

MAHASKA COUNTY

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

JUNE 30, 2010

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MAHASKA COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lawrence Rouw	Board of Supervisors	Jan. 2011
Greg Gordy	Board of Supervisors	Jan. 2011
Henry Van Weelden	Board of Supervisors	Jan. 2013
Kay Swanson	County Auditor	Jan. 2013
Sone Scott	County Treasurer	Jan. 2011
Diane Upton Crookham	County Recorder	Jan. 2011
Paul De Geest	County Sheriff	Jan. 2013
Rose Anne Mefford	County Attorney	Jan. 2011
Gary Smith	County Assessor (resigned February 2010)	
Lindsey Thomas	County Assessor (appointed April 2010)	Jan. 2016

INDEPENDENT AUDITOR'S REPORT

To the Officials of Mahaska County:

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2011 on our consideration of Mahaska County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 52 through 55 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mahaska County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2009 (which are not presented herein). For the two years ended June 30, 2009 and the year ended June 30, 2005, we expressed unqualified opinions on those financial statements. For the two years ended June 30, 2007, we expressed a qualified opinion on the Secondary Roads Fund due to the effects of a written and held warrant and unqualified opinions on the governmental activities, General Fund, Mental Health Fund, Rural Services Fund and the aggregate remaining fund information. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of County management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
March 30, 2011

Management's Discussion and Analysis

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

FINANCIAL HIGHLIGHTS

- County governmental funds revenue totaled \$15,537,931 for 2010, an increase of 5.7% from 2009, or \$839,511. Property and other county taxes totaled \$7,881,505 for 2010, which was consistent with 2009 tax collected, increasing \$67,187. Slight decreases in the General Supplemental and Mental Health levy rates kept property tax revenue at an even level compared to 2009. County revenue other than property tax was up \$772,324. Intergovernmental revenue showed a large increase in the Secondary Road Fund as federal stimulus money was received for new paving projects.
- County governmental funds functional expenditures totaled \$15,466,980 for 2010, an increase of \$593,270, or 3.99%, over the 2009 expenditures. Capital project monies in the amount of \$1,452,817 were expended in fiscal year 2010 primarily for two Secondary Road projects, 35th St. and Eddyville cemetery pavement work.
- The County's governmental fund balances at June 30, 2010 were \$9,939,715, an increase of \$70,951 due to the above noted factors.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements.

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

The County as a Whole Reporting

The Statement of Net Assets and the Statement of Activities

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

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

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

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

Fund Financial Statements

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

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

Notes to the Financial Statements

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

Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

STATEMENT OF NET ASSETS –GOVERNMENTAL ACTIVITIES

	2010	2009	2008
Current and other Assets	\$ 19,914,253	\$ 18,811,841	\$ 19,388,159
Capital assets	28,152,203	28,188,151	29,221,979
Total Assets	48,066,456	46,999,992	48,610,138
Long term debt outstanding	413,717	413,202	393,499
Other liabilities	8,706,907	8,345,306	8,653,748
Total liabilities	9,120,624	8,758,508	9,047,247
Net Assets			
Invested in capital assets	28,152,203	28,188,151	29,200,979
Restricted	6,559,444	6,471,140	6,612,626
Unrestricted	4,234,185	3,582,193	3,749,286
Total net assets	\$38,945,832	\$38,241,484	\$39,562,891

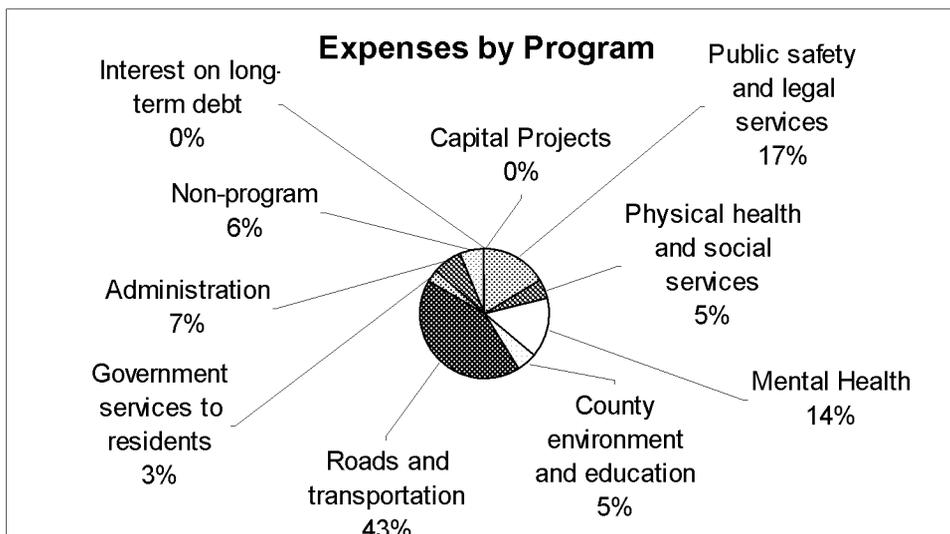
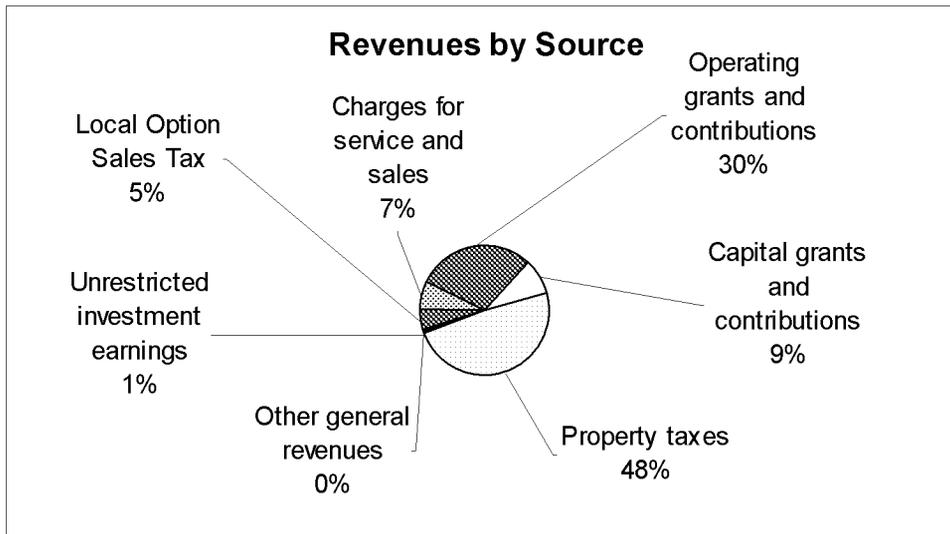
The County's combined net assets showed a 1.8% increase from a year ago, from \$38,241,484 to \$38,945,832. The largest portion of the County's net assets is the Invested in Capital Assets (that is, infrastructure, buildings and equipment). Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

The increase in net assets of \$704,348 for governmental activities is mostly due to the following factors: Secondary Road infrastructure projects were added in 2010. Federal stimulus monies were received for road projects, increasing capital assets. In addition, mental health expenses were lowered by \$516,809 through careful control of costs and payment source changes. These factors created a positive effect on net assets.

Changes in Net Assets of Governmental Activities

	2010	2009
Revenues:		
Program revenues:		
Charges for Service	\$1,077,048	\$1,200,841
Operating grants and contributions	4,725,872	4,777,555
Capital grants and contributions	1,435,763	232,362
General revenues:		
Property taxes, penalties & tax credits	7,445,854	7,355,764
Unrestricted investment earnings	121,315	268,882
Local Option sales and services tax	777,459	826,757
Other general revenues	77,969	80,606
Total Revenues:	\$15,661,280	\$14,742,767

	2010	2009
Program expenses:		
Public safety and legal services	\$2,540,036	\$2,666,551
Physical health and social services	681,333	736,945
Mental health	2,168,030	2,684,839
County environment and education	741,550	757,584
Roads and transportation	6,278,562	6,660,936
Government services to residents	511,850	615,608
Administration	1,121,569	1,242,924
Non-program	912,569	697,285
Interest on long-term debt	1,433	1,502
Total expenses	\$14,956,932	\$16,064,174
Increase (decrease) in net assets	704,348	(1,321,407)
Net assets July 1, 2009	\$38,241,484	\$39,562,891
Net assets June 30, 2010	\$38,945,832	\$38,241,484



THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported combined fund balances of \$9,939,715. Revenue received in the County funds was \$70,951 more than was expended for the year. The following are the major reasons for the changes in fund balances for the year:

Expenditures in the General Fund decreased \$240,359, from \$5,323,135 to \$5,082,776, when compared to the prior year. This decrease was due to the fact that fiscal year 2009 Administration expenditures included a fixed asset building purchase totaling \$175,000. Revenues in the General Fund were slightly lower mainly due to less interest earned on investments. The ending fund balance showed an increase from the prior year of \$255,795.

Mental Health revenues decreased from \$2,495,539 in 2009 to \$2,380,460. The state did not disburse Allowed Growth Factor monies to the county in fiscal year 2010. As the County budgeted for the year the levy was lowered from 1.51851 to 1.43988. Expenditures for the year totaled \$2,182,991, down \$500,278 from the prior year, due to a decrease in clients and the federal portion of Medicaid service (FMAP) being increased. The Mental Health fund showed an ending fund balance increase of \$197,469.

The Rural Services Fund property tax levy remained at \$3.95 which is the maximum allowed. The ending fund balance showed just a slight increase of \$4,099 compared to 2009 after the full transfer to the Secondary Road Fund.

Capital Projects expenditures in the Secondary Road fund totaled \$1,452,817 which included two paving projects in the county road system. An increase in Intergovernmental Revenue in the fund was due to federal stimulus money relating to these projects. Regular expenditures for the fund were \$403,727 lower than the previous year. The Secondary Road fund balance at the end of the year decreased from \$2,850,459 to \$2,634,923.

The ending balance of the county's Non-Major Governmental Funds was lower compared to 2009 mostly due to a reduction in donations in the Conservation Land Acquisition Trust Fund.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except internal service and agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis.

Over the course of the year, the County amended its operating budget one time. The amendment was made on May 17, 2010 and resulted in an increase to Capital Projects for new pavement projects, and an increase to County Environment & Education for disbursement of a loan to a local business in the Revolving Loan Fund, as well as other smaller changes. The amendment increased total budgeted disbursements for the County by \$1,692,064 and increased receipts by \$1,001,663. Disbursements did not exceed the amount budgeted in any County function at year end. However, disbursements in the capital projects function exceeded the amount budgeted prior to the budget amendment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY10, the County had \$28,152,203 (net of accumulated depreciation) invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net decrease (including additions and deletions) of \$35,948. Depreciation expense for the year ended June 30, 2010 was \$1,590,009 and total accumulated depreciation as of June 30, 2010 was \$24,455,666.

Capital Assets, Net of Accumulated Depreciation

	2010	2009
Land	\$897,924	\$897,924
Construction in progress	278,076	247,546
Buildings and Imp	3,770,348	3,911,807
Machinery & equip	1,405,557	1,753,681
Infrastructure	21,800,298	21,377,193
TOTALS	\$28,152,203	\$28,188,151

Long-Term Liabilities

At year-end, the County had \$413,717 in loans and other long term liabilities compared to \$413,202 a year ago, as shown below.

Annual payments continue to be made on the Intermediary Relending Program Loan from the USDA. Liability for Other Postemployment Benefits (OPEB) was added to the debt schedule in 2009 through the implementation of GASB Statement No. 45, (Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions). This reflects the liability the county incurs from medical benefits provided for retirees.

Outstanding Debt at Year End

	2010	2009
Intermediary Relending Program Loan	139,205	146,233
Compensated Absences	188,512	224,162
Net OPEB Liability	86,000	42,807
TOTALS	413,717	413,202

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials and citizens considered many factors when setting the 2011 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. Amounts available for appropriation in the operating budget are \$15,897,443 compared to \$15,239,074 in 2010, an increase of approximately 4.33% over the final 2010 budget. This increase of \$658,369 is due to planned Secondary Road Capital Projects for the year.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

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Basic Financial Statements

MAHASKA COUNTY
STATEMENT OF NET ASSETS
June 30, 2010

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 10,876,054
Investments held by fiscal agent	257,007
Receivables:	
Property tax:	
Delinquent	12,031
Succeeding year	7,247,000
Interest and penalty on property tax	76,170
Accounts	184,569
Accrued interest	32,325
Due from other governments	544,342
Inventories	385,304
Loans receivable (note 4)	299,451
Capital assets, net of accumulated depreciation (note 5)	<u>28,152,203</u>
 Total assets	 <u>48,066,456</u>
Liabilities	
Accounts payable	820,548
Salaries and benefits payable	208,633
Due to other governments (note 6)	211,182
Accrued interest payable	580
Incurred but not reported health claims (note 11)	115,000
Deferred revenue:	
Succeeding year property tax	7,247,000
Other	103,964
Long-term liabilities (notes 7 and 8):	
Portion due or payable within one year:	
Intermediary relending program loan	7,097
Compensated absences	188,512
Portion due or payable after one year:	
Intermediary relending program loan	132,108
Net OPEB liability	<u>86,000</u>
 Total liabilities	 <u>9,120,624</u>

MAHASKA COUNTY
STATEMENT OF NET ASSETS
June 30, 2010

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets	\$ 28,152,203
Restricted for:	
Supplemental levy purposes	1,084,870
Mental health purposes	594,120
Rural services	393,772
Secondary roads	2,605,484
Cemetery levy	7,537
Other special revenue purposes	1,873,661
Unrestricted	<u>4,234,185</u>
Total net assets	<u>\$ 38,945,832</u>

See notes to financial statements.

MAHASKA COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 2,540,036	\$ 195,654	\$ 227,233	\$ -	\$ (2,117,149)
Physical health and social services	681,333	3,605	177,788	-	(499,940)
Mental health	2,168,030	52,603	1,108,974	-	(1,006,453)
County environment and education	741,550	82,862	184,615	-	(474,073)
Roads and transportation	6,278,562	359,632	3,007,675	1,435,763	(1,475,492)
Government services to residents	511,850	360,994	267	-	(150,589)
Administration	1,121,569	21,698	19,320	-	(1,080,551)
Non-program	912,569	-	-	-	(912,569)
Interest on long-term debt	1,433	-	-	-	(1,433)
Total	<u>\$ 14,956,932</u>	<u>\$ 1,077,048</u>	<u>\$ 4,725,872</u>	<u>\$ 1,435,763</u>	<u>(7,718,249)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					7,102,046
Penalty and interest on property tax					75,027
State tax credits					268,781
Local option sales and services tax					777,459
Unrestricted investment earnings					121,315
Miscellaneous					<u>77,969</u>
Total general revenues					<u>8,422,597</u>
Change in net assets					704,348
Net assets beginning of year					<u>38,241,484</u>
Net assets end of year					<u>\$ 38,945,832</u>

See notes to financial statements.

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MAHASKA COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 4,644,091	\$ 839,227	\$ 426,719	\$ 2,500,613
Investment held by fiscal agent	-	-	-	-
Receivables:				
Property tax:				
Delinquent	7,429	2,093	2,509	-
Succeeding year	4,161,000	1,172,000	1,914,000	-
Interest and penalty on property tax	76,170	-	-	-
Accounts	89,778	58,222	-	35,209
Accrued interest	17,531	-	-	-
Due from other governments	17,736	22,113	-	376,073
Inventories	-	-	-	385,304
Loans receivable (note 4)	-	-	-	-
Total assets	<u>\$ 9,013,735</u>	<u>\$ 2,093,655</u>	<u>\$ 2,343,228</u>	<u>\$ 3,297,199</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 1,440,834	\$ 9,851,484
257,007	257,007
-	12,031
-	7,247,000
-	76,170
1,360	184,569
14,794	32,325
128,420	544,342
-	385,304
299,451	299,451
<u>\$ 2,141,866</u>	<u>\$ 18,889,683</u>

MAHASKA COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 85,143	\$ 89,569	\$ 2,084	\$ 515,332
Salaries and benefits payable	118,930	11,365	7,338	71,000
Due to other governments (note 6)	-	211,182	-	-
Deferred revenue:				
Succeeding year property tax	4,161,000	1,172,000	1,914,000	-
Other	82,713	2,023	2,474	75,944
Total liabilities	4,447,786	1,486,139	1,925,896	662,276
Fund balances:				
Reserved for:				
Inventories	-	-	-	385,304
Supplemental levy purposes	1,120,485	-	-	-
Cemetery levy	7,528	-	-	-
Revolving loan	-	-	-	-
Unreserved:				
Designated for:				
Mapping	15,000	-	-	-
Technology	35,000	-	-	-
Maintenance for courthouse building and grounds	200,000	-	-	-
Future conservation nature center	20,000	-	-	-
Undesignated, reported in:				
General fund	3,167,936	-	-	-
Special revenue funds	-	607,516	417,332	2,249,619
Total fund balances	4,565,949	607,516	417,332	2,634,923
Total liabilities and fund balances	\$ 9,013,735	\$ 2,093,655	\$ 2,343,228	\$ 3,297,199

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 128,420	\$ 820,548
-	208,633
-	211,182
-	7,247,000
299,451	462,605
<u>427,871</u>	<u>8,949,968</u>
-	385,304
-	1,120,485
-	7,528
306,754	306,754
-	15,000
-	35,000
-	200,000
-	20,000
-	3,167,936
1,407,241	4,681,708
<u>1,713,995</u>	<u>9,939,715</u>
<u>\$ 2,141,866</u>	<u>\$ 18,889,683</u>

MAHASKA COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total fund balances of governmental funds	\$ 9,939,715
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$52,607,869 and the accumulated depreciation is \$24,455,666.	28,152,203
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	462,605
The Internal Service Fund is used by management to charge the costs of the self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	805,606
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(580)
Long-term liabilities, including loans payable, compensated absences payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(413,717)</u>
Net assets of governmental activities	<u>\$ 38,945,832</u>
See notes to financial statements.	

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MAHASKA COUNTY

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

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 4,029,117	\$ 1,174,363	\$ 1,900,566	\$ -
Interest and penalty on property tax	68,370	-	-	-
Intergovernmental	600,624	1,153,494	83,971	4,367,494
Licenses and permits	1,569	-	11,950	4,605
Charges for service	516,214	-	575	50
Use of money and property	214,614	-	-	-
Miscellaneous	51,831	52,603	3,000	354,977
Total revenues	<u>5,482,339</u>	<u>2,380,460</u>	<u>2,000,062</u>	<u>4,727,126</u>
Expenditures:				
Operating:				
Public safety and legal services	2,456,216	-	236,640	-
Physical health and social services	630,288	-	60,559	-
Mental health	-	2,182,991	-	-
County environment and education	426,062	-	185,012	-
Roads and transportation	-	-	8,653	5,133,574
Government services to residents	511,632	-	-	-
Administration	1,053,588	-	5,138	-
Non-program	4,990	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	1,452,817
Total expenditures	<u>5,082,776</u>	<u>2,182,991</u>	<u>496,002</u>	<u>6,586,391</u>
Excess (deficiency) of revenues over (under) expenditures	399,563	197,469	1,504,060	(1,859,265)
Other financing sources (uses):				
Interfund transfers in (note 3)	-	-	-	1,643,729
Interfund transfers out (note 3)	(143,768)	-	(1,499,961)	-
Total other financing sources (uses)	<u>(143,768)</u>	<u>-</u>	<u>(1,499,961)</u>	<u>1,643,729</u>
Net change in fund balances	255,795	197,469	4,099	(215,536)
Fund balances beginning of year	<u>4,310,154</u>	<u>410,047</u>	<u>413,233</u>	<u>2,850,459</u>
Fund balances end of year	<u>\$ 4,565,949</u>	<u>\$ 607,516</u>	<u>\$ 417,332</u>	<u>\$ 2,634,923</u>

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 777,459	\$ 7,881,505
-	68,370
78,093	6,283,676
-	18,124
34,791	551,630
47,057	261,671
10,544	472,955
947,944	15,537,931
1,517	2,694,373
-	690,847
-	2,182,991
201,215	812,289
-	5,142,227
19	511,651
-	1,058,726
907,579	912,569
8,490	8,490
-	1,452,817
1,118,820	15,466,980
(170,876)	70,951
-	1,643,729
-	(1,643,729)
-	-
(170,876)	70,951
1,884,871	9,868,764
\$ 1,713,995	\$ 9,939,715

MAHASKA COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ 70,951

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

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

	\$	1,554,061	
Expenditures for capital assets			
Depreciation expense		<u>(1,590,009)</u>	(35,948)

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

		(2,000)	
Property tax			
Loan Payments		41,072	
Other		<u>82,601</u>	121,673

Repayment of long-term liabilities is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the Statement of
Net Assets. 7,028

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

		35,650	
Compensated absences			
Net OPEB liability		(43,193)	
Interest on long-term debt		<u>29</u>	(7,514)

The Internal Service Fund is used by management to charge the costs of
the self funding of the County's health insurance benefit plan to individual
funds. The change in net assets of the Internal Service Fund is reported
with governmental activities. 548,158

Change in net assets of governmental activities \$ 704,348

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ <u>1,024,570</u>
Liabilities	
Incurred but not reported health claims (note 11)	115,000
Deferred revenue	<u>103,964</u>
Total liabilities	<u>218,964</u>
Net Assets	
Unrestricted	\$ <u><u>805,606</u></u>

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Charges to County operating funds and others	\$ <u>1,562,207</u>
Operating expenses:	
Medical claims	722,747
Insurance premiums	257,379
Administrative fees	18,030
Miscellaneous	<u>17,569</u>
Total operating expenses	<u>1,015,725</u>
Operating income	546,482
Non-operating revenues:	
Interest on investments	<u>1,676</u>
Net income	548,158
Net assets beginning of year	<u>257,448</u>
Net assets end of year	<u>\$ <u>805,606</u></u>

See notes to financial statements.

MAHASKA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2010

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from charges to operating funds and others	\$ 1,563,530
Cash received from stop loss reimbursements	23,509
Cash payments to suppliers for services	<u>(1,083,210)</u>
Net cash provided by operating activities	<u>503,829</u>
Cash flows from investing activities:	
Interest on investments	<u>1,676</u>
Net increase in cash and cash equivalents	505,505
Cash and cash equivalents beginning of year	<u>519,065</u>
Cash and cash equivalents end of year	<u>\$ 1,024,570</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 546,482
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	23,509
(Decrease) in incurred but not reported health claims	(67,485)
Increase in deferred revenue	<u>1,323</u>
Net cash provided by operating activities	<u>\$ 503,829</u>

See notes to financial statements.

MAHASKA COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2010

Assets

Cash and pooled investments:		
County Treasurer	\$	1,674,153
Other County officials		162,754
Receivables:		
Property tax:		
Delinquent		43,319
Succeeding year		22,208,000
Accounts		35,223
Accrued interest		6,313
Due from other governments		<u>24,622</u>
 Total assets	 \$	 <u><u>24,154,384</u></u>

Liabilities

Accounts payable	\$	91,456
Salaries and benefits payable		28,832
Due to other governments (note 6)		23,921,551
Trusts payable		69,699
Compensated absences		<u>42,846</u>
 Total liabilities	 \$	 <u><u>24,154,384</u></u>

See notes to financial statements.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

Three drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Mahaska County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the drainage districts can be obtained from the Mahaska County Auditor's office. The drainage districts had no assets or liabilities at June 30, 2010.

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

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

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

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

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Intangibles	\$ 125,000
Infrastructure	50,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

MAHASKA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

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

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

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

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

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

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2010 consists of \$6,559,444.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the capital projects function prior to amendment and disbursements in the secondary roads department exceeded the amount appropriated prior to amendment.

Note 2. Cash and Pooled 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. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

During the two years ended June 30, 2009, the County transferred a total of \$252,716 received by the County through an estate bequest to a local non-profit organization (Foundation). At June 30, 2010, the carrying amount and fair value was \$257,007. The Foundation holds investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 3. Interfund Transfers

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 143,768
	Special Revenue: Rural Services	<u>1,499,961</u>
		<u>\$ 1,643,729</u>

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

Note 4. Loans Receivable

The County has \$606,205 available to use for revolving loans for economic development within the County, of which \$299,451 was loaned at June 30, 2010. The original amounts were previously provided through a Community Development Block Grant and a Community Economic Betterment Account Grant. Additional amounts were made available through an Intermediary Relending Program Loan (see note 7). The County may make new loans from repayments of both principal and interest. As of June 30, 2010, there were seven outstanding loans. All payments are current.

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

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

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

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

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

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

Sterling Properties – 4.25% interest loan payable in monthly installments of \$1,024.38, including interest.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 4. Loans Receivable (continued)

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

Year Ending June 30,	Mahaska Community Development Group	Pro-Line Company	Beyond Elegance	Randau Family Agency
2011	\$ 4,620	\$ 3,677	\$ 9,817	\$ 2,219
2012	4,620	-	9,817	2,219
2013	4,620	-	9,817	2,219
2014	4,620	-	9,817	2,219
2015	4,620	-	9,817	2,219
2016-2020	23,098	-	88,304	11,095
2021-2025	23,098	-	-	2,774
2026-2027	8,083	-	-	-
	<u>\$ 77,379</u>	<u>\$ 3,677</u>	<u>\$ 137,389</u>	<u>\$ 24,964</u>

Year Ending June 30,	Limo 4 U	Town and Country Landscaping	Sterling Properties	Less: Amount Representing Interest	Total
2011	\$ 1,339	\$ 1,336	\$ 12,293	\$ (12,301)	\$ 23,000
2012	1,339	1,336	12,293	(11,450)	20,174
2013	1,339	1,336	12,293	(10,549)	21,075
2014	892	1,336	12,293	(9,624)	21,553
2015	-	1,336	12,293	(8,713)	21,572
2016-2020	-	5,126	53,266	(17,931)	162,958
2021-2025	-	-	-	(4,477)	21,395
2026-2027	-	-	-	(359)	7,724
	<u>\$ 4,909</u>	<u>\$ 11,806</u>	<u>\$ 114,731</u>	<u>\$ (75,404)</u>	<u>\$ 299,451</u>

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 897,924	\$ -	\$ -	\$ 897,924
Construction in progress	247,546	30,530	-	278,076
Total capital assets not being depreciated	<u>1,145,470</u>	<u>30,530</u>	<u>-</u>	<u>1,176,000</u>
Capital assets being depreciated:				
Buildings	7,962,047	18,200	-	7,980,247
Machinery and equipment	6,791,505	67,197	26,189	6,832,513
Infrastructure	35,180,975	1,438,134	-	36,619,109
Total capital assets being depreciated	<u>49,934,527</u>	<u>1,523,531</u>	<u>26,189</u>	<u>51,431,869</u>
Less accumulated depreciation for:				
Buildings	4,050,240	159,659	-	4,209,899
Machinery and equipment	5,037,824	415,321	26,189	5,426,956
Infrastructure	13,803,782	1,015,029	-	14,818,811
Total accumulated depreciation	<u>22,891,846</u>	<u>1,590,009</u>	<u>26,189</u>	<u>24,455,666</u>
Total capital assets being depreciated, net	<u>27,042,681</u>	<u>(66,478)</u>	<u>-</u>	<u>26,976,203</u>
Governmental activities capital assets, net	<u>\$ 28,188,151</u>	<u>\$ (35,948)</u>	<u>\$ -</u>	<u>\$ 28,152,203</u>

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	40,001
County environment and education		39,387
Roads and transportation		1,328,048
Government services to residents		48,448
Administration		<u>134,125</u>
Total depreciation expense - governmental activities	\$	<u><u>1,590,009</u></u>

Note 6. Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	\$ <u><u>211,182</u></u>
Agency:		
County Hospital	Collections	\$ 1,865,565
Stephens Memorial Animal Shelter		452,349
County Assessor		666,219
Corporations		5,175,086
Schools		13,871,988
Area Schools		763,742
Auto License and Use Tax		488,548
All Other		<u>638,054</u>
Total for agency funds		\$ <u><u>23,921,551</u></u>

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 7. Long-Term Liabilities

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

	Intermediary Relending Program Loan	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 146,233	\$ 224,162	\$ 42,807	\$ 413,202
Increases	-	188,512	43,193	231,705
Decreases	7,028	224,162	-	231,190
Balance end of year	<u>\$ 139,205</u>	<u>\$ 188,512</u>	<u>\$ 86,000</u>	<u>\$ 413,717</u>
Due within one year	<u>\$ 7,097</u>	<u>\$ 188,512</u>	<u>\$ -</u>	<u>\$ 195,609</u>

Intermediary Relending Program Loan

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

Details of the County's June 30, 2010 intermediary relending program loan indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 7,097	\$ 1,392	\$ 8,489
2012	7,168	1,321	8,489
2013	7,240	1,249	8,489
2014	7,312	1,177	8,489
2015	7,385	1,104	8,489
2016-2020	38,049	4,396	42,445
2021-2025	39,990	2,455	42,445
2026-2028	24,964	502	25,466
	<u>\$ 139,205</u>	<u>\$ 13,596</u>	<u>\$ 152,801</u>

Note 8. Other Postemployment Benefits (OPEB)

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

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

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

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

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

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

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

Annual required contribution	\$ 51,000
Interest on net OPEB obligation	2,000
Adjustment to annual required contribution	<u>(1,693)</u>
Annual OPEB cost	51,307
Contributions made	<u>(8,500)</u>
Increase in net OPEB obligation	42,807
Net OPEB obligation beginning of year	<u>43,193</u>
Net OPEB obligation end of year	<u>\$ 86,000</u>

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

For the year ended June 30, 2010, the County contributed \$8,500 to the medical plan.

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	\$ 51,307	16.6%	\$ 86,000

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 \$444,931, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$444,931. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,331,000 and the ratio of the UAAL to covered payroll was 10.3%. As of June 30, 2010, there were no trust fund assets.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

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

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

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

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

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

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

Note 9. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the County is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$304,507, \$284,486 and \$252,641, respectively, equal to the required contributions for each year.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 10. Risk Management

Mahaska County is a member in the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool with ten member Counties throughout the State of Iowa. The Pool was formed in July 1987 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, and workers compensation. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2010 were \$248,848.

Initial risk of loss is retained by the Pool. The risk pool is reinsured through commercial companies for 100% of claims in excess of \$400,000 per occurrence for general, automobile, law enforcement and public officials liabilities, \$750,000 per occurrence for workers compensation, and \$100,000 per occurrence for property losses. The risk pool fund includes reserves established to account for the liability for claims reported but not yet paid. A liability is also factored in for claims incurred but not reported (referred to as IBNR claims). As of June 30, 2010, the Pool maintained a surplus over the reserves and IBNR claims.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 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 since the pool's inception.

The County also carries commercial insurance purchased from other insurers for coverage associated with employee blanket bond in the amount of \$25,000 (\$50,000 for County Treasurer). The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 11. Employee Health Insurance Plan

The Mahaska County Employee Group Health Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is administered through a service agreement with First Administrators. The agreement, which was effective July 1, 2009, is subject to automatic renewal provisions.

The County purchased commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$45,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in the 2010 fiscal plan year.

Monthly payments of service fees and plan contributions to the Mahaska County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, weekly payments of service fees and claims processed are paid to First Administrators from the Mahaska County Employee Group Health Fund. MidWestOne Bank, trustee for the plan, administers the funds of the plan in accordance with the provision of a trust agreement entered into by Mahaska County and MidWestOne Bank. The County records the plan assets and related liabilities for the Mahaska County Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2010 was \$1,157,999.

Amounts payable from the Employee Group Health Fund at June 30, 2010 total \$115,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$805,606 at June 30, 2010 and is reported as net assets of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims at July 1, 2009	\$ 182,485
Incurred claims (including claims incurred but not reported at June 30, 2010)	722,747
Payments	<u>790,232</u>
Unpaid claims at June 30, 2010	<u>\$ 115,000</u>

Note 12. Construction Commitment

The County has entered into various contracts totaling \$1,290,432 for bridge construction and roadway paving. As of June 30, 2010, costs of \$278,076 have been incurred against the contract. The balance remaining at June 30, 2010 of \$1,012,356 will be paid as work on the projects progresses.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

Note 13. Mahaska County Care Facility

The Mahaska County Care Facility is managed and operated by Country Life Health Care, Inc. The County is leasing the Care Facility site to Country Life Health Care, Inc. for a one year period which ends June 30, 2010. The County provides financial support for the operation of the Care Facility. The lease is reviewed on an annual basis and has been renewed for the upcoming year.

Note 14. Contingent Liabilities

Lawsuit

The County is the defendant in an ongoing lawsuit which is on appeal to the Iowa Supreme Court. The outcome of the appeal can not be determined at this time. Prior summary judgements ruled in favor of the County. The County's insurance carrier is providing coverage for the lawsuit.

Hospital Revenue Bonds

In 2001, the County Hospital issued \$8,715,000 of Hospital Revenue Bonds in the name of County of Mahaska in accordance with Chapters 347A.1, 331 division IV, part 4, and 347.14(4) of the Code of Iowa. These bonds are payable solely from net revenues generated by the Hospital and are not a general obligation of the County. However, according to Chapter 347A.3 of the Code of Iowa, if in any year, after payment of the accruing interest on and principal due of revenue bonds issued under chapter 331, division IV, part 4, and payable from the revenues derived from the operation of the County Hospital, there is a balance of such revenues insufficient to pay the expenses of operation, maintenance, and funded depreciation of the Hospital, the Board of Hospital Trustees shall certify that fact as soon as ascertained to the Board of Supervisors of the County, and the Board of Supervisors shall make the amount of the deficiency for paying the expenses of operation, maintenance, and funded depreciation of the Hospital available from other County funds or shall levy a tax not to exceed one dollar and eight cents per thousand dollars of assessed value in any one year on all the taxable property in the County in an amount sufficient for that purpose. However, general County funds or the proceeds of taxes shall not be used or applied to the payment of the interest on or principal of revenue bonds issued under chapter 331, division IV, part 4, but general County funds or proceeds of taxes may only be used and applied to pay expenses of operation, maintenance, and funded depreciation of the Hospital which cannot be paid from available revenue derived from its operation. As of the audit report date, the County Hospital had not notified the County of any deficiency. The balance remaining on the bonds was \$6,370,000 at June 30, 2010.

Note 15. Subsequent Event

In December 2010, the County entered into a contract totaling \$135,427 for Courthouse tuckpointing.

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Required Supplementary Information

MAHASKA COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds
 Required Supplementary Information
 Year Ended June 30, 2010

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 7,879,410	\$ 8,289,704	\$ 8,291,945	\$ (412,535)
Interest and penalty on property tax	68,568	9,700	40,880	27,688
Intergovernmental	6,165,526	4,726,550	5,531,853	633,673
Licenses and permits	18,114	24,600	24,600	(6,486)
Charges for service	546,015	533,885	569,956	(23,941)
Use of money and property	404,380	556,919	637,795	(233,415)
Miscellaneous	475,780	347,400	393,392	82,388
Total receipts	<u>15,557,793</u>	<u>14,488,758</u>	<u>15,490,421</u>	<u>67,372</u>
DISBURSEMENTS:				
Public safety and legal services	2,677,678	2,760,917	2,780,917	103,239
Physical health and social services	725,105	888,372	960,417	235,312
Mental health	2,320,389	2,699,999	2,699,999	379,610
County environment and education	829,835	883,696	983,696	153,861
Roads and transportation	4,947,327	4,967,000	4,967,000	19,673
Government services to residents	513,325	629,869	629,888	116,563
Administration	1,050,321	1,362,581	1,362,581	312,260
Non-program	784,149	1,028,150	1,028,150	244,001
Debt service	8,490	8,490	8,490	-
Capital projects	1,452,817	10,000	1,510,000	57,183
Total disbursements	<u>15,309,436</u>	<u>15,239,074</u>	<u>16,931,138</u>	<u>1,621,702</u>
Excess (deficiency) of receipts over (under) disbursements	248,357	(750,316)	(1,440,717)	1,689,074
Balance beginning of year	<u>9,860,134</u>	<u>9,418,923</u>	<u>9,418,923</u>	<u>441,211</u>
Balance end of year	<u>\$ 10,108,491</u>	<u>\$ 8,668,607</u>	<u>\$ 7,978,206</u>	<u>\$ 2,130,285</u>

See accompanying independent auditor's report.

MAHASKA COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 15,557,793	\$ (19,862)	\$ 15,537,931
Expenditures	15,309,436	157,544	15,466,980
Net	248,357	(177,406)	70,951
Beginning fund balances	9,860,134	8,630	9,868,764
Ending fund balances	<u>\$ 10,108,491</u>	<u>\$ (168,776)</u>	<u>\$ 9,939,715</u>

See accompanying independent auditor's report.

MAHASKA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2010

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$1,692,064. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the capital projects function prior to amendment and disbursements in the secondary roads department exceeded the amount appropriated prior to amendment.

MAHASKA COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2010

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)
2009	July 1, 2009	\$ -	\$ 445	\$ 445	0.0%	\$ 4,241	10.5%
2010	July 1, 2009	-	445	445	0.0%	4,331	10.3%

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

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Other Supplementary Information

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

	Special Revenue		
	County Recorder's Records Management	Resource Enhancement and Protection	Conservation Land Acquisition
Assets			
Cash and pooled investments	\$ 26,893	\$ 90,473	\$ 171,132
Investments held by fiscal agent	-	-	257,007
Receivables:			
Accounts	1,045	-	315
Accrued interest	267	880	1,885
Due from other governments	-	-	-
Loans receivable	-	-	-
	-	-	-
Total assets	\$ 28,205	\$ 91,353	\$ 430,339
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	-
Deferred revenue:			
Other	-	-	-
Total liabilities	-	-	-
Fund balances:			
Reserved for:			
Revolving loan	-	-	-
Unreserved	28,205	91,353	430,339
Total fund balances	28,205	91,353	430,339
Total liabilities and fund balances	\$ 28,205	\$ 91,353	\$ 430,339

See accompanying independent auditor's report.

<u>Revolving Loan</u>	<u>Local Option Sales and Services Tax Revenue</u>	<u>Law Enforcement Center Improvement</u>	<u>County Sheriff's Forfeiture</u>	<u>Total</u>
\$ 303,635	\$ -	\$ 827,766	\$ 20,935	\$ 1,440,834
-	-	-	-	257,007
-	-	-	-	1,360
3,119	-	8,643	-	14,794
-	128,420	-	-	128,420
299,451	-	-	-	299,451
<u>\$ 606,205</u>	<u>\$ 128,420</u>	<u>\$ 836,409</u>	<u>\$ 20,935</u>	<u>\$ 2,141,866</u>
\$ -	\$ 128,420	\$ -	\$ -	\$ 128,420
299,451	-	-	-	299,451
<u>299,451</u>	<u>128,420</u>	<u>-</u>	<u>-</u>	<u>427,871</u>
306,754	-	-	-	306,754
-	-	836,409	20,935	1,407,241
<u>306,754</u>	<u>-</u>	<u>836,409</u>	<u>20,935</u>	<u>1,713,995</u>
<u>\$ 606,205</u>	<u>\$ 128,420</u>	<u>\$ 836,409</u>	<u>\$ 20,935</u>	<u>\$ 2,141,866</u>

MAHASKA COUNTY

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

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Land Acquisition
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	19,165	-
Charges for service	3,742	-	-	31,049
Use of money and property	267	-	880	21,425
Miscellaneous	19	-	-	10,025
Total revenues	<u>4,028</u>	<u>-</u>	<u>20,045</u>	<u>62,499</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	940	99,275
Government services to residents	-	19	-	-
Non-program	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>-</u>	<u>19</u>	<u>940</u>	<u>99,275</u>
Excess (deficiency) of revenues over (under) expenditures	4,028	(19)	19,105	(36,776)
Fund balances beginning of year	<u>24,177</u>	<u>19</u>	<u>72,248</u>	<u>467,115</u>
Fund balances end of year	<u>\$ 28,205</u>	<u>\$ -</u>	<u>\$ 91,353</u>	<u>\$ 430,339</u>

See accompanying independent auditor's report.

<u>Revolving Loan</u>	<u>Local Option Sales and Services Tax Revenue</u>	<u>Law Enforcement Center Improvement</u>	<u>County Sheriff's Forfeiture</u>	<u>Total</u>
\$ -	\$ 777,459	\$ -	\$ -	777,459
58,928	-	-	-	78,093
-	-	-	-	34,791
15,842	-	8,643	-	47,057
-	-	-	500	10,544
<u>74,770</u>	<u>777,459</u>	<u>8,643</u>	<u>500</u>	<u>947,944</u>
-	-	-	1,517	1,517
101,000	-	-	-	201,215
-	-	-	-	19
-	907,579	-	-	907,579
8,490	-	-	-	8,490
<u>109,490</u>	<u>907,579</u>	<u>-</u>	<u>1,517</u>	<u>1,118,820</u>
(34,720)	(130,120)	8,643	(1,017)	(170,876)
<u>341,474</u>	<u>130,120</u>	<u>827,766</u>	<u>21,952</u>	<u>1,884,871</u>
<u>\$ 306,754</u>	<u>\$ -</u>	<u>\$ 836,409</u>	<u>\$ 20,935</u>	<u>\$ 1,713,995</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2010

	County Offices			City Special Assessments
	County Auditor	County Recorder	County Sheriff	
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	2,217
Other County officials	7,500	55,066	100,188	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	540	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 7,500</u>	<u>\$ 55,606</u>	<u>\$ 100,188</u>	<u>\$ 2,217</u>
LIABILITIES				
Accounts payable	\$ -	\$ 35,099	\$ 38,215	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	-	20,507	-	2,217
Trusts payable	7,500	-	61,973	-
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 7,500</u>	<u>\$ 55,606</u>	<u>\$ 100,188</u>	<u>\$ 2,217</u>

<u>Emergency Management Services</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Stephens Memorial Animal Shelter</u>	<u>County Assessor</u>	<u>Townships</u>
\$ 12,733	\$ 28	\$ 2,064	\$ 21,278	\$ 456,762	\$ 357,172	\$ 3,203
-	-	-	-	-	-	-
-	6	335	3,287	-	581	424
-	3,000	188,000	1,841,000	-	326,000	289,000
668	-	-	-	1,915	-	-
-	-	-	-	4,669	-	-
16,304	-	-	-	-	-	-
<u>\$ 29,705</u>	<u>\$ 3,034</u>	<u>\$ 190,399</u>	<u>\$ 1,865,565</u>	<u>\$ 463,346</u>	<u>\$ 683,753</u>	<u>\$ 292,627</u>
\$ 1,817	\$ -	\$ -	\$ -	\$ 3,326	\$ 12,382	\$ -
1,609	-	-	-	5,981	3,720	-
26,279	3,034	190,399	1,865,565	452,349	666,219	292,627
-	-	-	-	-	-	-
-	-	-	-	1,690	1,432	-
<u>\$ 29,705</u>	<u>\$ 3,034</u>	<u>\$ 190,399</u>	<u>\$ 1,865,565</u>	<u>\$ 463,346</u>	<u>\$ 683,753</u>	<u>\$ 292,627</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2010

	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Lynndana Sanitary Sewer District</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 57,996	\$ 145,737	\$ 8,397	\$ 7
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	12,090	25,251	1,345	-
Succeeding year	5,105,000	13,701,000	754,000	1,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 5,175,086</u>	<u>\$ 13,871,988</u>	<u>\$ 763,742</u>	<u>\$ 1,007</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	5,175,086	13,871,988	763,742	1,007
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$ 5,175,086</u>	<u>\$ 13,871,988</u>	<u>\$ 763,742</u>	<u>\$ 1,007</u>

See accompanying independent auditor's report.

<u>Auto License and Use Tax</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>E-911</u>	<u>Bankruptcy Trust</u>	<u>Unclaimed Property</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 488,548	\$ 26	\$ 117,270	\$ 84	\$ 142	\$ 489	\$ 1,674,153
-	-	-	-	-	-	162,754
-	-	-	-	-	-	43,319
-	-	-	-	-	-	22,208,000
-	-	30,330	-	-	1,770	35,223
-	-	1,644	-	-	-	6,313
-	-	8,318	-	-	-	24,622
<u>\$ 488,548</u>	<u>\$ 26</u>	<u>\$ 157,562</u>	<u>\$ 84</u>	<u>\$ 142</u>	<u>\$ 2,259</u>	<u>\$ 24,154,384</u>
\$ -	\$ -	\$ 617	\$ -	\$ -	\$ -	\$ 91,456
-	-	17,522	-	-	-	28,832
488,548	26	99,699	-	-	2,259	23,921,551
-	-	-	84	142	-	69,699
-	-	39,724	-	-	-	42,846
<u>\$ 488,548</u>	<u>\$ 26</u>	<u>\$ 157,562</u>	<u>\$ 84</u>	<u>\$ 142</u>	<u>\$ 2,259</u>	<u>\$ 24,154,384</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2010

	County Offices			City Special Assessments
	County Auditor	County Recorder	County Sheriff	
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 7,500	\$ 47,281	\$ 66,189	\$ 987
Additions:				
Property and other County tax	-	-	-	-
E-911 surcharge	-	-	-	-
E-911 local contributions	-	-	-	-
State tax credits	-	-	-	-
Federal grants	-	-	-	-
Office fees and collections	-	329,155	137,591	-
Drivers license fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Interest	-	-	-	-
Assessments	-	-	-	16,724
Trusts	-	-	272,410	-
Miscellaneous	-	-	-	-
Total additions	-	329,155	410,001	16,724
Deductions:				
Agency remittances:				
To other funds	-	131,035	95,717	-
To other governments	-	189,795	3,258	15,494
Trusts paid out	-	-	277,027	-
Total deductions	-	320,830	376,002	15,494
Balances end of year	\$ 7,500	\$ 55,606	\$ 100,188	\$ 2,217

<u>Emergency Management Services</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Stephens Memorial Animal Shelter</u>	<u>County Assessor</u>	<u>Townships</u>
\$ 29,406	\$ 2,045	\$ 179,816	\$ 1,858,439	\$ 468,858	\$ 538,291	\$ 280,529
-	3,460	189,597	1,853,646	-	327,915	295,637
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	93	6,773	69,807	-	12,740	10,887
25,712	-	-	-	-	-	-
-	-	-	-	-	173	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	4,669	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
43,798	-	-	-	186,810	250	-
<u>69,510</u>	<u>3,553</u>	<u>196,370</u>	<u>1,923,453</u>	<u>191,479</u>	<u>341,078</u>	<u>306,524</u>
-	-	-	-	-	-	-
69,211	2,564	185,787	1,916,327	196,991	195,616	294,426
-	-	-	-	-	-	-
<u>69,211</u>	<u>2,564</u>	<u>185,787</u>	<u>1,916,327</u>	<u>196,991</u>	<u>195,616</u>	<u>294,426</u>
\$ <u>29,705</u>	\$ <u>3,034</u>	\$ <u>190,399</u>	\$ <u>1,865,565</u>	\$ <u>463,346</u>	\$ <u>683,753</u>	\$ <u>292,627</u>

MAHASKA COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2010

	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Lynndana Sanitary Sewer District</u>	<u>Auto License and Use Tax</u>
ASSETS AND LIABILITIES					
Balances beginning of year	\$ <u>5,120,895</u>	\$ <u>12,670,813</u>	\$ <u>723,731</u>	\$ <u>1,004</u>	\$ <u>477,570</u>
Additions:					
Property and other County tax	4,964,229	13,751,417	759,300	961	-
E-911 surcharge	-	-	-	-	-
E-911 local contributions	-	-	-	-	-
State tax credits	179,213	475,882	27,244	44	-
Federal grants	-	-	-	-	-
Office fees and collections	-	-	-	-	-
Drivers license fees	-	-	-	-	123,320
Auto licenses, use tax and postage	-	-	-	-	5,303,569
Interest	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	<u>5,143,442</u>	<u>14,227,299</u>	<u>786,544</u>	<u>1,005</u>	<u>5,426,889</u>
Deductions:					
Agency remittances:					
To other funds	-	-	-	-	278,602
To other governments	5,089,251	13,026,124	746,533	1,002	5,137,309
Trusts paid out	-	-	-	-	-
Total deductions	<u>5,089,251</u>	<u>13,026,124</u>	<u>746,533</u>	<u>1,002</u>	<u>5,415,911</u>
Balances end of year	<u>\$ 5,175,086</u>	<u>\$ 13,871,988</u>	<u>\$ 763,742</u>	<u>\$ 1,007</u>	<u>\$ 488,548</u>

See accompanying independent auditor's report.

<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>E-911</u>	<u>Tax Sale Redemption Trust</u>	<u>Bankruptcy Trust</u>	<u>Unclaimed Property</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ <u>30</u>	\$ <u>224,616</u>	\$ <u>-</u>	\$ <u>84</u>	\$ <u>195</u>	\$ <u>818</u>	\$ <u>22,699,097</u>
-	-	-	-	-	-	22,146,162
-	136,585	-	-	-	-	136,585
-	375,818	-	-	-	-	375,818
-	-	-	-	-	-	782,683
-	-	-	-	-	-	25,712
-	-	-	-	-	11,135	478,054
-	-	-	-	-	-	123,320
-	-	-	-	-	-	5,303,569
-	1,643	-	-	-	10	6,322
-	-	-	-	-	-	16,724
-	-	480,698	-	56	-	753,164
318	30	-	-	-	-	231,206
<u>318</u>	<u>514,076</u>	<u>480,698</u>	<u>-</u>	<u>56</u>	<u>11,145</u>	<u>30,379,319</u>
130	-	-	-	-	-	505,484
192	581,130	-	-	-	9,704	27,660,714
-	-	480,698	-	109	-	757,834
<u>322</u>	<u>581,130</u>	<u>480,698</u>	<u>-</u>	<u>109</u>	<u>9,704</u>	<u>28,924,032</u>
\$ <u>26</u>	\$ <u>157,562</u>	\$ <u>-</u>	\$ <u>84</u>	\$ <u>142</u>	\$ <u>2,259</u>	\$ <u>24,154,384</u>

MAHASKA COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SIX YEARS

	Years Ended June 30,			
	2010	2009	2008	2007
Revenues				
Property and other County tax	\$ 7,881,505	\$ 7,814,318	\$ 7,320,629	\$ 6,841,706
Interest and penalty on property tax	68,370	65,469	66,920	69,288
Intergovernmental	6,283,676	5,158,834	5,517,349	4,646,922
Licenses and permits	18,124	20,994	21,247	30,934
Charges for service	551,630	552,451	592,030	554,364
Use of money and property	261,671	423,066	462,304	670,026
Miscellaneous	472,955	663,288	773,378	498,512
Total revenues	\$ 15,537,931	\$ 14,698,420	\$ 14,753,857	\$ 13,311,752
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,694,373	\$ 2,631,282	\$ 2,545,494	\$ 2,501,567
Physical health and social services	690,847	731,881	724,414	796,612
Mental health	2,182,991	2,683,269	2,716,999	2,616,932
County environment and education	812,289	748,640	729,400	695,074
Roads and transportation	5,142,227	5,540,940	5,801,883	4,405,418
Government services to residents	511,651	566,964	513,243	510,555
Administration	1,058,726	1,264,959	1,076,258	1,008,633
Non-program	912,569	697,285	904,052	826,746
Debt service	8,490	8,490	8,490	8,490
Capital projects	1,452,817	-	145,752	2,357,365
Total expenditures	\$ 15,466,980	\$ 14,873,710	\$ 15,165,985	\$ 15,727,392

See accompanying independent auditor's report.

	<u>2006</u>		<u>2005</u>
\$	6,950,971	\$	6,249,202
	69,879		61,651
	5,368,724		6,489,935
	22,931		15,963
	540,405		528,465
	432,643		251,624
	441,435		332,090
	<u>13,826,988</u>		<u>13,928,930</u>
\$	2,335,596	\$	2,237,833
	767,501		809,841
	2,340,063		2,307,713
	967,373		572,451
	4,287,635		4,068,474
	641,544		468,244
	1,068,734		913,191
	759,880		764,545
	8,490		-
	<u>1,306,207</u>		<u>534,746</u>
	<u>\$ 14,483,023</u>		<u>\$ 12,677,038</u>

MAHASKA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Justice:			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program, Recovery Act	16.804	2009-SB-B9-2332	\$ <u>17,587</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY 10	<u>14,519</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-E-62(60)	85,008
Highway Planning and Construction	20.205	BHS 62(55)	26,517
Highway Planning and Construction	20.205	ESL 62(66)	316,277
Highway Planning and Construction	20.205	STP-S-62(69)	96,681
ARRA - Highway Planning and Construction, Recovery Act	20.205	ESL 62(66)	<u>852,647</u>
			<u>1,377,130</u>
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	406 Task 102	3,344
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	406 Task 105	<u>641</u>
			<u>3,985</u>
U.S. Department of Education:			
Iowa Department of Transportation:			
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	S397A090016A	<u>28,949</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	IA DR1763	<u>249,520</u>
Hazard Mitigation Grant	97.039	FY 10	<u>17,391</u>
Emergency Management Performance Grants	97.042	FY 10	<u>25,712</u>

MAHASKA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558	FY 10	\$ <u>7,226</u>
Refugee and Entrant Assistance - State Administered Programs	93.566	FY 10	<u>41</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY 10	<u>3,804</u>
Foster Care - Title IV-E	93.658	FY 10	<u>7,721</u>
Adoption Assistance	93.659	FY 10	<u>1,936</u>
Children's Health Insurance Program	93.767	FY 10	<u>86</u>
Medical Assistance Program	93.778	FY 10	<u>16,341</u>
Social Services Block Grant	93.667	FY 10	<u>7,626</u>
Social Services Block Grant	93.667	FY 10	<u>106,162</u>
			<u>113,788</u>
Total			\$ <u><u>1,885,736</u></u>

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

See accompanying independent auditor's report.

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

To the Officials of Mahaska County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mahaska County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 30, 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 Mahaska County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mahaska County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mahaska County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-10 to be a material weakness.

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. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10, II-C-10 and II-D-10 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Mahaska County's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

Oskaloosa, Iowa
March 30, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Mahaska County:

Compliance

We have audited the compliance of Mahaska County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Mahaska County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Mahaska County's management. Our responsibility is to express an opinion on Mahaska County's compliance based on our audit.

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

In our opinion, Mahaska County complied, in all material respects, with the requirements referred to above that are could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We noted no matters involving internal control over compliance that we consider to be material weaknesses.

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

Oskaloosa, Iowa
March 30, 2011

MAHASKA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

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

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

MAHASKA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties

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

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

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

MAHASKA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

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

INTERNAL CONTROL DEFICIENCIES (continued):

II-A-10 Segregation of Duties (continued)

Responses –

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

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

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

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

Conclusion – Responses accepted.

II-B-10 Financial Reporting – During the audit, we identified material amounts of receivables not recorded in the County's financial statements. We also noted that the June motor vehicle transactions were not recorded in the general ledger until July. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

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

Conclusion – Response accepted.

MAHASKA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

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

INTERNAL CONTROL DEFICIENCIES (continued):

II-C-10 Capital Assets – The County did not reconcile the prior year accumulated depreciation and current year depreciation expense to ending accumulated depreciation on capital assets for the year ended June 30, 2010. There were several adjustments made to accumulated depreciation that did not run through depreciation expense.

Recommendation – The County should reconcile accumulated depreciation and depreciation expense each year to ensure accuracy.

Response – We will properly reconcile depreciation on capital assets in the future. We will also work with our software company to ensure the capital asset program is properly calculating depreciation expense and accumulated depreciation.

Conclusion – Response accepted.

II-D-10 Bank Reconciliations – We noted that the Internal Service, Employee Group Health Fund bank account summary at June 30, 2010 did not include \$32,262 of outstanding checks or a deposit in transit of \$103,964. Adjustments were made to properly report these items in the financial statements.

Recommendation – The self-funded health insurance bank accounts should be properly reconciled in the future and include all outstanding checks and deposits in transit. This would allow the County to timely detect and correct any errors or omissions and ensure the accuracy of the actuary report for the self-funded health insurance plan.

Response – We will properly reconcile these bank accounts in the future.

Conclusion – Response accepted.

MAHASKA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

MAHASKA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amount budgeted in the capital projects function prior to the amendment of the County budget. Disbursements in the secondary roads department exceeded the amount appropriated prior to the amendment of the appropriations.

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

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

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

Conclusion – Response accepted.

IV-B-10 Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Various credit cards	Credit card interest and fees	\$226

Recommendation – The County should pay the monthly balance due on the credit cards to avoid interest and late fees. All charges on the cards should be reconciled monthly to the supporting receipts or invoices and any discrepancies should be investigated immediately. The County may need to stress to employees the importance of turning in detailed credit card receipts in a timely manner.

Response – We will consider this recommendation.

Conclusion – Response accepted.

IV-C-10 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

MAHASKA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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

IV-D-10 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Linda Forsythe, employee, Spouse is owner of Honey Do & More	Services	\$264

In accordance with Chapter 331.342(10) of the Code of Iowa, the transaction above does not appear to represent a conflict of interest since the amount for each individual was less than \$1,500 during the fiscal year.

IV-E-10 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

IV-F-10 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-10 Deposits and Investments – Except as noted in IV-K-10, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.

IV-H-10 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-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 or B.

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

The County Extension organization has grant agreements with Community Action of Eastern Iowa to provide child care resource and referral services. Revenues from these grants totaled \$102,318 for the year ended June 30, 2010. They included an operational grant of \$74,318, and Educational Opportunities for Family Child Care Providers Grant of \$8,000, and a Parent Expansion Grant of \$20,000.

We noted that the notice of public hearing for the budget was published only six days before the hearing. Chapters 24.9 and 176A.8 of the Code of Iowa require such notices to be published not less than ten nor more than twenty days before the hearing.

MAHASKA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

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

IV-I-10 County Extension Office (continued)

Recommendation – All notices of public hearings should be published timely in the future.

Response – We will make sure notices of public hearings are timely published in the future.

Conclusion – Response accepted.

IV-J-10 Treasurer’s Semi-annual Report – The County Treasurer’s semi-annual report for the six months ended June 30, 2010 was published as required by Chapter 349.16(3) of the Code of Iowa. However, we noted some material differences.

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

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

Conclusion – Response accepted.

IV-K-10 Bequest to the Mahaska County Conservation Board – During the year ended June 30, 2008, the Mahaska County Conservation Board was named as a beneficiary in a last will and testament. The Conservation Board remitted \$130,000 of the bequest to the Greater Des Moines Community Foundation (Foundation) in the year ended June 30, 2008, and \$122,716 in the year ended June 30, 2009. The Conservation Board signed a “Designated Passthrough Fund Agreement” and a “Designated Endowment Fund Agreement” with the Foundation. Both agreements state, in part, “the Donor hereby irrevocably assigns, conveys, transfers and delivers to the GDMCF (Foundation) all of the Donor’s rights, title and interest in the property described.” As of June 30, 2010, these funds were still deposited with the Foundation.

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

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

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

MAHASKA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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

IV-K-10 Bequest to the Mahaska County Conservation Board (continued)

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

In addition, consistent with the Iowa Attorney General’s letter of advice, the proceeds and related income are public funds and must be accounted for, deposited and invested pursuant to Chapters 12B and 12C of the Code of Iowa and the County’s investment policy. According to financial reports of the Foundation, at June 30, 2010, the Foundation’s investments included domestic and international equities, fixed income, hedge funds, real estate, private equity and cash. These types of investments are not included in the list of allowable investments of public funds specified in Chapter 12B.10(5) of the Code of Iowa.

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

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

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

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

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

Response – As of December 2010, we have had these funds transferred back to the County from the Foundation.

Conclusion – Response accepted.