

**CHICKASAW COUNTY
NEW HAMPTON, IOWA**

FINANCIAL REPORT

JUNE 30, 2010

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CHICKASAW COUNTY

OFFICIALS

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

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New Hampton, Iowa 50659
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**INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chickasaw County as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Chickasaw County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chickasaw County as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2011, on our consideration of Chickasaw County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and funding progress for the retiree health plan on page 4 and pages 33 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 8, 2011

CHICKASAW COUNTY
NEW HAMPTON, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2010

Management of Chickasaw County provides this management's discussion and analysis of Chickasaw County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 8.05%, or approximately \$922,000, from fiscal 2009 to fiscal 2010. Operating grants and capital grants decreased approximately \$2,838,000, while general revenues increased approximately \$926,000.
- Program expenses were 4.84%, or approximately \$544,000, less in fiscal 2010 than in fiscal 2009. Public safety and legal service expenses increased approximately \$106,000, roads and transportation expenses decreased approximately \$1,213,000 and administration expenses increased approximately \$137,000.
- The County's net assets decreased .71%, or approximately \$170,000, from June 30, 2009 to June 30, 2010.

USING THE BASIC FINANCIAL STATEMENTS

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

The government-wide financial statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Chickasaw County as a whole and present an overall view of the County's finances and a longer-term view of those finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Chickasaw County's operations in more detail than the government-wide statements by providing information about the most significant funds with all other nonmajor funds presented in total in a single column. For Chickasaw County, the general fund, MH/DD-special revenue fund, rural services-special revenue fund, secondary roads-special revenue fund, and landfill postclosure costs-special revenue fund are the most significant funds. The remaining statements provide financial information about activities for which Chickasaw County acts solely as an agent or custodian for the benefit of those outside of the government.

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

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

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

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds

Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds includes: 1) the general fund, 2) the special revenue funds such as mental health, rural service, and secondary roads, and 3) the capital projects fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

Proprietary Fund

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

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

Fiduciary Funds

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets.

| | Condensed Statement of Net Assets (Expressed in Thousands) | | |
|----------------------------|---|-----------|-------------------|
| | 2010 | 2009 | Percent Change |
| Current and other assets | \$ 12,922 | \$ 12,921 | 0.01% |
| Capital assets | 16,468 | 16,926 | -2.71% |
| Total assets | 29,390 | 29,847 | -1.53% |
| Long-term debt outstanding | 511 | 474 | 7.81% |
| Other liabilities | 5,012 | 5,241 | -4.37% |
| Total liabilities | 5,523 | 5,715 | -3.36% |
| Net assets | | | |
| Invested in capital assets | 16,469 | 16,926 | -2.70% |
| Restricted | 3,625 | 2,268 | 59.83% |
| Unrestricted | 3,773 | 4,938 | -23.59% |
| Total net assets | \$ 23,867 | \$ 24,132 | -1.10% |

Chickasaw County's net assets for the governmental activities decreased slightly from fiscal 2009 to fiscal 2010. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment). Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased for the governmental activities approximately \$1,165,000 or 23.59%.

The following analysis shows the change in net assets for the year ending June 30, 2010:

| | Changes in Net Assets of Governmental Activities (Expressed in Thousands) | | |
|--|--|-----------|-------------------|
| | 2010 | 2009 | Percent Change |
| Revenues: | | | |
| Program revenue | | | |
| Charges for service | \$ 2,171 | \$ 1,181 | 83.83% |
| Operating grants | 2,933 | 5,235 | -43.97% |
| Capital grants | - | 536 | -100.00% |
| General revenue | | | |
| Property taxes | 4,373 | 3,185 | 37.30% |
| Local option sales tax | 616 | 645 | -4.50% |
| Penalty and interest on property taxes | 29 | 26 | 11.54% |
| State tax credits | 203 | 206 | -1.46% |
| Rents | 28 | 85 | -67.06% |
| Grants and contributions | - | 114 | -100.00% |
| Unrestricted investment earnings | 193 | 228 | -15.35% |
| Loss on sale of capital assets | (26) | (1) | 2500.00% |
| Other | 13 | 16 | -18.75% |
| Total revenues | 10,533 | 11,456 | -8.06% |
| Program expenses: | | | |
| Public safety and legal services | 1,414 | 1,308 | 8.10% |
| Physical health and social services | 1,667 | 1,287 | 29.53% |
| Mental health | 988 | 1,028 | -3.89% |
| County environment and education | 486 | 581 | -16.35% |
| Roads and transportation | 4,237 | 5,450 | -22.26% |
| Government services to residents | 402 | 397 | 1.26% |
| Administration or general government | 1,055 | 918 | 14.92% |
| Non-program | 455 | 279 | 63.08% |
| Total expenses | 10,704 | 11,248 | -4.84% |
| (Decrease) increase in net assets | (171) | 208 | -182.21% |
| Net assets beginning of year, restated | 24,038 | 23,924 | 0.48% |
| Net assets end of year | \$ 23,867 | \$ 24,132 | -1.10% |

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$7,679,279, approximately \$362,949 increase from the 2009 fiscal year end balance of \$7,316,330.

- The general fund revenues increased 1.14% from the prior year, whereas, the expenditures also increased by 2.27% from the prior year. The ending fund balance showed an increase of 9.85% from the prior year of \$3,173,383 to \$3,485,858.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, revenues decreased 26.99% due to a decrease in grant funds received, and expenditures decreased 4.38% from the prior year. The mental health fund balance at year end increased by \$124,145 from the prior year.

- Secondary roads fund revenues decreased approximately \$451,651 over the prior year. For the year, expenditures totaled \$4,200,708, a decrease of \$233,902. This decrease in expenditures results in an increase in the secondary roads fund ending balance of approximately \$23,932, or 1.92%.
- The ending fund balance for the rural service fund decreased by \$130,000 or 12.73% over the prior year.

BUDGETARY HIGHLIGHTS

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

The amendment made during the 2010 fiscal year should have no impact on the 2011 fiscal year’s budget. During the year ended June 30, 2010, no disbursements exceeded the amounts budgeted.

The following chart shows the original and amended budget for fiscal 2010 as well as the actual revenue and expenditures for the year:

| | Budgetary Comparison Schedule | | | |
|---|-------------------------------|------------------|------------------|---------------|
| | (Expressed in Thousands) | | | |
| | Budget Basis | Budget Amounts | | Variance |
| | Original | Final | | |
| REVENUES | | | | |
| Property and other County tax | \$ 4,523 | \$ 4,542 | \$ 4,542 | \$ (19) |
| Interest and penalty on property tax | 29 | 25 | 25 | 4 |
| Intergovernmental | 4,518 | 4,286 | 4,449 | 69 |
| Licenses and permits | 14 | 6 | 6 | 8 |
| Charges for service | 946 | 515 | 616 | 330 |
| Use of money and property | 248 | 119 | 119 | 129 |
| Miscellaneous | 169 | 82 | 82 | 87 |
| Total revenues | 10,447 | 9,575 | 9,839 | 608 |
| EXPENDITURES | | | | |
| Public safety and legal services | 1,332 | 1,378 | 1,440 | 108 |
| Physical health and social services | 1,382 | 1,350 | 1,540 | 158 |
| Mental health | 905 | 1,165 | 1,165 | 260 |
| County environment and education services | 507 | 504 | 561 | 54 |
| Roads and transportation | 4,363 | 3,996 | 4,377 | 14 |
| Governmental services to residents | 406 | 439 | 451 | 45 |
| Administrative services | 1,109 | 1,392 | 1,393 | 284 |
| Nonprogram | 327 | 331 | 381 | 54 |
| Total expenditures | \$ 10,331 | \$ 10,555 | \$ 11,308 | \$ 977 |

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2010, Chickasaw County had \$16,468,885 invested in a broad range of capital assets, including large road equipment, infrastructure and construction in progress for the governmental activities.

The County had depreciation expense of \$1,499,224 for fiscal year 2010 and total accumulated depreciation of \$12,999,423 as of June 30, 2010 for the governmental activities. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-term Liabilities

At June 30, 2010, Chickasaw County has approximately \$452,654 in estimated postclosure costs for the landfill. As postclosure expenses are incurred, such as engineering costs, or the cost of leachate disposal, the estimated costs are reduced. For fiscal year 2009, the estimate was \$474,072. The County is required to demonstrate financial assurance for the estimated costs at a minimum. At June 30, 2010, the balance restricted for postclosure costs was \$594,127.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

Some of the accomplishments of Chickasaw County:

- Completed phase 2 of a courthouse tuck pointing project
- Completed the restoration and "remounting of courthouse clock"
- Continue to be engaged in the development of a zoning ordinance
- Completed the integration of the Homemaker Agency functions into the Public Health Department
- Completed a tourism assessment project
- Updated the Employee Handbook
- Re-organized the General Assistance Program to be under the supervision of the CPC Director
- Completed the installation of new windows at Heritage Residence (a facility owned by the County and leased to Community Care Incorporated)
- Completed the re-roofing of the Sheriff's Garage and Jail
- Completed a sidewalk and curb project on two sides of the Courthouse block
- Employed 3rd Party Health Insurance Administrator for COBRA (Chickasaw County's health insurance is self-funded)

Farming and agriculture remains the largest segment of Chickasaw County's valuation and source of taxes within the County. Each year the Board of Supervisors meets with Farm Bureau for review and discussion of the proposed upcoming fiscal year budget.

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

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

Note that taxes have increased over recent years due to increases of statewide valuation, equalization and the farmland productivity formula, based upon productivity average of the preceding five years, but the County has kept the tax asking the same for the last three years.

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Chickasaw County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Chickasaw County, 8 E. Prospect Avenue, P.O. Box 311, New Hampton, IA 50659.

CHICKASAW COUNTY
STATEMENT OF NET ASSETS
June 30, 2010

EXHIBIT A

| | | Governmental Activities |
|---|--|----------------------------|
| ASSETS | | |
| Cash and pooled investments | | \$ 7,507,233 |
| Receivables | | |
| Property tax | | |
| Delinquent | | 8,128 |
| Succeeding year | | 4,044,917 |
| Accounts | | 80,250 |
| Accrued interest | | 37,004 |
| Due from other governments | | 191,638 |
| Inventories | | 692,817 |
| Prepaid expenses | | 49,777 |
| Nondepreciable assets | | 1,711,559 |
| Capital assets, net of accumulated depreciation | | 14,757,326 |
| Investment in insurance pool | | 309,688 |
| Total assets | | \$ 29,390,337 |
| LIABILITIES AND NET ASSETS | | |
| Accounts payable | | \$ 445,685 |
| Salaries and benefits payable | | 137,334 |
| Due to other governments | | 185,493 |
| Deferred revenue | | |
| Succeeding year property tax | | 4,044,917 |
| Compensated absences | | 198,199 |
| Portion due after one year | | |
| Net OPEB obligation | | 58,383 |
| Postclosure costs | | 452,654 |
| Total liabilities | | 5,522,665 |
| NET ASSETS | | |
| Invested in capital assets | | 16,468,885 |
| Restricted for | | |
| Mental health | | 607,311 |
| Rural service | | 890,299 |
| Secondary roads | | 1,254,794 |
| Capital projects | | 222,426 |
| Other special revenue | | 6,921 |
| Other purposes | | 643,904 |
| Unrestricted | | 3,773,132 |
| Total net assets | | 23,867,672 |
| Total liabilities and net assets | | \$ 29,390,337 |

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

| Functions and Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Change in Net Assets |
|--|----------------------|-------------------------|---------------------|-------------------|---|
| | | Charges for Services | Operating Grants | Capital Grants | |
| Governmental activities | | | | | |
| Public safety and legal services | \$ 1,414,288 | \$ 217,293 | \$ 9,533 | | \$ (1,187,462) |
| Physical health and social services | 1,666,548 | 1,043,044 | 184,417 | | (439,087) |
| Mental health | 987,870 | 7,201 | 188,435 | | (792,234) |
| County environment and education | 486,030 | 20,043 | 37,868 | | (428,119) |
| Roads and transportation | 4,236,603 | 148,012 | 2,509,789 | | (1,578,802) |
| Government services to residents | 402,604 | 235,828 | 2,563 | | (164,213) |
| Administration or general government | 1,055,294 | 186,151 | | | (869,143) |
| Non-program | 455,072 | 313,666 | | | (141,406) |
| Total governmental activities | <u>\$ 10,704,309</u> | <u>\$ 2,171,238</u> | <u>\$ 2,932,605</u> | <u>\$ -</u> | <u>(5,600,466)</u> |
| General revenues | | | | | |
| Property taxes levied for | | | | | |
| General purposes | | | | | 4,374,469 |
| Local option sales tax | | | | | 616,060 |
| Penalty and interest on property taxes | | | | | 28,927 |
| State tax credits | | | | | 202,704 |
| Rents | | | | | 28,084 |
| Unrestricted investment earnings | | | | | 192,770 |
| Loss on sale of capital assets | | | | | (26,063) |
| Miscellaneous | | | | | 13,445 |
| Total general revenues | | | | | <u>5,430,396</u> |
| Change in net assets | | | | | <u>(170,070)</u> |
| Net assets, beginning of year as restated | | | | | <u>24,037,742</u> |
| Net assets, end of year | | | | | <u>\$ 23,867,672</u> |

See Notes to Financial Statements.

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CHICKASAW COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

| | ASSETS | Special Revenue | | |
|-------------------------------------|-------------------------------|---------------------|---------------------|---------------------|
| | | General | Mental Health | Rural Services |
| Cash and pooled investments | | \$ 3,024,025 | \$ 816,502 | \$ 890,398 |
| Receivables | | | | |
| Property tax | | | | |
| Delinquent | | 5,345 | 1,133 | 1,646 |
| Succeeding year | | 2,446,952 | 451,058 | 1,144,934 |
| Accounts | | 74,244 | | |
| Accrued interest | | 34,287 | | |
| Due from other funds | | 22 | | |
| Due from other governments | | 128,171 | | |
| Inventories | | | | |
| Investment in insurance pool | | 309,688 | | |
| Prepaid insurance | | 32,416 | | |
| | | | | |
| Total assets | | <u>\$ 6,055,150</u> | <u>\$ 1,268,693</u> | <u>\$ 2,036,978</u> |
| | | | | |
| | LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | | |
| Accounts payable | | \$ 40,621 | \$ 40,209 | \$ 1,566 |
| Salaries and benefits payable | | 70,234 | 1,389 | 179 |
| Due to other funds | | | | |
| Due to other governments | | 6,140 | 168,726 | |
| Deferred revenue | | | | |
| Succeeding year property tax | | 2,446,952 | 451,058 | 1,144,934 |
| Other | | 5,345 | 1,133 | 1,646 |
| | | | | |
| Total liabilities | | <u>2,569,292</u> | <u>662,515</u> | <u>1,148,325</u> |
| Fund balances | | | | |
| Reserved for | | | | |
| Inventories | | | | |
| Prepaid expenditures | | 32,416 | | |
| Other | | | | |
| Unreserved | | | | |
| General fund | | 3,453,442 | | |
| Capital projects fund | | | | |
| Special revenue funds | | | 606,178 | 888,653 |
| | | | | |
| Total fund balances | | <u>3,485,858</u> | <u>606,178</u> | <u>888,653</u> |
| | | | | |
| Total liabilities and fund balances | | <u>\$ 6,055,150</u> | <u>\$ 1,268,693</u> | <u>\$ 2,036,978</u> |

See Notes to Financial Statements.

EXHIBIT C

| Special Revenue | | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------|----------------------------------|-----------------------------------|--------------------------------|
| Secondary Roads | Landfill Postclosure Costs | | |
| \$ 824,402 | \$ 596,100 | \$ 851,312 | \$ 7,002,739 |
| | | 4 | 8,128 |
| | | 1,973 | 4,044,917 |
| 4,460 | | 249 | 78,953 |
| | | 4 | 34,291 |
| | | | 22 |
| 57,449 | | 6,018 | 191,638 |
| 692,817 | | | 692,817 |
| | | | 309,688 |
| 17,361 | | | 49,777 |
| <u>\$ 1,596,489</u> | <u>\$ 596,100</u> | <u>\$ 859,560</u> | <u>\$ 12,412,970</u> |
| \$ 248,153 | \$ 1,973 | \$ 25,275 | \$ 357,797 |
| 65,532 | | | 137,334 |
| 22 | | | 22 |
| 10,627 | | | 185,493 |
| | | 1,973 | 4,044,917 |
| | | 4 | 8,128 |
| <u>324,334</u> | <u>1,973</u> | <u>27,252</u> | <u>4,733,691</u> |
| 692,817 | | | 692,817 |
| 17,361 | | | 49,777 |
| | 594,127 | 6,921 | 601,048 |
| | | | 3,453,442 |
| | | 222,426 | 222,426 |
| 561,977 | | 602,961 | 2,659,769 |
| <u>1,272,155</u> | <u>594,127</u> | <u>832,308</u> | <u>7,679,279</u> |
| <u>\$ 1,596,489</u> | <u>\$ 596,100</u> | <u>\$ 859,560</u> | <u>\$ 12,412,970</u> |

CHICKASAW COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

| | |
|--|----------------------|
| Reconciliation of governmental fund balances to net assets | |
| Total governmental fund balances | \$ 7,679,279 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds, net of accumulated depreciation of \$ 12,999,423 | 16,468,885 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds | 8,128 |
| Internal service funds are used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets | 420,616 |
| Other liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds | |
| Postclosure costs | (452,654) |
| Compensated absences | (198,199) |
| Net OPEB obligation | (58,383) |
| Net assets of governmental activities | <u>\$ 23,867,672</u> |

See Notes to Financial Statements.

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CHICKASAW COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

| | Special Revenue | | |
|---|---------------------|-------------------|-------------------|
| | General | Mental Health | Rural Services |
| REVENUES | | | |
| Property and other County tax | \$ 2,330,961 | \$ 494,066 | \$ 1,037,170 |
| Local option sales tax | | | |
| Interest and penalty on property tax | 27,705 | | |
| Intergovernmental | 1,096,473 | 603,957 | 58,105 |
| Licenses and permits | 32,850 | | |
| Charges for service | 781,539 | 6,625 | |
| Use of money and property | 214,797 | | |
| Miscellaneous | 129,290 | | |
| Total revenues | 4,613,615 | 1,104,648 | 1,095,275 |
| EXPENDITURES | | | |
| Current | | | |
| Public safety and legal services | 1,308,245 | | 6,547 |
| Physical health and social services | 1,333,575 | | |
| Mental health | | 980,503 | |
| County environment and education services | 316,823 | | 78,525 |
| Roads and transportation | | | 81,000 |
| Governmental services to residents | 394,067 | | |
| Administrative services | 935,977 | | |
| Capital project | | | |
| Total expenditures | 4,288,687 | 980,503 | 166,072 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 324,928 | 124,145 | 929,203 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 50,000 | | |
| Proceeds from disposal of capital assets | 47 | | |
| Transfers out | (62,500) | | (1,058,835) |
| | (12,453) | - | (1,058,835) |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 312,475 | 124,145 | (129,632) |
| FUND BALANCES, beginning of year | 3,173,383 | 482,033 | 1,018,285 |
| FUND BALANCES, end of year | \$ 3,485,858 | \$ 606,178 | \$ 888,653 |

See Notes to Financial Statements.

EXHIBIT D

| Special Revenue | | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------|----------------------------------|-----------------------------------|--------------------------------|
| Secondary Roads | Landfill Postclosure Costs | | |
| | | \$ 107,304 | \$ 3,969,501 |
| \$ 536,539 | | | 536,539 |
| | | | 27,705 |
| 2,513,845 | | 15,728 | 4,288,108 |
| 3,610 | | | 36,460 |
| 108,875 | | 2,096 | 899,135 |
| | \$ 9,352 | 50,081 | 274,230 |
| 34,121 | | 56,313 | 219,724 |
| <u>3,196,990</u> | <u>9,352</u> | <u>231,522</u> | <u>10,251,402</u> |
| | | 53,530 | 1,368,322 |
| | | | 1,333,575 |
| | 21,418 | 71,786 | 980,503 |
| 4,004,263 | | | 488,552 |
| | | 108,446 | 4,085,263 |
| | | | 394,067 |
| 196,445 | - | | 1,044,423 |
| <u>4,200,708</u> | <u>21,418</u> | <u>233,762</u> | <u>196,445</u> |
| | | | 9,891,150 |
| <u>(1,003,718)</u> | <u>(12,066)</u> | <u>(2,240)</u> | <u>360,252</u> |
| 1,025,000 | | 46,335 | 1,121,335 |
| 2,650 | | | 2,697 |
| | | | <u>(1,121,335)</u> |
| <u>1,027,650</u> | <u>-</u> | <u>46,335</u> | <u>2,697</u> |
| 23,932 | (12,066) | 44,095 | 362,949 |
| 1,248,223 | 606,193 | 788,213 | 7,316,330 |
| <u>\$ 1,272,155</u> | <u>\$ 594,127</u> | <u>\$ 832,308</u> | <u>\$ 7,679,279</u> |

CHICKASAW COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

| | | |
|--|--------------------|------------------|
| Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities | | |
| Net change in fund balances - total governmental funds | \$ | 362,949 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period | | |
| Capital outlays | \$ 1,073,805 | |
| Depreciation | <u>(1,499,224)</u> | (425,419) |
| Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds | | |
| Property tax | | (9,591) |
| The net effect of disposal of capital assets | | |
| | | (31,457) |
| The internal service fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the internal service fund is reported with governmental activities | | |
| | | 14,040 |
| Postclosure landfill costs | | |
| | | 21,418 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds | | |
| Compensated absences | (43,627) | |
| Net OPEB obligation | <u>(58,383)</u> | <u>(102,010)</u> |
| Change in net assets of governmental activities | | |
| | \$ | <u>(170,070)</u> |

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2010

| | <u>Internal Service</u> |
|-----------------------------------|-----------------------------|
| ASSETS | |
| Cash and pooled investments | \$ 504,494 |
| Receivables | |
| Accounts | 1,297 |
| Accrued interest receivable | <u>2,713</u> |
| Total assets | <u>\$ 508,504</u> |
| LIABILITIES AND NET ASSETS | |
| Liabilities | |
| Accounts payable | \$ 13,306 |
| Deferred revenue | <u>74,582</u> |
| Total liabilities | <u>87,888</u> |
| Net assets | |
| Unrestricted | <u>420,616</u> |
| Total liabilities and net assets | <u>\$ 508,504</u> |

See Notes to Financial Statements.

CHICKASAW COUNTY
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 For the Year Ended June 30, 2010

| | Internal Service |
|----------------------------------|---------------------|
| OPERATING REVENUES | |
| Charges for service | \$ 953,726 |
| OPERATING EXPENSES | |
| Insurance claims paid | 744,397 |
| Administrative fees | 202,811 |
| Total operating expenses | 947,208 |
| Operating income | 6,518 |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest income | 7,522 |
| Change in net assets | 14,040 |
| NET ASSETS, beginning of year | 406,576 |
| NET ASSETS, end of year | \$ 420,616 |

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2010

| | Internal Service |
|--|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from interfund services provided | \$ 960,521 |
| Cash payments to suppliers for services | <u>(1,043,174)</u> |
| Net cash (used in) operating activities | <u>(82,653)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on investments | <u>7,522</u> |
| Net decrease in cash and cash equivalents | (75,131) |
| CASH and CASH EQUIVALENTS, beginning of year | <u>579,625</u> |
| CASH and CASH EQUIVALENTS, end of year | <u>\$ 504,494</u> |
| Reconciliation of operating income to net cash (used in) operating activities | |
| Operating income | \$ 6,518 |
| Adjustments to reconcile operating income to net cash (used in) operating activities | |
| Increase in accounts receivable | (1,297) |
| Decrease in accrued interest | 2,672 |
| Decrease in salaries and benefits payable | (95,961) |
| Increase in deferred revenue | <u>5,415</u> |
| Net cash (used in) operating activities | <u>\$ (82,653)</u> |

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2010

ASSETS

| | | |
|-----------------------------|----|------------|
| Cash and pooled investments | | |
| County Treasurer | \$ | 1,302,460 |
| Other County officials | | 36,359 |
| Receivables | | |
| Property tax | | |
| Delinquent | | 28,662 |
| Succeeding year | | 11,582,236 |
| Accounts | | 27,433 |
| Accrued interest | | 77 |
| Due from other governments | | 28,777 |
| Prepaid insurance | | 6,141 |
| | | <hr/> |
| Total assets | | 13,012,145 |

LIABILITIES

| | | |
|-------------------------------|--|------------|
| Accounts payable | | 13,941 |
| Salaries and benefits payable | | 11,375 |
| Due to other governments | | 12,620,751 |
| Trusts payable | | 355,036 |
| Compensated absences | | 11,042 |
| | | <hr/> |
| Total liabilities | | 13,012,145 |

NET ASSETS

\$ None

CHICKASAW COUNTY

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, Chickasaw County has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization, or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature of significance of their relationship with the County should be included in the financial statements as component units. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Chickasaw County Assessor's Conference Board, Chickasaw County Emergency Management Commission, and Chickasaw County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in agency funds of the County.

Government-wide Financial Statements

The statement of net assets and the statement of activities report information on all of the non-fiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other non-exchange transactions.

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

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements (Continued)

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

Fund Financial Statements

Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. The internal service fund is presented in a single column on the face of the proprietary fund statements.

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

Governmental

General Fund

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

Special Revenue Funds

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

Proprietary Fund Types

Internal Service Fund

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

Agency Funds

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

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

b. Significant Accounting Policies (Continued)

Measurement Focus

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

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

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

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

Basis of Accounting

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

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

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

b. Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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

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

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

Assets, Liabilities and Fund Equity

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

Cash Management, Cash Equivalents and Investments

The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the general fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Property Tax Receivable

Property taxes in the governmental funds are accounted for using the modified accrual basis of accounting.

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

Interfund Transactions

During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

Due from Other Governments

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

Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories in the special revenue funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Prepaid Expenditures

Payments made for insurance for a future period beyond June 30, 2010 are recorded as prepaid insurance. The fund balances in the governmental fund types have been reserved for the prepaid expenditures recorded in those funds. This reflects the amount of net assets not currently available for expenditure.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Capital Assets

Capital assets, which include property, equipment and vehicles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental column in the government-wide statement of net assets. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

Due to Other Governments

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

Trusts Payable

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

Deferred Revenue

In the fund financial statements certain revenues are measurable, however they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end. Deferred revenue on the statement of net assets consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Compensated Absences

County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absence liability attributable to the governmental activities will be paid primarily by the general and secondary road funds.

Long-term Liabilities

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

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

Fund Balance

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

Net Assets

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

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

Budgets and Budgetary Accounting

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Revenues, Expenditures and Expenses

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

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

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

Management Estimates

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

2. Deposits and Investments

The County's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$41,564, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

NOTES TO FINANCIAL STATEMENTS

2. Deposits and Investments (Continued)

Interest Rate Risk

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

Credit Risk

The investment in Iowa Public Agency Investment Trust is unrated.

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2010:

| | |
|------------------------|-------------|
| Governmental | |
| General fund | |
| Bioterrorism | \$ 1,901 |
| Medicare | 112,727 |
| CSD Grant | 7,565 |
| Other | 5,978 |
| | <hr/> |
| | 128,171 |
| | <hr/> |
| Secondary roads fund | |
| Local option sales tax | 54,166 |
| Road use tax | 3,283 |
| | <hr/> |
| | 57,449 |
| | <hr/> |
| Nonmajor governmental | 6,018 |
| | <hr/> |
| Total governmental | \$ 191,638 |
| | <hr/> <hr/> |

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

| | Balance June 30, 2009 | Additions | Deletions | Balance June 30, 2010 |
|--|--------------------------|--------------|------------|--------------------------|
| Governmental activities | | | | |
| Land | \$ 1,636,650 | \$ 74,909 | | \$ 1,711,559 |
| Capital assets being depreciated | | | | |
| Buildings | 3,377,016 | 79,185 | | 3,456,201 |
| Equipment | 3,343,651 | 538,813 | \$ 278,225 | 3,604,239 |
| Vehicles | 1,945,471 | 70,705 | 43,381 | 1,972,795 |
| Infrastructure | 18,413,321 | 310,193 | | 18,723,514 |
| Total capital assets being depreciated | 27,079,459 | 998,896 | 321,606 | 27,756,749 |
| Less accumulated depreciation | | | | |
| Buildings | 852,526 | 393,061 | | 1,245,587 |
| Equipment | 1,686,952 | 332,890 | 266,618 | 1,753,224 |
| Vehicles | 1,111,560 | 211,593 | 23,531 | 1,299,622 |
| Infrastructure | 8,139,310 | 561,680 | | 8,700,990 |
| Total accumulated depreciation | 11,790,348 | 1,499,224 | 290,149 | 12,999,423 |
| Total capital assets being depreciated, net | 15,289,111 | (500,328) | 31,457 | 14,757,326 |
| Governmental activities | | | | |
| Capital assets, net | \$ 16,925,761 | \$ (425,419) | \$ 31,457 | \$ 16,468,885 |

Depreciation expense was charged to functions of the primary government for the year ended June 30, 2010 as follows:

| | |
|-------------------------------------|--------------|
| Governmental activities | |
| Public safety and legal services | \$ 66,626 |
| Physical health and social services | 323,541 |
| Mental health | 7,367 |
| County environment and education | 29,072 |
| Roads and transportation | 1,007,030 |
| Governmental services to residents | 6,742 |
| Administrative services | 58,846 |
| | \$ 1,499,224 |

NOTES TO FINANCIAL STATEMENTS

5. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The agency fund collections also include accruals of property tax for the succeeding year. The tax collections are remitted to those governments in the month following collection.

A summary of amounts due to other governments for the year ended June 30, 2010 is as follows:

| | | | |
|--------------------------|-------------|----|------------|
| Governmental | | | |
| General fund | Services | \$ | 5,040 |
| Special revenue fund | | | |
| Secondary roads | Services | | 10,627 |
| Mental health | | | 168,726 |
| | | | 179,353 |
| | | | 179,353 |
| | | \$ | 184,393 |
| | | | 184,393 |
| Fiduciary | | | |
| Agency | | | |
| County offices | Collections | \$ | 17,230 |
| Agricultural extension | | | 184,635 |
| Assessor | | | 245,551 |
| Schools | | | 8,109,704 |
| Area schools | | | 665,844 |
| Corporations | | | 2,459,048 |
| Townships | | | 178,097 |
| City special assessment | | | 1,540 |
| Auto license and use tax | | | 287,020 |
| Other | | | 472,082 |
| | | | 472,082 |
| | | \$ | 12,620,751 |
| | | | 12,620,751 |

6. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.30%, 4.10%, and 3.90% of their annual covered salary and the County is required to contribute 6.65%, 6.35%, and 6.05% of annual covered salary for the years ended June 30, 2010, 2009, and 2008 respectively. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State Statute. The County's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$254,336, \$223,980, and \$206,549, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

7. Construction, Purchase and Other Commitments

At June 30, 2010, the total outstanding construction and purchase commitments of the County amount to \$732,698. Of these commitments, none will be funded by state and federal grants.

8. Leases

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

The County has leased business property to Heritage Regional Services for \$5,200/month from July 1, 2009 through June 30, 2010, for \$5,408/month from July 1, 2010 through June 30, 2011, and for \$5,624/month from July 1, 2011 through June 30, 2012.

The County leases a commercial building from Thomas and Ruth Bernatz for \$450 a month from July 1, 2010 through June 30, 2011.

9. Changes in Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010, is as follows:

| | | Estimated Liability for Landfill Postclosure Costs | Compensated Absences | Net OPEB Obligation | Total |
|----------------------------|----|---|-------------------------|------------------------|------------|
| Balance, beginning of year | \$ | 474,072 | \$ 154,573 | | \$ 628,645 |
| Additions | | None | 198,199 | \$ 58,383 | 256,582 |
| Reductions | | (21,418) | (154,573) | | (175,991) |
| Balance, end of year | \$ | 452,654 | \$ 198,199 | \$ 58,383 | \$ 709,236 |

Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County stopped accepting waste at the landfill. The \$452,654 reported as estimated liability for landfill postclosure care costs at June 30, 2010, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all postclosure care during the year ended June 30, 2010. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

In anticipation of State regulations requiring municipal solid waste landfills to demonstrate financial responsibility for the costs of closure and postclosure care, the County has restricted \$594,127 as of June 30, 2010 for such purposes. These funds are reflected as a restriction of fund balance within the special revenue-landfill postclosure costs fund.

NOTES TO FINANCIAL STATEMENTS

10. **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

| | Transfers In | Transfers Out |
|-----------------------|--------------|---------------|
| General fund | | |
| Nonmajor governmental | \$ 50,000 | \$ 62,500 |
| Special revenue | | |
| Rural services | | 1,058,835 |
| Secondary roads | 1,025,000 | |
| | 1,025,000 | 1,058,835 |
| Nonmajor governmental | 46,335 | |
| Total | \$ 1,121,335 | \$ 1,121,335 |

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

11. **Other Postemployment Benefits (OPEB)**

Plan Description

The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 85 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

NOTES TO FINANCIAL STATEMENTS

11. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

| | | |
|--|----|--------|
| Annual required contribution | \$ | 60,772 |
| Interest on net OPEB obligation | | None |
| Adjustment to annual required contribution | | (None) |
| | | |
| Annual OPEB cost | | 60,772 |
| Contributions made | | 2,389 |
| | | |
| Interest in net OPEB obligation | | 58,383 |
| Net OPEB obligation beginning of year | | None |
| | | |
| Net OPEB obligation end of year | \$ | 58,383 |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the County contributed \$2,389 to the medical plan. Plan members eligible for benefits contributed \$149,913, or 19.37% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

| Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------|---------------------|--|------------------------|
| June 30, 2010 | \$ 60,772 | 3.93% | \$ 58,383 |

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$525,631, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$525,631. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,378,392 and the ratio of the UAAL to covered payroll was 15.6%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTES TO FINANCIAL STATEMENTS

11. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions (Continued)

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

As of July 1, 2009, actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from RP-2000 Combined Mortality Table projected to 2010 using Scale AA.

12. Fund Equity

The government-wide statement of net assets reports \$1,898,388 of restricted net assets, of which \$1,198,650 is restricted by enabling legislation.

The amounts restricted at June 30, 2010 are as follows:

| | |
|-----------------------------|--------------|
| Restricted net assets | |
| Special revenue fund | |
| Rural services | \$ 890,299 |
| Secondary roads | 308,351 |
| Nonmajor governmental funds | 6,921 |
| Other purposes | 692,817 |
| | 692,817 |
| | \$ 1,898,388 |

The amounts reserved at June 30, 2010 are as follows:

| | |
|-----------------------------|--------------|
| Reserved fund balances | |
| General fund | |
| Prepaid expenditures | \$ 32,416 |
| Special revenue fund | |
| Inventories | 692,817 |
| Prepaid expenditures | 17,361 |
| Landfill postclosure costs | 594,127 |
| Nonmajor governmental funds | 6,921 |
| | 692,817 |
| | 1,311,226 |
| | \$ 1,343,642 |

13. Contingent Liabilities

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2010 significant amounts of grant expenditures have not been audited by granting authorities but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

14. Risk Management

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

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

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

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2010 were \$309,405.

The Pool uses reinsurance agreements to reduce its exposure to large losses. The Pool retains automobile, public officials' errors and omissions, law enforcement liability, and general liability risks in excess of \$400,000 up to \$7,000,000 per claim. The Pool retains workers' compensation risks in excess of \$750,000 with a \$250,000 corridor deductible up to statutory limits. Crime lines of business risks are retained by the Pool up to \$25,000 per occurrence. Automobile physical damage risks are retained by the Pool up to the actual cash value of the vehicle. The Pool retains risks of \$100,000 of each covered property claim to a limit of \$20,000,000 paying only on a scheduled basis per location. The Pool also retains the first \$100,000 of each inland marine claim up to a limit of actual cash value for covered equipment claims.

NOTES TO FINANCIAL STATEMENTS

14. Risk Management (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificates, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2010, no liability has been recorded in the County's financial statements. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance company coverage in any of the past fiscal years.

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

15. Employee Health Insurance Plan

As of January 1, 2003, the County returned to a fully self-funded health insurance plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Midwest Benefits, Inc. The agreement is subject to automatic renewal provisions. Monthly payments of service fees and plan contributions to the Chickasaw County Health Self Funding Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Midwest Benefits, Inc. from the Chickasaw County Health Insurance Fund. The County records the plan assets and related liabilities of the Chickasaw County Health Insurance Funding as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2010 was \$696,998.

Amounts payable from the health insurance fund at June 30, 2010 total \$13,306 which is for incurred but unpaid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. An analysis of claims activity in the internal service fund follows:

| | 2010 | 2009 |
|---------------------------------|-------------|------------|
| Beginning liability | \$ 109,267 | \$ 21,796 |
| Claims and changes in estimates | 947,208 | 1,049,504 |
| Claim payments | (1,043,169) | (962,033) |
| Ending liability | \$ 13,306 | \$ 109,267 |

16. Fund Balance Deficits

The ambulance fund has a deficit fund balance as of June 30, 2010.

NOTES TO FINANCIAL STATEMENTS

17. Accounting Change

Governmental Accounting Standards Board Statement No. 51 Accounting and Financial Reporting for Intangible Assets, was implemented during fiscal year 2010. The County has no intangible assets to be reported in capital assets as of June 30, 2010.

18. Subsequent Events

Subsequent events were evaluated through February 8, 2011, which is the date the financial statements were available to be issued.

19. Restatement

The beginning net assets were restated due to the investment in the insurance pool, which was a correction from the prior year. Total net restatement is a decrease of \$94,293.

CHICKASAW COUNTY
 BUDGETARY COMPARISON SCHEDULE
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 June 30, 2010

| | Actual/Budget | Budget Amounts | | Final to Actual Variance- Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| | | Original | Final | |
| RECEIPTS | | | | |
| Property and other County tax | \$ 4,523,255 | \$ 4,541,749 | \$ 4,541,749 | \$ (18,494) |
| Interest and penalty on property tax | 28,927 | 25,200 | 25,200 | 3,727 |
| Intergovernmental | 4,517,988 | 4,286,130 | 4,448,930 | 69,058 |
| Licenses and permits | 13,763 | 6,350 | 6,350 | 7,413 |
| Charges for service | 945,579 | 515,270 | 615,908 | 329,671 |
| Use of money and property | 247,673 | 119,221 | 119,221 | 128,452 |
| Miscellaneous | 169,457 | 81,900 | 81,900 | 87,557 |
| Total receipts | 10,446,642 | 9,575,820 | 9,839,258 | 607,384 |
| DISBURSEMENTS | | | | |
| Public safety and legal services | 1,332,431 | 1,378,425 | 1,439,859 | 107,428 |
| Physical health and social services | 1,382,440 | 1,350,177 | 1,540,464 | 158,024 |
| Mental health | 904,429 | 1,165,273 | 1,165,273 | 260,844 |
| County environment and education services | 506,538 | 503,703 | 560,727 | 54,189 |
| Roads and transportation | 4,362,357 | 3,995,600 | 4,376,600 | 14,243 |
| Governmental services to residents | 406,008 | 438,553 | 451,046 | 45,038 |
| Administrative services | 1,108,528 | 1,392,112 | 1,393,036 | 284,508 |
| Non-program | 1,998 | | | (1,998) |
| Capital project | 326,340 | 331,350 | 381,350 | 55,010 |
| Total disbursements | 10,331,069 | 10,555,193 | 11,308,355 | 977,286 |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS | 115,573 | (979,373) | (1,469,097) | 1,584,670 |
| OTHER FINANCING SOURCES, NET | 197 | 500 | 500 | (303) |
| EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES | 115,770 | (978,873) | (1,468,597) | 1,584,367 |
| BALANCE, beginning of year | 6,886,940 | 6,886,940 | 6,886,940 | - |
| BALANCE, end of year | \$ 7,002,710 | \$ 5,908,067 | \$ 5,418,343 | \$ 1,584,367 |

See Notes to Required Supplementary Information.

CHICKASAW COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 BUDGET TO GAAP RECONCILIATION
 For the Year Ended June 30, 2010

| | Governmental Funds | | |
|------------------------------|---------------------|------------------------|------------------------------|
| | Cash Basis | Accrual Adjustments | Modified Accrual Basis |
| Revenues | \$ 10,446,642 | \$ (195,240) | \$ 10,251,402 |
| Expenditures | 10,331,069 | (439,919) | 9,891,150 |
| Net | 115,573 | 244,679 | 360,252 |
| Other financing sources, net | 197 | 2,500 | 2,697 |
| Beginning fund balance | 6,886,940 | 429,390 | 7,316,330 |
| Ending fund balance | <u>\$ 7,002,710</u> | <u>\$ 676,569</u> | <u>\$ 7,679,279</u> |

See Notes to Required Supplementary Information.

CHICKASAW COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2010

The budgetary comparison is presented as required supplementary information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund 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, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue fund, debt service fund and capital projects fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted revenues by \$263,438 and budgeted disbursements by \$753,162. 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 E-911 System by the Joint E-911 Service Board; and for Emergency Management Services by the County Emergency Management Commission.

CHICKASAW COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 (in thousands)

| Fiscal Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|-------------------------------------|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 2010 | July 1, 2009 | - | \$ 526 | \$ 526 | 0.0% | \$ 3,378 | 15.6% |

See Note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

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

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

Our report on our audit of the financial statements of Chickasaw County as of and for the year ended June 30, 2010 appears on pages 2-3. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We have previously audited, in accordance with U.S. generally accepted auditing standards, the financial statements of Chickasaw County as for and for the years ending June 30, 2005 through 2009, (none of which are presented herein), and we expressed an unqualified opinion on those financial statements. Those audits were conducted for purposes of forming an opinion on the financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 2005 through 2009 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information set forth in the required supplementary information for each of the five years in the period ended June 30, 2009, appearing on page 44, is fairly stated, in all material respects in relation to the financial statements from which it has been derived.

The financial statements of Chickasaw County for the years ended June 30, 2003 and 2004 (none of which are presented herein), were audited by other auditors whose report dated May 27, 2005, expressed an unqualified opinion on those financial statements. Their report, as of the same date, on the supplemental information for 2003 and 2004 presented on page 44 stated in their opinion, such information was fairly stated in all material respects in relation to the financial statements for which it has been derived.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 8, 2011

CHICKASAW COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2010

SCHEDULE 1

| | Special Revenue Funds | Capital Projects Fund | Total Nonmajor Governmental Funds |
|--|-----------------------------|-----------------------------|---|
| ASSETS | | | |
| Cash and pooled investments | \$ 628,886 | \$ 222,426 | \$ 851,312 |
| Receivables | | | |
| Property tax | | | |
| Delinquent | 4 | | 4 |
| Succeeding year | 1,973 | | 1,973 |
| Accounts | 249 | | 249 |
| Accrued interest | 4 | | 4 |
| Due from other governments | 6,018 | | 6,018 |
| Total assets | \$ 637,134 | \$ 222,426 | \$ 859,560 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ 25,275 | | \$ 25,275 |
| Deferred revenue | 1,973 | | 1,973 |
| Other | 4 | | 4 |
| Total liabilities | 27,252 | \$ - | 27,252 |
| Fund balances | | | |
| Reserved | | | |
| REAP grant | 6,921 | | 6,921 |
| Unreserved | 602,961 | 222,426 | 825,387 |
| Total fund balances | 609,882 | 222,426 | 832,308 |
| Total liabilities and fund balances | \$ 637,134 | \$ 222,426 | \$ 859,560 |

See Independent Auditor's Report on the Supplementary Information.

CHICKASAW COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2010

| | Special Revenue Funds | Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|-----------------------------|-----------------------------|---|
| REVENUES | | | |
| Property and other County tax | \$ 107,304 | | \$ 107,304 |
| Intergovernmental | 15,728 | | 15,728 |
| Charges for service | 2,096 | | 2,096 |
| Use of money and property | 50,081 | | 50,081 |
| Miscellaneous | 56,313 | | 56,313 |
| Total revenues | 231,522 | \$ - | 231,522 |
| EXPENDITURES | | | |
| Operating | | | |
| Public safety and legal services | 53,530 | | 53,530 |
| County environment and education | 71,786 | | 71,786 |
| Administration | 108,446 | | 108,446 |
| Total expenditures | 233,762 | - | 233,762 |
| DEFICIENCY OF REVENUES OVER EXPENDITURES | (2,240) | - | (2,240) |
| OTHER FINANCING SOURCES | | | |
| Operating transfers in | 46,335 | | 46,335 |
| DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES | 44,095 | | 44,095 |
| FUND BALANCES, beginning of year | 565,787 | 222,426 | 788,213 |
| FUND BALANCES, end of year | \$ 609,882 | \$ 222,426 | \$ 832,308 |

See Independent Auditor's Report on the Supplementary Information.

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CHICKASAW COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2010

| | REAP | Recorder's Records Management | County Betterment | Economic Development |
|--|-----------------|-------------------------------------|----------------------|-------------------------|
| ASSETS | | | | |
| Cash and pooled investments | \$ 6,920 | \$ 8,324 | \$ 100,919 | \$ 93,385 |
| Receivables | | | | |
| Property tax | | | | |
| Delinquent | | | | |
| Succeeding year | | | | |
| Accounts | | 203 | | 46 |
| Accrued interest | 1 | 2 | | |
| Due from other governments | | | 6,018 | |
| | <u>\$ 6,921</u> | <u>\$ 8,529</u> | <u>\$ 106,937</u> | <u>\$ 93,431</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | | | | \$ 275 |
| Deferred revenue | | | | |
| Succeeding year property taxes | | | | |
| Other | | | | |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>275</u> |
| Fund balances | | | | |
| Reserved | | | | |
| REAP grant | 6,921 | | | |
| Unreserved | | 8,529 | 106,937 | 93,156 |
| | <u>6,921</u> | <u>8,529</u> | <u>106,937</u> | <u>93,156</u> |
| Total fund balances | <u>6,921</u> | <u>8,529</u> | <u>106,937</u> | <u>93,156</u> |
| Total liabilities and fund balances | <u>\$ 6,921</u> | <u>\$ 8,529</u> | <u>\$ 106,937</u> | <u>\$ 93,431</u> |

See Independent Auditor's Report on the Supplementary Information.

| <u>Conservation Land Acquisition</u> | <u>Sheriff's K-9 Unit</u> | <u>Sheriff's DARE</u> | <u>Economic Development</u> | <u>Chickasaw County Pioneer Cemetery</u> | <u>Ambulance</u> | <u>Drug Investigation</u> | <u>Total Special Revenue</u> |
|--|-------------------------------|---------------------------|---------------------------------|--|------------------|-------------------------------|--------------------------------------|
| | \$ 2,972 | \$ 293 | \$ 415,750 | \$ 23 | | \$ 300 | \$ 628,886 |
| | | | | 4 1,973 | | | 4 1,973 249 4 6,018 |
| | 1 | | | | | | |
| <u>\$ -</u> | <u>\$ 2,973</u> | <u>\$ 293</u> | <u>\$ 415,750</u> | <u>\$ 2,000</u> | <u>\$ -</u> | <u>\$ 300</u> | <u>\$ 637,134</u> |
| | | | | | \$ 25,000 | | \$ 25,275 |
| | | | | \$ 1,973 4 | | | 1,973 4 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>1,977</u> | <u>25,000</u> | <u>\$ -</u> | <u>27,252</u> |
| | 2,973 | 293 | 415,750 | 23 | (25,000) | 300 | 6,921 602,961 |
| - | 2,973 | 293 | 415,750 | 23 | (25,000) | 300 | 609,882 |
| <u>\$ -</u> | <u>\$ 2,973</u> | <u>\$ 293</u> | <u>\$ 415,750</u> | <u>\$ 2,000</u> | <u>\$ -</u> | <u>\$ 300</u> | <u>\$ 637,134</u> |

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CHICKASAW COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2010

| | <u>REAP</u> | <u>Recorder's Records Management</u> | <u>County Betterment</u> | <u>Economic Development</u> |
|--|-----------------|--|------------------------------|---------------------------------|
| REVENUES | | | | |
| Property and other County tax | | | \$ 55,077 | \$ 50,233 |
| Intergovernmental | \$ 15,728 | | | |
| Charges for service | | \$ 2,096 | | |
| Use of money and property | 48 | 27 | | |
| Miscellaneous | | | | |
| Total revenues | <u>15,776</u> | <u>2,123</u> | <u>55,077</u> | <u>50,233</u> |
| EXPENDITURES | | | | |
| Operating | | | | |
| Public safety and legal services | | | | |
| County environment and education | 25,209 | | 38,650 | 7,927 |
| Administration | - | | - | - |
| Total expenditures | <u>25,209</u> | <u>-</u> | <u>38,650</u> | <u>7,927</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(9,433)</u> | <u>2,123</u> | <u>16,427</u> | <u>42,306</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | | | | |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES | (9,433) | 2,123 | 16,427 | 42,306 |
| FUND BALANCES, beginning of year | <u>16,354</u> | <u>6,406</u> | <u>90,510</u> | <u>50,850</u> |
| FUND BALANCES, end of year | <u>\$ 6,921</u> | <u>\$ 8,529</u> | <u>\$ 106,937</u> | <u>\$ 93,156</u> |

See Independent Auditor's Report on the Supplementary Information.

| <u>Conservation Land Acquisition</u> | <u>Sheriff's K-9 Unit</u> | <u>Sheriff's DARE</u> | <u>Economic Development</u> | <u>Chickasaw County Pioneer Cemetery</u> | <u>Ambulance</u> | <u>Drug Investigation</u> | <u>Total Special Revenue</u> |
|--|-------------------------------|---------------------------|---------------------------------|--|------------------|-------------------------------|--------------------------------------|
| | | | | \$ 1,994 | | | \$ 107,304 |
| | | | | | | | 15,728 |
| | | | | | | | 2,096 |
| \$ 50,000 | \$ 5 | \$ 1 | | | | | 50,081 |
| 50,000 | 6,313 | | | | | | 56,313 |
| 100,000 | 6,318 | 1 | \$ - | 1,994 | \$ - | \$ - | 231,522 |
| | 3,358 | 172 | | | 50,000 | | 53,530 |
| 100,000 | | | 6,448 | 1,998 | - | | 71,786 |
| 100,000 | 3,358 | 172 | 6,448 | 1,998 | 50,000 | - | 108,446 |
| - | 2,960 | (171) | (6,448) | (4) | (50,000) | - | 233,762 |
| | | | | | 46,335 | | (2,240) |
| | | | | | | | 46,335 |
| - | 2,960 | (171) | (6,448) | (4) | (3,665) | - | 44,095 |
| - | 13 | 464 | 422,198 | 27 | (21,335) | 300 | 565,787 |
| \$ - | \$ 2,973 | \$ 293 | \$ 415,750 | \$ 23 | \$ (25,000) | \$ 300 | \$ 609,882 |

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CHICKASAW COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2010

| | County Offices | Agricultural Extension Education | County Assessor | Schools |
|-------------------------------|-------------------|--|--------------------|---------------------|
| ASSETS | | | | |
| Cash and pooled investments | | | | |
| County Treasurer | | \$ 1,983 | \$ 107,825 | \$ 86,496 |
| Other County Officials | \$ 36,359 | | | |
| Receivables | | | | |
| Property Tax | | | | |
| Delinquent | | 373 | 304 | 16,366 |
| Succeeding year | | 182,279 | 137,942 | 8,006,842 |
| Accounts | | | | |
| Accrued interest | | | | |
| Due from other government | | | | |
| Prepaid insurance | | | 2,103 | |
| Total assets | <u>\$ 36,359</u> | <u>\$ 184,635</u> | <u>\$ 248,174</u> | <u>\$ 8,109,704</u> |
| LIABILITIES | | | | |
| Accounts payable | | | \$ 809 | |
| Salaries and benefits payable | | | 1,814 | |
| Due to other governments | \$ 17,230 | \$ 184,635 | 245,551 | \$ 8,109,704 |
| Trusts payable | 19,129 | | | |
| Compensated absences | | | | |
| Total liabilities | <u>\$ 36,359</u> | <u>\$ 184,635</u> | <u>\$ 248,174</u> | <u>\$ 8,109,704</u> |

See Independent Auditor's Report on the Supplementary Information.

| <u>Area Schools</u> | <u>Corporations</u> | <u>Townships</u> | <u>City Special Assessment</u> | <u>Auto License and Use Tax</u> | <u>Other</u> | <u>Total</u> |
|-------------------------|---------------------|-------------------|--|---|-------------------|------------------------|
| \$ 6,730 | \$ 27,797 | \$ 2,156 | \$ 1,540 | \$ 287,020 | \$ 780,913 | \$ 1,302,460 36,359 |
| 1,247 | 9,482 | 404 | | | 486 | 28,662 |
| 657,867 | 2,421,769 | 175,537 | | | - | 11,582,236 |
| | | | | | 27,433 | 27,433 |
| | | | | | 77 | 77 |
| | | | | | 28,777 | 28,777 |
| | | | | | 4,038 | 6,141 |
| <u>\$ 665,844</u> | <u>\$ 2,459,048</u> | <u>\$ 178,097</u> | <u>\$ 1,540</u> | <u>\$ 287,020</u> | <u>\$ 841,724</u> | <u>\$ 13,012,145</u> |
| | | | | | \$ 13,132 | \$ 13,941 |
| \$ 665,844 | \$ 2,459,048 | \$ 178,097 | \$ 1,540 | \$ 287,020 | 9,561 | 11,375 |
| | | | | | 472,082 | 12,620,751 |
| | | | | | 335,907 | 355,036 |
| | | | | | 11,042 | 11,042 |
| <u>\$ 665,844</u> | <u>\$ 2,459,048</u> | <u>\$ 178,097</u> | <u>\$ 1,540</u> | <u>\$ 287,020</u> | <u>\$ 841,724</u> | <u>\$ 13,012,145</u> |

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CHICKASAW COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
 ASSETS AND LIABILITIES - AGENCY FUNDS
 For the Year Ended June 30, 2010

| | <u>County Offices</u> | <u>Agricultural Extension Education</u> | <u>County Assessor</u> | <u>Schools</u> |
|------------------------------------|---------------------------|---|----------------------------|-------------------|
| ASSETS AND LIABILITIES | | | | |
| Balances beginning of year | \$ 61,702 | \$ 2,660 | \$ 120,244 | \$ 113,189 |
| Additions | | | | |
| Property tax | | 162,698 | 130,527 | 6,951,344 |
| E-911 surcharge | | | | |
| State tax credits | | 8,548 | 9,181 | 492,818 |
| Office fees and collections | 290,729 | | | |
| Auto licenses, use tax and postage | | | | |
| Trusts | 29,782 | | | |
| Miscellaneous | 168,610 | | | |
| Total additions | <u>489,121</u> | <u>171,246</u> | <u>139,708</u> | <u>7,444,162</u> |
| Deductions | | | | |
| Agency remittances | | | | |
| To other funds | 127,054 | | | |
| To other governments | 207,766 | 171,550 | 149,720 | 7,454,489 |
| Miscellaneous | 149,862 | | | |
| Trusts paid out | 29,782 | | | |
| Total deductions | <u>514,464</u> | <u>171,550</u> | <u>149,720</u> | <u>7,454,489</u> |
| Balances end of year | <u>\$ 36,359</u> | <u>\$ 2,356</u> | <u>\$ 110,232</u> | <u>\$ 102,862</u> |

See Independent Auditor's Report on the Supplementary Information.

| <u>Area Schools</u> | <u>Corporations</u> | <u>Townships</u> | <u>City Special Assessments</u> | <u>Auto License and Use Tax</u> | <u>Other</u> | <u>Total</u> |
|-------------------------|---------------------|------------------|---|---|-------------------|---------------------|
| <u>\$ 6,126</u> | <u>\$ 38,618</u> | <u>\$ 2,882</u> | <u>\$ 1,721</u> | <u>\$ 245,614</u> | <u>\$ 698,691</u> | <u>\$ 1,291,447</u> |
| 546,522 | 2,079,192 | 159,089 | | | 612,385 | 10,641,757 |
| 38,226 | 157,353 | 11,420 | | | 117,040 | 117,040 |
| | | | | | 18,468 | 736,014 |
| | | | | | 444,756 | 735,485 |
| | | | | 2,507,323 | | 2,507,323 |
| | | | 9,180 | | 203,715 | 29,782 |
| | | | | | | 381,505 |
| <u>584,748</u> | <u>2,236,545</u> | <u>170,509</u> | <u>9,180</u> | <u>2,507,323</u> | <u>1,396,364</u> | <u>15,148,906</u> |
| 582,897 | 2,237,884 | 170,831 | | 102,835 | | 229,889 |
| | | | | 2,363,082 | 994,272 | 14,332,491 |
| | | | 9,361 | | 259,059 | 418,282 |
| | | | | | | 29,782 |
| <u>582,897</u> | <u>2,237,884</u> | <u>170,831</u> | <u>9,361</u> | <u>2,465,917</u> | <u>1,253,331</u> | <u>15,010,444</u> |
| <u>\$ 7,977</u> | <u>\$ 37,279</u> | <u>\$ 2,560</u> | <u>\$ 1,540</u> | <u>\$ 287,020</u> | <u>\$ 841,724</u> | <u>\$ 1,429,909</u> |

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

| | Modified Accrual | | |
|---|----------------------|----------------------|----------------------|
| | 2010 | 2009 | 2008 |
| REVENUES | | | |
| Property and other County tax | \$ 3,969,501 | \$ 3,918,998 | \$ 3,617,898 |
| Local option sales tax | 536,539 | 645,155 | 635,468 |
| Interest and penalty on property tax | 27,705 | 25,694 | 26,881 |
| Intergovernmental | 4,288,108 | 5,433,764 | 4,121,929 |
| Licenses and permits | 36,460 | 13,025 | 13,043 |
| Charges for service | 899,135 | 867,848 | 792,280 |
| Use of money and property | 274,230 | 188,421 | 299,578 |
| Miscellaneous | 219,724 | 234,214 | 121,828 |
| Total revenues | \$ 10,251,402 | \$ 11,327,119 | \$ 9,628,905 |
| EXPENDITURES | | | |
| Current | | | |
| Public safety and legal services | \$ 1,368,322 | \$ 1,299,654 | \$ 1,243,205 |
| Physical health and social services | 1,333,575 | 1,276,889 | 1,212,382 |
| Mental health | 980,503 | 1,025,410 | 1,193,450 |
| County environment and education services | 488,552 | 656,404 | 549,175 |
| Roads and transportation | 4,085,263 | 4,208,117 | 4,161,107 |
| Governmental services to residents | 394,067 | 387,689 | 365,589 |
| Administrative services | 1,044,423 | 887,979 | 777,028 |
| Non-program | | 4,664 | |
| Capital project | 196,445 | 226,493 | 604,555 |
| Total expenditures | \$ 9,891,150 | \$ 9,973,299 | \$ 10,106,491 |

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 7

| Modified Accrual | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2007 | 2006 | 2005 | 2004 | 2003 |
| \$ 3,541,239 | \$ 3,977,411 | \$ 3,695,464 | \$ 3,294,773 | \$ 2,488,526 |
| 633,591 | 490,913 | 495,598 | 446,001 | 622,879 |
| 28,360 | 24,732 | 25,617 | 28,503 | 27,431 |
| 4,411,154 | 4,065,174 | 3,940,560 | 4,007,690 | 3,622,117 |
| 14,791 | 15,201 | 12,260 | 13,165 | 9,842 |
| 637,096 | 653,626 | 686,820 | 689,513 | 700,818 |
| 363,080 | 244,136 | 173,860 | 148,715 | 200,168 |
| 278,898 | 148,077 | 139,365 | 180,712 | 60,703 |
| <u>\$ 9,908,209</u> | <u>\$ 9,619,270</u> | <u>\$ 9,169,544</u> | <u>\$ 8,809,072</u> | <u>\$ 7,732,484</u> |
| | | | | |
| \$ 1,178,065 | \$ 1,155,863 | \$ 1,112,189 | \$ 1,063,303 | \$ 1,156,610 |
| 1,172,291 | 1,078,649 | 1,125,307 | 1,049,749 | 1,050,744 |
| 1,171,598 | 994,267 | 986,241 | 963,821 | 1,058,135 |
| 408,617 | 628,992 | 477,599 | 606,179 | 485,164 |
| 3,531,863 | 3,337,844 | 3,573,374 | 3,641,090 | 3,273,852 |
| 337,670 | 497,853 | 354,532 | 295,670 | 271,566 |
| 960,981 | 861,831 | 835,439 | 832,928 | 1,018,133 |
| | | 100,108 | | |
| 1,012,022 | 671,495 | 219,487 | 431,342 | 141,970 |
| <u>\$ 9,773,107</u> | <u>\$ 9,226,794</u> | <u>\$ 8,784,276</u> | <u>\$ 8,884,082</u> | <u>\$ 8,456,174</u> |

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Decorah, Iowa 52101
Telephone 563 382-3637
Fax 563 382-5797

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And Business Consultants

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Fax 641 394-3138

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

To the Board of Supervisors
Chickasaw County
New Hampton, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chickasaw County as of and for the year ended June 30, 2010, which collectively comprise Chickasaw County's basic financial statements and have issued our report thereon dated February 8, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described below that we consider to be significant deficiencies in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

1. Financial Report Preparation

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

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

Recommendation

The County Auditor office personnel should continue to obtain training in governmental accounting and reporting when possible.

Response and Corrective Action Planned

Management is cognizant of this limitation.

Conclusion

Response accepted.

2. Segregation of Duties

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

Recommendation

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

Response and Corrective Action Planned

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

Conclusion

Response accepted.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Chickasaw County in a separate letter dated February 8, 2011.

Chickasaw County's responses to the findings identified in our audit are described above. We did not audit Chickasaw County's responses and, accordingly, express no opinion on them.

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 8, 2011

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MANAGEMENT LETTER

To the Board of Supervisors
Chickasaw County
New Hampton, Iowa

In planning and performing our audit of the financial statements of Chickasaw County for the year ended June 30, 2010, we considered the County's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the County's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 10 below are compliance comments required by the Iowa Auditor of State. A separate report dated February 8, 2011, contains our report on significant deficiencies in the County's internal control. This letter does not affect our report dated February 8, 2011 on the financial statements of Chickasaw County. Comment 1 is unresolved from the prior year. All other prior year statutory comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the County's responses and, accordingly, we express no opinion on them.

1. Certified Budget

The various miscellaneous budgets exceeded the budget for various line items but did not exceed the overall budget.

Recommendation

Budgets should be amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response

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

Conclusion

Response accepted.

2. Questionable Expenditures

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

3. Travel Expense
No expenditures of County money for travel expenses of spouses of County officials and/or employees were noted.
4. Business Transactions
We noted no business transactions between the County and County officials and/or employees for the year ended June 30, 2010.
5. Bond Coverage
Surety bond coverage of County officials and employees is in accordance with statutory provisions.
6. Board Minutes
No transactions were found that we believe should have been approved in the Board minutes but were not. The minutes were published as required by Chapter 349.18 of the Code of Iowa and Attorney General's opinions dated December 10, 1985, December 31, 1986 and May 2, 1989.
7. Deposits and Investments
No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
8. 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).
9. County Assessor-Questionable Expenditures
We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
10. County Extension Office
The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A through D.

Disbursements during the year ended June 30, 2010 for the County Extension Office did not exceed the amount budgeted.

The surety bond covering the Treasurer of the County Extension Council was in compliance with statutory provisions.
11. Financial Assurance
The County is required to demonstrate financial assurance for postclosure care costs for the landfill. The County has chosen local government dedicated fund as provided in Chapter 567-111.6(8) of the Iowa Administrative Code. The County is in compliance with the Code.

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

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Chickasaw County during the course of our examination.

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 8, 2011