

MITCHELL COUNTY

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

June 30, 2011

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MITCHELL COUNTY
Osage, Iowa

OFFICIALS

(Before January 2011)

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

(After January 2011)

Joel Voaklander	Board of Supervisors	Jan 2015
Robert Marreel	Board of Supervisors	Jan 2015
Stan Walk	Board of Supervisors	Jan 2013
Lowell Tesch	County Auditor	Jan 2013
Pamela Meyer	County Treasurer	Jan 2015
Pat Skuster	County Recorder	Jan 2015
Curtis Younker	County Sheriff	Jan 2013
Mark Walk	County Attorney	Jan 2015
L. Dean Pohren	County Assessor	Appointed

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Mitchell County
Osage, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mitchell County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Mitchell County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Mitchell County at June 30, 2011, and the respective changes in financial position and the cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2012 on our consideration of Mitchell County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 6 through 10 and 37 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mitchell County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2010, 2009 and 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements and supplemental data for the years June 30, 2007, 2006, 2005, 2004 and 2003 (none of which are presented herein) were audited by other auditors in accordance with the standards referred to in the second paragraph of this report who expressed unqualified opinions on those financial statements and supplemental data. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

March 27, 2012

Renner & Birchem, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mitchell County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of Mitchell County is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 13.09% or approximately \$1,605,000, from fiscal 2010 to fiscal 2011. Property taxes increased approximately \$307,000, operating grants and contributions decreased approximately \$585,000, capital grants and contributions decreased approximately \$154,000 and charges for services decreased 1,250,000.
- Program expenses were 3.5% or approximately \$400,000 more in fiscal 2011 than in fiscal 2010. Roads and transportation increased approximately \$912,000.
- The County's net assets decreased 14.1%, or approximately \$1,552,000 from June 30, 2010 to June 30, 2011.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two types of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Mitchell County's combined net assets decreased slightly from a year ago, decreasing from \$10,977,000 to \$9,425,000.

Net Assets of Governmental Activities

(Expressed in Thousands)

	June 30	
	2011	2010
Current and Other Assets	\$13,421	8,521
Capital Assets	19,163	18,870
Total Assets	<u>32,584</u>	<u>27,391</u>
Long-Term Debt Outstanding	17,411	11,373
Other Liabilities	5,748	5,041
Total Liabilities	<u>23,159</u>	<u>16,414</u>
Net Assets:		
Invested in Capital Assets, Net of debt	5,956	7,995
Restricted	2,251	1,101
Unrestricted	1,218	1,881
Total Net Assets	<u>\$9,425</u>	<u>10,977</u>

Net assets of the County's governmental activities decreased by approximately 14.1%, \$10,977,000 compared to \$9,425,000. The largest portion of the County's net assets is the Invested in Capital Assets (infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Changes in Net Assets of Governmental Activities

	June 30	
	2011	2010
Program Revenues:		
Charges for service	\$ 887	2,137
Operating grants and contributions	3,427	4,012
Capital grants and contributions	131	285
Property taxes	4,391	4,084
Unrestricted investments earnings	81	101
Other general revenues	1,425	1,328
Total revenues	<u>10,342</u>	<u>11,947</u>
Program Expenses:		
Public safety and legal services	1,369	1,535
Physical health and social services	1,788	1,089
Mental health	192	1,371
County environment and education	1,146	1,039
Roads and transportation	5,551	4,639
Government services to residents	331	362
Administration	1,026	1,056
Non-program	2	16
Interest on long-term debt	489	387
Total expenses	<u>11,894</u>	<u>11,494</u>
Increase (decrease) in net assets	(1,552)	453
Net assets beginning of year	<u>10,977</u>	<u>10,524</u>
Net assets end of year	<u>\$9,425</u>	<u>10,977</u>

The County's revenue decreased 13.0% (\$1,605,000). The total cost of programs and services increased 3.4%, (\$395,000) with no new programs added this year.

The cost of all governmental activities this year was \$11.9 million compared to \$11.5 million last year. However, as shown in the Statement of Activities on page 13, the amount ultimately financed for these activities through County taxes and other unrestricted revenues was only \$7.5 million because some of the cost was paid by those directly benefited from the programs (\$887,320) or by governments and organizations that subsidized certain programs with grants and contributions (\$3,558,776).

INDIVIDUAL MAJOR FUNDS

As Mitchell County completed the year, its governmental funds reported a combined fund balance of \$7,537,761, which is \$4,165,265 above last year's total of \$3,372,496. The following are the major reasons for the changes in fund balances from the prior year.

General Basic – Decrease of \$227,479 due to the continuation of the General Supplemental Fund, since we are at our levy limit for General Basic and we were depleting our fund balance below 25% of completed expenses. We have reallocated expenditures to the General Supplemental Fund in order to increase the fund balance in General Basic.

Mental Health – Increase of \$505,643 due to normal operations.

Rural Services- Decrease of \$36,988 due to normal operations.

Secondary Roads –Increase of \$204,762 due mainly to transfers.

Debt Service – Increase of \$652 due to normal operations.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mitchell County amended its budget two times. Total increase of expenditures was \$5,434,195.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, Mitchell County had approximately \$19.1 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$293,000.

Capital Assets of Governmental Activities at Year End

(Expressed in Thousands)

	June 30	
	2011	2010
Land	\$ 1,982	1,817
Buildings and Improvements	3,826	3,933
Equipment and vehicles	1,306	1,414
Infrastructure	12,049	11,706
Total	\$19,163	18,870

The County had depreciation expense of \$904,230 for the year ended June 30, 2011 and total accumulated depreciation as of June 30, 2011 of \$7,684,444.

Debt Administration

At June 30, 2011, the County had approximately \$17,347,000 in general obligation bonds and other debt outstanding compared to approximately \$11,341,000 at June 30, 2010, as shown below.

Outstanding Debt of Governmental Activities at Year-End
(Expressed in Thousands)

	June 30	
	2011	2010
LOSST Bonds	\$ 730	900
G.O. Capital Loan Notes	15,737	9,418
RUT Revenue Anticipation Notes	100	195
Loan Agreements	599	628
Drainage Improvement Certificates	6	14
Total	<u>\$17,172</u>	<u>11,155</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County’s corporate limits. Mitchell County’s outstanding general obligation debt is below its constitutional debt limit of approximately \$26 million. More detail about the County’s long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

Mitchell County’s elected and appointed officials and citizens considered many factors when setting the 2012 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy which includes oil, gas prices and utility costs. Others include land valuations and the consumer price index (CPI). The County has added no major programs or initiative to the 2012 budget.

CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

Mitchell County
Osage, Iowa

Exhibit A

Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 7,729,645
Receivables:	
Property tax:	
Delinquent	5,786
Succeeding year	4,738,900
Accounts	77,813
Interest	9,207
Drainage assessments	5,697
Due from other governments	493,388
Inventories	360,314
Capital assets (net of accumulated depreciation)	19,163,479
Total assets	<u>32,584,229</u>
Liabilities	
Accounts payable	897,037
Salaries and benefits payable	111,657
Deferred revenue:	
Succeeding year property tax	4,738,900
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	311,400
Local option sales tax revenue bonds	33,165
Road use tax revenue anticipation	100,000
Drainage certificates payable	652
Compensated absences	176,359
Portion due or payable after one year:	
General obligation notes	16,155,400
Local option sales tax revenue bonds	565,699
Drainage certificates payable	5,045
Net OPEB liability	63,939
Total liabilities	<u>23,159,253</u>
Net Assets	
Invested in capital assets, net of related debt	5,955,803
Restricted for:	
Mental health purposes	682,226
Secondary roads purposes	834,602
Other purposes	734,089
Unrestricted	1,218,256
Total net assets	<u>\$ 9,424,976</u>

See notes to financial statements.

Statement of Activities
Year ended June 30, 2011

	Program Revenues				Net (Expense) Revenue Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,368,656	128,073			(1,240,583)
Physical health and social services	1,788,640	122,974	804,799		(860,867)
Mental health	191,786		100,390		(91,396)
County environment and education	1,146,328	171,456	12,670		(962,202)
Roads & transportation	5,550,688	126,206	2,338,178	131,403	(2,954,901)
Governmental services to residents	331,302	338,611	171,336		178,645
Administrative services	1,025,777				(1,025,777)
Non-program	2,353				(2,353)
Interest/fees on long-term debt	488,952				(488,952)
Total	\$ 11,894,482	887,320	3,427,373	131,403	(7,448,386)
General Revenues:					
Property and other county tax levied for:					
General purposes					4,262,226
Debt service					129,395
Penalty and interest on property tax					30,520
State tax credits					706,573
Local option sales tax					510,856
Unrestricted investment earnings					81,405
Miscellaneous					175,756
Total general revenues					5,896,731
Change in net assets					(1,551,655)
Net assets beginning of year					10,976,631
Net assets end of year					\$ 9,424,976

See notes to financial statements.

Mitchell County
Osage, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2011

	<u>Special Revenue</u>							
	General	Mental Health	Rural Services	Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
Assets								
Cash and pooled investments	\$ 932,572	682,216	162,887	1,161,208	18,447	3,775,857	996,458	7,729,645
Receivables:								
Property tax:								
Delinquent	3,801	581	1,274		130			5,786
Succeeding year	2,226,476	570,657	1,487,713		454,054			4,738,900
Accounts	75,348		1,602	344			519	77,813
Accrued interest	8,285						922	9,207
Drainage assessments							5,697	5,697
Due from other governments	158,641			178,228			32,490	369,359
Inventories				360,314				360,314
Total assets	\$ 3,405,123	1,253,454	1,653,476	1,700,094	472,631	3,775,857	1,036,086	13,296,721
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 107,113		8,743	757,243		850	23,088	897,037
Salaries and benefits payable	77,756		715	33,186				111,657
Deferred revenue:								
Succeeding year property tax	2,226,476	570,657	1,487,713		454,054			4,738,900
Other	3,725	571	1,245		128		5,697	11,366
Total liabilities	2,415,070	571,228	1,498,416	790,429	454,182	850	28,785	5,758,960
Fund balances:								
Nonspendable:								
Inventories				360,314				360,314
Restricted for:								
Mental health purposes		682,226						682,226
Rural services purposes			155,060					155,060
Secondary road purposes				549,351				549,351
Drainage							17,932	17,932
Debt service					18,449			18,449
Capital projects						3,775,007		3,775,007
Other purposes							989,369	989,369
Unassigned	990,053							990,053
Total fund balances	990,053	682,226	155,060	909,665	18,449	3,775,007	1,007,301	7,537,761
Total liabilities and fund balances	\$ 3,405,123	1,253,454	1,653,476	1,700,094	472,631	3,775,857	1,036,086	13,296,721

See notes to financial statements.

Mitchell County
Osage, Iowa

Exhibit D

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

June 30, 2011

Total governmental fund balances (page 14)

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

\$ 7,537,761

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$26,847,923 and the accumulated depreciation is \$7,684,444.

19,163,479

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

135,395

Long-term liabilities, including bonds payable other post employment benefits payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.

(17,411,659)

Net assets of governmental activities (page 12)

\$ 9,424,976

See notes to financial statements.

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

Year ended June 30, 2011

	Special Revenue							Total
	General	Mental Health	Rural Services	Secondary Roads	Debt Service	Capital Projects	Nonmajor	
Revenue:								
Property and other county tax	\$ 2,578,192	578,580	1,261,885		129,267			4,547,924
Interest and penalty on property tax	30,520							30,520
Intergovernmental	1,451,862	126,209	52,546	2,469,581	5,670		366,444	4,472,312
Licenses and permits	6,504			5,220				11,724
Charges for services	828,740		16,317	126,206			78,959	1,050,222
Use of money and property	127,393			3,160			10,144	140,697
Miscellaneous	157,487	1,348		11,649			83,841	254,325
Total revenues	5,180,698	706,137	1,330,748	2,615,816	134,937		539,388	10,507,724
Expenditures:								
Current:								
Public safety and legal services	1,336,209		27,116				2,500	1,365,825
Physical health and social services	1,762,854						852	1,763,706
Mental health		200,494						200,494
County environment and education services	820,588		187,775				330,199	1,338,562
Roads and transportation				3,357,019				3,357,019
Governmental services to residents	279,207						1,799	281,006
Administrative services	1,032,548		20,420					1,052,968
Non-program							2,353	2,353
Debt service	58,824			371,313	134,285		202,450	766,872
Capital projects				2,403,094		113,248		2,516,342
Total expenditures	5,290,230	200,494	235,311	6,131,426	134,285	113,248	540,153	12,645,147
Excess(deficiency) of revenue over (under) expenditures	(109,532)	505,643	1,095,437	(3,515,610)	652	(113,248)	(765)	(2,137,423)
Other financing sources (uses):								
Operating transfers in				2,820,372			30,000	2,850,372
Operating transfers out	(117,947)		(1,132,425)			(1,600,000)		(2,850,372)
Proceeds long-term debt				900,000		5,402,688		6,302,688
Total other financing sources (uses)	(117,947)		(1,132,425)	3,720,372		3,802,688	30,000	6,302,688
Net change in fund balances	(227,479)	505,643	(36,988)	204,762	652	3,689,440	29,235	4,165,265
Fund balances beginning of year	1,217,532	176,583	192,048	704,903	17,797	85,567	978,066	3,372,496
Fund balances end of year	\$ 990,053	682,226	155,060	909,665	18,449	3,775,007	1,007,301	7,537,761

See notes to financial statements.

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

June 30, 2011

Net change in fund balances - Total governmental fund (page 16) \$ 4,165,265

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

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

Expenditures for capital assets	1,393,996	
Depreciation expense	<u>(904,230)</u>	489,766

In Statement of Activities, the loss on disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources.

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. (196,337)

Property tax	779	
Other	<u>36,185</u>	36,964

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

Issued	(6,450,000)	
Repaid	<u>425,232</u>	(6,024,768)

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

Compensated absences	9,246	
Other postemployment benefits	<u>(31,791)</u>	<u>(22,545)</u>

Change in net assets of governmental activities (page 13) \$ (1,551,655)

See notes to financial statements.

Mitchell County
Osage, Iowa

Exhibit G

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2011

Assets

Cash and pooled investments:	
County Treasurer	\$ 917,837
Other County officials	55,279
Property tax receivable:	
Delinquent	10,462
Succeeding year	10,480,185
Accounts receivable	153,245
Accrued interest	201
Total assets	<u>\$ 11,617,209</u>

Liabilities

Accounts payable	\$ 27,343
Salaries payable	8,300
Due to other governments	11,530,851
Trust payable	31,178
Compensated absences	19,537
Total liabilities	<u>11,617,209</u>

Net assets \$ -

See notes to financial statements.

Mitchell County
Osage, Iowa

Notes to Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies

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

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

A. REPORTING ENTITY

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

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

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

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

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

B. BASIS OF PRESENTATION

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. The County has elected to show the Mental Health, Rural Services and Debt Services Funds as discretionary major 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 not paid from other funds.

Special Revenue:

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

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

The Secondary Roads Fund is used to account for the road use tax allocation from the state of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for the property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications-committed, assigned and then unassigned fund balances.

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with 1 1/2% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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

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

Due From and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in fund financial statements.

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

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

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

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

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

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

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

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

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

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

Compensated Absences - County employees accumulated a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

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

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

Fund Equity - In the governmental fund financial statements, fund balance are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

E. BUDGETS AND BUDGETARY ACCOUNTING

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

2. Cash and Pooled Investments

The County's deposits at June 30, 2011 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

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

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 87,947
	Special Revenue:	
	Rural Services	1,132,425
	Capital Projects	<u>1,600,000</u>
		2,820,372
Conservation Land Acquisition	General	<u>30,000</u>
Total		<u>\$2,850,372</u>

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

4. Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,816,937	165,000		1,981,937
Total capital assets not being depreciated	<u>1,816,937</u>	<u>165,000</u>		<u>1,981,937</u>
Capital assets being depreciated:				
Buildings	6,003,821			6,003,821
Improvements other than building	229,071			229,071
Machinery and equipment	4,509,237	259,057	277,090	4,491,204
Infrastructure	13,171,951	969,939		14,141,890
Total capital assets being depreciated	<u>23,914,080</u>	<u>1,228,996</u>	<u>277,090</u>	<u>24,865,986</u>
Less accumulated depreciation for:				
Buildings	2,202,304	97,378		2,299,682
Improvements other than building	97,474	9,163		106,637
Machinery and equipment	3,095,621	169,829	80,753	3,184,697
Infrastructure, road network	1,465,568	627,860		2,093,428
Total accumulated depreciation	<u>6,860,967</u>	<u>904,230</u>	<u>80,753</u>	<u>7,684,444</u>
Total capital assets being depreciated, net	<u>17,053,113</u>	<u>324,766</u>	<u>196,337</u>	<u>17,181,542</u>
Governmental activities capital assets, net	<u>18,870,050</u>	<u>489,766</u>	<u>196,337</u>	<u>19,163,479</u>

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

Governmental activities	
Public safety and legal services	\$ 63,078
Physical health and social services	1,134
Mental health	6,057
County environment and education	22,144
Roads and transportation	736,214
Governmental services to residents	20,487
Administrative services	55,116
Total depreciation expense - Governmental activities	<u>\$ 904,230</u>

5. **Due to Other Governments**

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Agency:		
Agricultural Extension	Collections	\$ 150,475
Assessor		187,452
Schools		6,757,850
Community Colleges		373,700
Corporations		2,459,856
Auto License & Use Tax		267,615
All others		<u>1,333,903</u>
Total for Agency Funds		\$ <u>11,530,851</u>

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

A summary of changes in long-term debt for the year ended June 30, 2011 is as follows:

	LOSST Bonds	General Obligation Capital Loan Notes	Road Use Tax Revenue Anticipation Note	Loan Agreements	Drainage Improvement Certificates	Compensated Absences	Net OPEB Liability	Total
Beginning Balance	\$ 900,000	9,418,200	195,000	627,696	14,360	185,605	32,148	11,373,009
Increases		6,450,000					31,791	6,481,791
Decreases	170,000	131,400	95,000	28,832	8,663	9,246		443,141
Ending Balance	<u>\$ 730,000</u>	<u>15,736,800</u>	<u>100,000</u>	<u>598,864</u>	<u>5,697</u>	<u>176,359</u>	<u>63,939</u>	<u>17,411,659</u>
Due Within One Year	<u>\$ 175,000</u>	<u>136,400</u>	<u>100,000</u>	<u>33,165</u>	<u>652</u>	<u>176,359</u>		<u>621,576</u>

Bonds Payable

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 175,000	26,305	201,305
2013	180,000	20,268	200,268
2014	185,000	13,878	198,878
2015	<u>190,000</u>	<u>7,125</u>	<u>197,125</u>
	\$ <u>730,000</u>	<u>67,576</u>	<u>797,576</u>

During the year ended June 30, 2011, the County retired \$170,000 of bonds.

General Obligation Capital Loan Notes

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 125,000	9,565	134,565
2013	<u>130,000</u>	<u>4,940</u>	<u>134,940</u>
	\$ <u>255,000</u>	<u>14,505</u>	<u>269,505</u>

During the year ended June 30, 2011 the County retired \$120,000 of the notes.

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

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012		270,330	270,330
2013	\$ 450,000	270,330	720,330
2014	825,000	262,230	1,087,230
2015	1,005,000	244,493	1,249,493
2016	1,035,000	221,377	1,256,377
2017-2021	<u>5,650,000</u>	<u>616,765</u>	<u>6,266,765</u>
	<u>\$ 8,965,000</u>	<u>1,885,525</u>	<u>10,850,525</u>

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

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 11,400	2,839	14,239
2013	11,400	2,354	13,754
2014	11,400	1,870	13,270
2015	11,400	1,386	12,786
2016	<u>21,200</u>	<u>901</u>	<u>22,101</u>
	<u>\$ 66,800</u>	<u>9,350</u>	<u>76,150</u>

During the year ended June 30, 2011 the County retired \$11,400 of the notes.

On December 21, 2010 the County issued \$6,450,000 of General Obligation Loan Notes to finance road projects, interest is due semi-annually with rates of 2.5% to 3.4% payable on December 1 and June 1 of each year. Principal payments are due annually on June 1 beginning June 1, 2016. The Capital loan notes mature June 1, 2022. Details on the note agreement are as follows:

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012		183,068	183,068
2013		183,068	183,068
2014		183,068	183,068
2015		183,068	183,068
2016	\$ 860,000	183,068	1,043,068
2017-2022	<u>5,590,000</u>	<u>610,349</u>	<u>6,200,349</u>
	<u>\$ 6,450,000</u>	<u>1,525,689</u>	<u>7,975,689</u>

Road Use Tax Revenue Anticipation Capital Loan Notes

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

Year Ending		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
2012	\$	<u>100,000</u>	<u>2,075</u>	<u>102,075</u>

Loan Agreements

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

Year Ending		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
2012	\$	9,861	7,569	17,430
2013		10,477	6,953	17,430
2014		11,170	6,260	17,430
2015		11,890	5,540	17,430
2016		12,655	4,775	17,430
2017-2020		<u>59,178</u>	<u>9,262</u>	<u>68,440</u>
	\$	<u>115,231</u>	<u>40,359</u>	<u>155,590</u>

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

Year Ending		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
2012	\$	2,484	680	3,164
2013		2,637	527	3,164
2014		2,796	368	3,164
2015		<u>2,938</u>	<u>226</u>	<u>3,164</u>
	\$	<u>10,855</u>	<u>1,801</u>	<u>12,656</u>

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

Year Ending		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
2012	\$	19,179	4,321	23,500
2013		20,171	3,329	23,500
2014		21,233	2,267	23,500
2015		<u>22,195</u>	<u>1,159</u>	<u>23,354</u>
	\$	<u>82,778</u>	<u>11,076</u>	<u>93,854</u>

On February 26, 2011, the County issued \$390,000 of Notes to finance the construction of Carpenter’s waste water treatment plant. Principal and interest payments are due monthly. Interest is at a rate of 2.75% Details of the loan agreement are as follows:

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,641	13,990	15,631
2013	5,014	10,617	15,631
2014	5,154	10,477	15,631
2015	5,297	10,334	15,631
2016	5,445	10,186	15,631
2017-2050	<u>367,449</u>	<u>220,674</u>	<u>588,123</u>
	<u>\$ 390,000</u>	<u>276,278</u>	<u>666,278</u>

Drainage Improvement Certificates Payable

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

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

7. Ag Extension Building Loan

On May 3, 2011, the Ag Extension entered into a loan agreement with the County. The loan was to pay the existing loan at Home Trust and Savings Bank. The 10 year loan for \$55,457 is payable in monthly installments of principal and interest at 2.5%.

8. Closure and Postclosure Care Costs

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

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

9. **Sanitary Sewer System**

Mitchell County has entered into an agreement with the City of Carpenter, established in accordance with the provisions of Chapter 28E of the State Code of Iowa. The purpose of this agreement is for Mitchell County to contract with the City of Carpenter for the service and management of a sanitary sewer collection system serving the residents of the City of Carpenter.

Mitchell County shall be responsible for ownership of the sanitary sewer system, paying the debt service as it becomes due, some of the operational costs and compliance with all reporting requirements imposed by the Iowa DNR, Federal EPA, and Rural Development of the United States Department of Agriculture with respect to the testing, monitoring, maintenance of the sanitary sewer system, and financial reporting, as well as administration of the annual budget for the operation of the City of Carpenter sanitary sewer system.

The City of Carpenter shall be responsible for providing Mitchell County permission to construct the sanitary sewer system, provide all maintenance and operation services to keep the sewer system functional and in good repair, the billing and collection of fees for sanitary sewer service, and inspecting all new hook ups. All fees collected shall be remitted to the Mitchell County Auditor.

10. **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 4.50% of their annual covered salary and the County is required to contribute 6.95% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$261,452, \$248,307 and \$227,353 respectively, equal to the required contributions for each year.

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

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 97 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retirees 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 which, 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, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 37,601
Interest on net OPEB obligation	804
Adjustment to annual required contribution	<u>(3,579)</u>
Annual OPEB cost	34,826
Contributions made-implicit	<u>(3,035)</u>
Increase in net OPEB obligation	31,791
Net OPEB obligation beginning of year	<u>32,148</u>
Net OPEB obligation end of year	\$ <u>63,939</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, 2011.

For the year ended June 30, 2011, the County contributed \$3,035 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, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 34,476	6.8%	\$ 32,148
June 30, 2011	37,601	8.6%	63,939

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$270,105, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$270,105. As of June 30, 2011, there were no trust fund assets.

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

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 unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the County's funding policy. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity 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, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$267.90 per month for retirees less than age 65. 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.

12. **Risk Management**

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

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

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

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2011 were \$113,873.

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2011, which covers exposures of specific losses in excess of \$750,000 with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers' compensation, including the retention of the pool, and in excess of \$400,000 per occurrence up to a maximum of \$4,000,000 per occurrence, including the retention of the pool, for general liability, automobile liability, police professional, and errors and omissions. The risk pool fund records a liability for unpaid claims based on estimates of the costs of individual cases of losses and claims reported to year-end, plus a provision for losses incurred but not yet reported. The IBNR estimates are based on the past experience of the Pool upon

the experience of similar organizations as determined by Arthur J. Gallagher Risk Management Services, Inc., the Pool's Broker. The Pool also works with an outside actuary on an annual basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The county does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2011 no liability has been recorded in the County's financial statements. As of June 30, 2011 settled claims have not exceeded the risk pool or reinsurance company coverage in any of the past three fiscal year.

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

REQUIRED SUPPLEMENTARY INFORMATION

Mitchell County
Osage, Iowa

Budgetary Comparison Schedule of

Receipts, Disbursements and Changes in Balances -

Budget and Actual (Cash Basis) - All Governmental Funds

Required Supplementary Information

Year ended June 30, 2011

	Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property and other County tax	\$ 4,884,564		4,884,564	4,834,584	4,834,584	49,980
Interest and penalty on property tax	30,522		30,522	20,300	20,300	10,222
Intergovernmental	4,045,198		4,045,198	4,350,574	4,423,688	(378,490)
Licenses and permits	11,714		11,714	4,500	4,500	7,214
Charges for services	1,090,736		1,090,736	1,011,370	1,004,120	86,616
Use of money and property	226,643		226,643	156,996	558,250	(331,607)
Miscellaneous	159,655	1,049	158,606	132,700	322,408	(163,802)
Total receipts	10,449,032	1,049	10,447,983	10,511,024	11,167,850	(719,867)
Disbursements:						
Public safety and legal services	1,368,286		1,368,286	1,345,871	1,459,771	91,485
Physical health and social services	1,743,408		1,743,408	1,920,528	1,936,808	193,400
Mental health	385,073		385,073	1,005,000	1,005,000	619,927
County environment and education services	1,361,144		1,361,144	1,370,075	1,726,675	365,531
Roads and transportation	3,606,089		3,606,089	3,395,000	4,345,000	738,911
Governmental services to residents	282,970		282,970	290,094	299,094	16,124
Administrative services	1,036,009		1,036,009	1,064,197	1,167,197	131,188
Non-program	2,353	2,353				
Debt service	766,872		766,872	768,516	768,516	1,644
Capital projects	1,834,450		1,834,450	150,000	4,035,415	2,200,965
Total disbursements	12,386,654	2,353	12,384,301	11,309,281	16,743,476	4,359,175
Excess (deficiency) of receipts over (under) disbursements	(1,937,622)	(1,304)	(1,936,318)	(798,257)	(5,575,626)	3,639,308
Other financing sources, net	6,310,755		6,310,755	5,000	6,365,000	(54,245)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	4,373,133	(1,304)	4,374,437	(793,257)	789,374	3,585,063
Balance beginning of year	3,468,904	19,236	3,449,668	2,503,168	2,503,168	946,500
Balance end of year	\$ 7,842,037	17,932	7,824,105	1,709,911	3,292,542	4,531,563

See accompanying independent auditor's report.

Mitchell County
Osage, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,449,032	27,924	10,476,956
Expenditures	12,386,654	252,737	12,639,391
Net	(1,937,622)	(224,813)	(2,162,435)
Other financing sources, net	6,310,755	(8,067)	6,302,688
Beginning fund balances	3,468,904	(71,396)	3,397,508
Ending fund balances	\$ 7,842,037	(304,276)	7,537,761

See accompanying independent auditor's report.

Mitchell County
Osage, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, 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, two budget amendments increased budgeted disbursements by \$5,434,195. The budget amendments are reflected in the final budgeted amounts.

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

Mitchell County
Osage, Iowa

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 279,832	279,832	0.0%	3,094,000	6.8%
2011	July 1, 2009	-	270,105	270,105	0.0%	3,144,000	8.6%

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

See accompanying independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

MITCHELL COUNTY
Osage, Iowa

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2011

	County Disposal Closure	Local Option Sales Tax Bond Sinking Fund	Senior Health Clinic	Home Health Capital Improvement	Drug Enforcement	Resource Enhancement & Protection	County Recorder's Electronic Transaction Fee	County Recorder's Records Management	Drainage Districts	Conservation Land Acquisitions	Sheriff Asset Forfeiture	K-9 Fund	Total
ASSETS													
Cash and pooled investments	\$ 4,744	657,572	8,447	52,368	19,555	10,466	6	9,766	17,932	200,940	14,636	26	996,458
Receivables:													
Accounts								519					519
Accrued interest	4	588		47	46	4		4		228	1		922
Drainage assessments									5,697				5,697
Due from other governments		32,490											32,490
TOTAL ASSETS	<u>4,748</u>	<u>690,650</u>	<u>8,447</u>	<u>52,415</u>	<u>19,601</u>	<u>10,470</u>	<u>6</u>	<u>10,289</u>	<u>23,629</u>	<u>201,168</u>	<u>14,637</u>	<u>26</u>	<u>1,036,086</u>
LIABILITIES AND FUND EQUITY													
Liabilities:													
Accounts payable										22,971	117		23,088
Deferred revenue:													
Other									5,697				5,697
Total liabilities									<u>5,697</u>	<u>22,971</u>	<u>117</u>		<u>28,785</u>
Fund equity:													
Fund balance:													
Restricted for:													
Drainage									17,932				17,932
Other purposes	4,748	690,650	8,447	52,415	19,601	10,470	6	10,289		178,197	14,520	26	989,369
Total fund equity	<u>4,748</u>	<u>690,650</u>	<u>8,447</u>	<u>52,415</u>	<u>19,601</u>	<u>10,470</u>	<u>6</u>	<u>10,289</u>	<u>17,932</u>	<u>178,197</u>	<u>14,520</u>	<u>26</u>	<u>1,007,301</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 4,748</u>	<u>690,650</u>	<u>8,447</u>	<u>52,415</u>	<u>19,601</u>	<u>10,470</u>	<u>6</u>	<u>10,289</u>	<u>23,629</u>	<u>201,168</u>	<u>14,637</u>	<u>26</u>	<u>1,036,086</u>

See accompanying independent auditor's report.

MITCHELL COUNTY
Osage, Iowa

Schedule 2

NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year ended June 30, 2011

	County Disposal Closure	Local Option Sales Tax Bond Sinking Fund	Senior Health Clinic	Home Health Capital Improvement	Drug Enforcement	Resource Enhancement & Protection	County Recorder's Electronic Transaction Fee	County Recorder's Records Management	Drainage Districts	Conservation Land Acquisitions	Sheriff Asset Foreiture	K-9 Fund	Total
REVENUES:													
Intergovernmental		353,774				12,670							366,444
Charges for services								2,226		76,733			78,959
Uses of money and property	\$ 59	7,141		662	282	66		52		1,871	11		10,144
Miscellaneous				915					1,049	81,377	500		83,841
Total revenues	59	360,915		1,577	282	12,736		2,278	1,049	159,981	511		539,388
EXPENDITURES:													
Operating:													
Public safety and legal services											2,500		2,500
Physical health and social services				852									852
County environment and education						18,668				311,531			330,199
Government services to residents								1,799					1,799
Non-Program									2,353				2,353
Debt Service		202,450											202,450
Total expenditures		202,450		852		18,668		1,799	2,353	311,531	2,500		540,153
Excess (deficiency) of revenues over (under) expenditures	59	158,465		725	282	(5,932)		479	(1,304)	(151,550)	(1,989)		(765)
Other financing sources (uses):													
Transfers in										30,000			30,000
Total other financing sources (uses):										30,000			30,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:	59	158,465		725	282	(5,932)		479	(1,304)	(121,550)	(1,989)		29,235
Fund balances beginning of year	4,689	532,185	8,447	51,690	19,319	16,402	6	9,810	19,236	299,747	16,509	26	978,066
Fund balances end of year	\$ 4,748	690,650	8,447	52,415	19,601	10,470	6	10,289	17,932	178,197	14,520	26	1,007,301

See accompanying independent auditor's report.

MITCHELL COUNTY
Osage, Iowa

Schedule 3

AGENCY FUNDS
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2011

	County Offices	Auto License & Use Tax	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assessment	Ag Extension Education	Other	Total
ASSETS											
Cash and pooled investments:											
County treasurer		267,615	73,329	98,721	4,883	35,397	1,927	4,829	2,055	429,081	917,837
Other County officials	\$ 55,279										55,279
Receivables:											
Property tax:											
Delinquent			133	6,851	342	2,231	216			689	10,462
Succeeding year			136,293	6,652,278	368,475	2,422,228	165,485		149	735,277	10,480,185
Accounts	416								148,271	4,558	153,245
Accrued interest										201	201
TOTAL ASSETS	<u>55,695</u>	<u>267,615</u>	<u>209,755</u>	<u>6,757,850</u>	<u>373,700</u>	<u>2,459,856</u>	<u>167,628</u>	<u>4,829</u>	<u>150,475</u>	<u>1,169,806</u>	<u>11,617,209</u>
LIABILITIES											
Salaries payable			6,269							2,031	8,300
Accounts payable	24,517		93							2,733	27,343
Due to other governments		267,615	187,452	6,757,850	373,700	2,459,856	167,628	4,829	150,475	1,161,446	11,530,851
Trusts payable	31,178										31,178
Compensated absences			15,941							3,596	19,537
TOTAL LIABILITIES	<u>\$ 55,695</u>	<u>267,615</u>	<u>209,755</u>	<u>6,757,850</u>	<u>373,700</u>	<u>2,459,856</u>	<u>167,628</u>	<u>4,829</u>	<u>150,475</u>	<u>1,169,806</u>	<u>11,617,209</u>

See accompanying independent auditor's report.

MITCHELL COUNTY
Osage, Iowa

Schedule 4

AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Year ended June 30, 2011

ASSETS AND LIABILITIES	County Offices	Auto License & Use Tax	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assessment	Agricultural Extension Education	Other	Total
Balance beginning of year	\$ 87,255	244,617	214,603	7,053,598	348,894	2,304,513	144,253	6,793	146,809	1,108,057	11,659,392
Additions:											
Property and other county tax			138,914	6,782,700	375,240	2,449,826	168,571		151,185	748,766	10,815,202
E-911 surcharge										84,921	84,921
State tax credits			6,022	324,534	15,825	94,109	6,168		6,692	31,247	484,597
Office fees and collections	135,984									6,649	142,633
Auto licenses, use tax and postage		3,059,203									3,059,203
Assessments								74,326			74,326
Trusts	342,656									49,261	391,917
Miscellaneous	2,159									123,743	125,902
Total additions	480,799	3,059,203	144,936	7,107,234	391,065	2,543,935	174,739	74,326	157,877	1,044,587	15,178,701
Deductions:											
Agency remittances:											
To other funds	228,252										228,252
To other governments	117,319	3,036,205	149,784	7,402,982	366,259	2,388,592	151,364	76,290	154,211	982,838	14,825,844
Trusts paid out	166,788										166,788
Total deductions	512,359	3,036,205	149,784	7,402,982	366,259	2,388,592	151,364	76,290	154,211	982,838	15,220,884
Balance end of year	\$ 55,695	267,615	209,755	6,757,850	373,700	2,459,856	167,628	4,829	150,475	1,169,806	11,617,209

See accompanying independent auditor's report.

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

	Modified Accrual Basis								
	2011	2,010	2009	2008	2007	2006	2005	2004	2003
Revenues:									
Property and other county tax	\$ 4,547,924	4,244,637	4,141,704	4,021,275	4,273,600	4,010,883	3,259,499	3,375,423	3,481,525
Interest and penalty on property tax	30,520	23,982	22,504	23,232	20,062	22,033	22,511	20,380	22,043
Intergovernmental	4,472,312	4,842,456	4,779,763	4,048,490	3,599,659	3,626,941	3,580,887	3,431,000	3,442,863
Licenses and permits	11,724	21,239	28,071	22,484	15,250	5,475	4,965	4,445	4,698
Charges for service	1,050,222	1,365,594	1,669,424	1,434,600	846,795	826,869	847,642	695,362	832,773
Use of money and property	140,697	264,353	448,146	346,286	326,770	192,282	109,334	82,143	103,358
Miscellaneous	254,325	208,294	92,442	40,262	81,771	86,806	56,755	40,424	101,679
Total	\$ 10,507,724	10,970,555	11,182,054	9,936,629	9,163,907	8,771,289	7,881,593	7,649,177	7,988,939
Expenditures:									
Current:									
Public safety and legal services	\$ 1,365,825	1,480,940	1,458,357	1,394,068	1,305,710	1,261,404	1,178,288	1,124,200	1,081,302
Physical health and social services	1,763,706	1,086,762	1,020,561	895,289	814,105	768,857	694,819	717,634	611,694
Mental health	200,494	1,393,046	1,431,271	1,410,701	1,416,077	1,277,208	1,344,854	1,525,248	1,449,681
County environment and education services	1,338,562	1,245,666	1,740,562	1,219,462	664,312	805,665	577,426	608,744	686,286
Roads and transportation	3,357,019	3,485,521	3,660,581	3,126,576	3,415,976	2,686,256	2,659,391	2,269,216	2,982,794
Governmental services to residents	281,006	268,877	269,027	370,833	232,917	374,699	232,922	240,475	211,603
Administrative services	1,052,968	1,018,800	1,038,659	945,431	914,867	920,800	745,282	702,140	89,244
Non-program	2,353	16,207	4,606	3,120	10,115	3,257	26,763	43,329	106,104
Debt service	766,872	765,704	710,360	577,134	348,829	1,910,474	208,365	203,765	204,015
Capital projects	2,516,342	8,716,511	260,161	350,000	293,658	877,979	174,489	644,901	237,359
Total	\$ 12,645,147	19,478,034	11,594,145	10,292,614	9,416,566	10,886,599	7,842,599	8,079,652	7,660,082

See accompanying independent auditor's report.

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

To the Officials of Mitchell County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mitchell County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 27, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 weakness 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 that we consider to be material weaknesses.

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 deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs as items I-A-11, I-B-11 and I-C-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

March 27, 2012

Renner & Birchem, P.C.

MITCHELL COUNTY

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

Significant Deficiencies

I-A-11 Segregation of Duties-During our review of the internal accounting control structure, the existing procedures are evaluated in order that incompatible duties, from a control viewpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements.

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

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

Conclusion-Response accepted.

I-B-11 Preparation of Full Disclosure Financial Statements-Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Mitchell County does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

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

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

Conclusion-Response accepted.

MITCHELL COUNTY

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

I-C-11 **County Care Facility**-During our audit procedures of the residents personal accounts, it was noted that residents were allowed to spend more funds than were available in their individual accounts, resulting in negative individual account balances for one resident at June 30, 2011.

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

Response-We will monitor the personal account balances monthly.

Conclusion-Response accepted.

Instances of Non-Compliance

No matters were reported.

MITCHELL COUNTY

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11** **Certified Budget**-Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted which is in compliance with Chapter 384.20 of the Code of Iowa.
- II-B-11** **Questionable Expenditures**-We noted no expenditures that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-11** **Travel Expense**-No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-11** **Business Transactions**-No business transactions between the County and County officials or employees were noted.
- II-E-11** **Bond Coverage**-Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure that the coverage is adequate for current operations.
- II-F-11** **Board Minutes**-No transactions were found that we believe should have been approved in the board minutes but were not.
- II-G-11** **Deposits and Investments**-No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- II-H-11** **Resource Enhancement and Protection Certification**-The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-11** **County Extension Office**-The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and consequently, is not included in Exhibits A or B.

Disbursements for the County Extension Office during the year ended June 30, 2011 did not exceed the amount budgeted.

MITCHELL COUNTY

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

II-J-11 **Electronic Checks**-Chapter 554D.114 of the Code of Iowa the County to retain cancelled checks in the electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The County did not obtain an image of the back of each cancelled check as required.

Recommendation – The County should obtain and retain check images as required.

Response – The bank will be notified that both sides of the checks will also be required on the bank statement for the County’s accounts.

Conclusion – Response accepted.