	6,096,610	304,513	2,180,197	143,849		134,489	659,768	9,640,046
Accounts	695									16,005	16,700
Accrued interest										149	149
<b>TOTAL ASSETS</b>	<u>98,203</u>	<u>229,582</u>	<u>191,909</u>	<u>6,194,643</u>	<u>309,100</u>	<u>2,204,847</u>	<u>146,014</u>	<u>1,841</u>	<u>136,632</u>	<u>1,096,154</u>	<u>10,608,925</u>
<b>LIABILITIES</b>											
Salaries payable			3,401							1,507	4,908
Accounts payable	40,557		105							240,162	280,824
Due to other governments		229,582	172,540	6,194,643	309,100	2,204,847	146,014	1,841	136,632	851,814	10,247,013
Trusts payable	57,646										57,646
Compensated absences			15,863							2,671	18,534
<b>TOTAL LIABILITIES</b>	<u>\$ 98,203</u>	<u>229,582</u>	<u>191,909</u>	<u>6,194,643</u>	<u>309,100</u>	<u>2,204,847</u>	<u>146,014</u>	<u>1,841</u>	<u>136,632</u>	<u>1,096,154</u>	<u>10,608,925</u>

See accompanying independent auditor's report.

MITCHELL COUNTY  
Osage, Iowa

Schedule 4

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

ASSETS AND LIABILITIES	County Offices	Auto License & Use Tax	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assessment	Agricultural Extension Education	Other	Total
Balance beginning of year	\$ 96,862	190,272	174,019	6,020,838	281,872	1,962,799	126,721	3,157	131,377	1,037,820	10,025,737
Additions:											
Property and other county tax			123,226	6,228,336	310,811	2,218,113	147,091		137,394	674,752	9,839,723
E-911 surcharge										162,274	162,274
State tax credits			7,057	360,936	16,874	100,864	7,217		7,870	42,685	543,503
Office fees and collections	593,419										593,419
Auto licenses, use tax and postage		2,574,385									2,574,385
Assessments								45,930			45,930
Trusts	120,915									38,259	159,174
Miscellaneous	3,275									399,904	403,179
Total additions	<u>717,609</u>	<u>2,574,385</u>	<u>130,283</u>	<u>6,589,272</u>	<u>327,685</u>	<u>2,318,977</u>	<u>154,308</u>	<u>45,930</u>	<u>145,264</u>	<u>1,317,874</u>	<u>14,321,587</u>
Deductions:											
Agency remittances:											
To other funds	455,636										455,636
To other governments	126,761	2,535,075	112,393	6,415,467	300,457	2,076,929	135,015	47,246	140,009	1,259,540	13,148,892
Trusts paid out	133,871										133,871
Total deductions	<u>716,268</u>	<u>2,535,075</u>	<u>112,393</u>	<u>6,415,467</u>	<u>300,457</u>	<u>2,076,929</u>	<u>135,015</u>	<u>47,246</u>	<u>140,009</u>	<u>1,259,540</u>	<u>13,738,399</u>
Balance end of year	\$ <u>98,203</u>	<u>229,582</u>	<u>191,909</u>	<u>6,194,643</u>	<u>309,100</u>	<u>2,204,847</u>	<u>146,014</u>	<u>1,841</u>	<u>136,632</u>	<u>1,096,154</u>	<u>10,608,925</u>

See accompanying independent auditor's report.

MITCHELL COUNTY  
Osage, Iowa

Schedule 5

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

	Modified Accrual Basis						
	2009	2008	2007	2006	2005	2004	2003
<b>Revenues:</b>							
Property and other county tax	\$ 4,141,704	4,021,275	4,273,600	4,010,883	3,259,499	3,375,423	3,481,525
Interest and penalty on property tax	22,504	23,232	20,062	22,033	22,511	20,380	22,043
Intergovernmental	4,779,763	4,048,490	3,599,659	3,626,941	3,580,887	3,431,000	3,442,863
Licenses and permits	28,071	22,484	15,250	5,475	4,965	4,445	4,698
Charges for service	1,669,424	1,434,600	846,795	826,869	847,642	695,362	832,773
Use of money and property	448,146	346,286	326,770	192,282	109,334	82,143	103,358
Miscellaneous	92,442	40,262	81,771	86,806	56,755	40,424	101,679
<b>Total</b>	<b>\$ 11,182,054</b>	<b>9,936,629</b>	<b>9,163,907</b>	<b>8,771,289</b>	<b>7,881,593</b>	<b>7,649,177</b>	<b>7,988,939</b>
<b>Expenditures:</b>							
<b>Current:</b>							
Public safety and legal services	\$ 1,458,357	1,394,068	1,305,710	1,261,404	1,178,288	1,124,200	1,081,302
Physical health and social services	1,020,561	895,289	814,105	768,857	694,819	717,634	611,694
Mental health	1,431,271	1,410,701	1,416,077	1,277,208	1,344,854	1,525,248	1,449,681
County environment and education services	1,740,562	1,219,462	664,312	805,665	577,426	608,744	686,286
Roads and transportation	3,660,581	3,126,576	3,415,976	2,686,256	2,659,391	2,269,216	2,982,794
Governmental services to residents	269,027	370,833	232,917	374,699	232,922	240,475	211,603
Administrative services	1,038,659	945,431	914,867	920,800	745,282	702,140	89,244
Non-program	4,606	3,120	10,115	3,257	26,763	43,329	106,104
Debt service	710,360	577,134	348,829	1,910,474	208,365	203,765	204,015
Capital projects	260,161	350,000	293,658	877,979	174,489	644,901	237,359
<b>Total</b>	<b>\$ 11,594,145</b>	<b>10,292,614</b>	<b>9,416,566</b>	<b>10,886,599</b>	<b>7,842,599</b>	<b>8,079,652</b>	<b>7,660,082</b>

See accompanying independent auditor's report.

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

To the Officials of Mitchell County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mitchell County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 25, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mitchell County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Mitchell County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mitchell County's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09, I-B-09 and I-C-09 are material weaknesses.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the 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.

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

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

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

March 25, 2010

Renner & Birchem, P.C.

MITCHELL COUNTY

Schedule of Findings

Year ended June 30, 2009

**Part I: Findings Related to the Financial Statements:**

**Significant Deficiencies**

**I-A-09 Segregation of Duties**-During our review of the internal accounting control structure, the existing procedures are evaluated in order that incompatible duties, from a control viewpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements.

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

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

**Conclusion**-Response accepted.

**I-B-09 Preparation of Full Disclosure Financial Statements**-Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Mitchell County does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

**Recommendation**-We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and preparing full disclosure financial statements for external reporting purposes is difficult. However, we recommend that County officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than relying on external assistance.

**Response**-We recognize our limitations, however, it is not fiscally responsible to add additional staff at this time.

**Conclusion**-Response accepted.

**MITCHELL COUNTY**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2009**

**Part I: Findings Related to the Financial Statements (continued):**

**I-C-09 County Care Facility**-During our audit procedures of the residents personal accounts, it was noted that residents were allowed to spend more funds than were available in their individual accounts, resulting in negative individual account balances for two residents at June 30, 2009.

**Recommendation**-The account must be reconciled monthly and resident individual accounts must not be allowed to incur a negative balance.

**Response**-We will monitor the personal account balances monthly.

**Conclusion**-Response accepted.

**Instances of Non-Compliance**

No matters were reported.

## MITCHELL COUNTY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

#### **Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-09 Certified Budget**-Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted which is in compliance with Chapter 384.20 of the Code of Iowa.
- II-B-09 Questionable Expenditures**-We noted no expenditures that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-09 Travel Expense**-No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-09 Business Transactions**-No business transactions between the County and County officials or employees were noted.
- II-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 periodically reviewed to ensure that the coverage is adequate for current operations.
- II-F-09 Board Minutes**-No transactions were found that we believe should have been approved in the board minutes but were not.
- II-G-09 Deposits and Investments**-No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- II-H-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).
- II-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 for the County Extension Office during the year ended June 30, 2009 did not exceed the amount budgeted.