

**CHICKASAW COUNTY
NEW HAMPTON, IOWA**

FINANCIAL REPORT

JUNE 30, 2012

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CHICKASAW COUNTY

OFFICIALS

Name	Title	Term Expires
Tim Zoll	Board of Supervisors	January 2014
Jason Byrne	Board of Supervisors	January 2014
Rick Holthaus	Board of Supervisors	January 2013
John Anderson	Board of Supervisors	January 2013
Virgil Pickar, Jr.	Board of Supervisors	January 2013
Joan Knoll	County Auditor	January 2013
Sue Breitbach	County Treasurer	January 2014
Cindy Messersmith	County Recorder	January 2014
Martin Larsen	County Sheriff	January 2013
W. Patrick Wegman	County Attorney	January 2014
Douglas Welton	County Assessor	January 2015

**INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS**

To the Board of Supervisors
Chickasaw County
New Hampton, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chickasaw County as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Chickasaw County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chickasaw County as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2013, on our consideration of Chickasaw County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 26, 2013

CHICKASAW COUNTY
NEW HAMPTON, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2012

Management of Chickasaw County provides this management's discussion and analysis of Chickasaw County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 5.94%, or approximately \$644,000, from fiscal 2011 to fiscal 2012. Operating grants increased approximately \$53,000, while general revenues increased approximately \$215,000.
- Program expenses were 10.72%, or approximately \$1,182,000, more in fiscal 2012 than in fiscal 2011. Mental health expenses increased approximately \$211,000, roads and transportation expenses increased approximately \$873,000 and administration expenses increased approximately \$146,000.
- The County's net assets decreased 3.07%, or approximately \$728,000, from June 30, 2011 to June 30, 2012.

USING THE BASIC FINANCIAL STATEMENTS

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

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

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

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

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

REPORTING THE COUNTY AS A WHOLE (Continued)

The Statement of Net Assets and the Statement of Activities (Continued)

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

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

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

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

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

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds

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

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

Proprietary Fund

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

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

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS (Continued)

Fiduciary Funds

Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include agency funds that account for emergency management services, the County assessor and E-911 service board, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Condensed Statement of Net Assets (Expressed in Thousands)			
	2012	2011	Percent Change
Current and other assets	\$ 13,040	\$ 13,132	-0.70%
Capital assets	16,348	16,617	-1.62%
Total assets	29,388	29,749	-1.21%
Long-term debt outstanding	817	756	8.07%
Other liabilities	5,622	5,316	5.76%
Total liabilities	6,439	6,072	6.04%
Net assets			
Invested in capital assets	16,348	16,617	-1.62%
Restricted	3,736	3,639	2.67%
Unrestricted	2,865	3,421	-16.25%
Total net assets	\$ 22,949	\$ 23,677	-3.07%

Chickasaw County's net assets for the governmental activities decreased slightly from fiscal 2011 to fiscal 2012. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment). Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased for the governmental activities approximately \$556,000 or 16.25%.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following analysis shows the change in net assets for the years ending June 30, 2012 and 2011:

	Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	2012	2011	Percent Change
Revenues:			
Program revenue			
Charges for service	\$ 2,465	\$ 2,089	18.00%
Operating grants	3,525	3,337	5.63%
General revenue			
Property taxes	4,191	3,865	8.43%
Local option sales tax	651	612	6.37%
Penalty and interest on property taxes	27	30	-10.00%
State tax credits	431	741	-41.84%
Rents	20	42	-52.38%
Unrestricted investment earnings	108	111	-2.70%
Loss/Gain on sale of capital assets	(3)	8	-137.50%
Other	67	3	2133.33%
Total revenues	11,482	10,838	5.94%
Program expenses:			
Public safety and legal services	1,430	1,365	4.76%
Physical health and social services	1,279	1,200	6.58%
Mental health	1,275	1,064	19.83%
County environment and education	248	506	-50.99%
Roads and transportation	5,749	4,876	17.90%
Government services to residents	359	344	4.36%
Administration or general government	1,439	1,293	11.29%
Non-program	431	380	13.42%
Total expenses	12,210	11,028	10.72%
(Decrease) in net assets	(728)	(190)	283.16%
Net assets beginning of year	23,677	23,867	-0.80%
Net assets end of year	\$ 22,949	\$ 23,677	-3.07%

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$7,366,657, a \$100,594 decrease from the 2011 fiscal year end balance of \$7,467,251.

- The general fund revenues increased 5.75% from the prior year, and the expenditures increased by 4.49% from the prior year. The ending fund balance showed an increase of 0.59% from the prior year of \$3,870,602 to \$3,893,263.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, revenues increased 13.08% due to an increase in grant funds received, and expenditures increased 19.97% from the prior year. The mental health fund balance at year end decreased by \$238,491 from the prior year.

INDIVIDUAL MAJOR FUND ANALYSIS (Continued)

- Secondary roads fund revenues decreased approximately \$146,756 over the prior year. For the year, expenditures totaled \$4,606,391, a decrease of \$49,635. The secondary roads fund balance at year end increased by \$198,566, or 14.71%.
- The rural service fund revenues increased 22.44% from the prior year, and the expenditures also increased by .59% from the prior year. The ending fund balance for the rural service fund decreased by \$78,096 or 10.13% over the prior year.

BUDGETARY HIGHLIGHTS

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

The amendment made during the 2012 fiscal year should have no impact on the 2013 fiscal year’s budget.

The following chart shows the original and amended budget for fiscal 2012 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule			
	(Expressed in Thousands)			
	Budget Basis	Budget Amounts		Variance
	Original	Final		
REVENUES				
Property and other County tax	\$ 4,800	\$ 4,801	\$ 4,801	\$ (1)
Interest and penalty on property tax	27	4	4	23
Intergovernmental	4,822	5,130	5,183	(361)
Licenses and permits	17	7	7	10
Charges for service	797	769	769	28
Use of money and property	159	56	56	103
Miscellaneous	120	143	143	(23)
Total revenues	10,742	10,910	10,963	(221)
EXPENDITURES				
Public safety and legal services	1,424	1,484	1,547	123
Physical health and social services	1,303	1,411	1,476	173
Mental health	1,153	1,243	1,268	115
County environment and education services	552	763	789	237
Roads and transportation	4,364	4,366	4,366	2
Governmental services to residents	344	380	383	39
Administrative services	1,087	1,191	1,228	141
Non-program	-	-	-	-
Capital projects	460	1,285	535	75
Total expenditures	\$ 10,687	\$ 12,123	\$ 11,592	\$ 905

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012, Chickasaw County had \$16,348,346 invested in a broad range of capital assets, including large road equipment, infrastructure and construction in progress for the governmental activities.

The County had depreciation expense of \$950,122 for fiscal year 2012 and total accumulated depreciation of \$14,606,746 as of June 30, 2012 for the governmental activities. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-term Liabilities

At June 30, 2012, Chickasaw County has approximately \$427,067 in estimated postclosure costs for the landfill. As postclosure expenses are incurred, such as engineering costs, or the cost of leachate disposal, the estimated costs are reduced. For fiscal year 2011, the estimate was \$431,568. The County is required to demonstrate financial assurance for the estimated costs at a minimum. At June 30, 2012, the balance restricted for postclosure costs was \$563,344.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

Some of the accomplishments of Chickasaw County:

- Settled four of five union contracts (each contract for a three-year term).
- Relocated County Attorney's Office and Sanitation/Emergency Management Agency/Land Use Office following a fire that destroyed the County Attorney's Office. The relocation of the Environmental Health/Emergency Management Agency/Land Use Office occurred to overcome some accessibility issues.
- Completed initial plans for the 3rd and final phase of the Courthouse tuckpointing project.
- Cooperated with the County Conservation Board as a new pond was constructed at the County Nature Center using a grant in the amount of \$250,000.
- Involved in the process of selling the County Conservation Price Wildlife Habitat area (to address fencing and other legal matters).
- Entered into a contract for a backup system for the Sheriff's department and the Courthouse.

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

Health insurance premiums will increase due to the increasing health care costs.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (Continued)

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

	2009-10	2010-11	2011-12	2012-13
General Basic	2,076,684	2,178,876	2,265,296	2,291,807
Pioneer Cemetery	1,970	1,973	1,948	1,932
General Supplemental	344,605	268,076	None	None
MH-DD Services	518,352	451,058	551,593	552,627
Rural Services Basic	1,103,308	1,144,934	1,384,105	1,393,794
Tax Asking	4,044,919	4,044,917	4,202,942	4,240,160
Levy Rate	7.53695	7.23756	7.359	7.35066
Taxable Valuation	593,338,425	622,535,891	647,227,452	654,801,949

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

CHICKASAW COUNTY
STATEMENT OF NET ASSETS
June 30, 2012

EXHIBIT A

		Governmental Activities
ASSETS		
Cash and pooled investments	\$	7,088,252
Receivables		
Property tax		
Delinquent		71,957
Succeeding year		4,248,010
Accounts		71,463
Accrued interest		19,692
Due from other governments		499,483
Inventories		743,454
Prepaid expenses		54,593
Nondepreciable assets		2,366,984
Capital assets, net of accumulated depreciation		13,981,362
Investment in insurance pool		250,660
Total assets	\$	29,395,910
LIABILITIES AND NET ASSETS		
Accounts payable	\$	1,041,435
Salaries and benefits payable		55,494
Due to other governments		284,934
Deferred revenue		
Succeeding year property tax		4,248,010
Long-term liabilities		
Portion due within one year		
Compensated absences		208,122
Portion due after one year		
Postclosure costs		427,067
Net OPEB obligation		181,502
Total liabilities		6,446,564
NET ASSETS		
Invested in capital assets		16,348,346
Restricted for		
Mental health		222,997
Rural service		695,594
Secondary roads		1,548,208
Landfill postclosure costs		563,344
Capital projects		222,631
Other special revenue		11,053
Other purposes		472,262
Unrestricted		2,864,911
Total net assets		22,949,346
Total liabilities and net assets	\$	29,395,910

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants	Capital Grants	
Governmental activities					
Public safety and legal services	\$ 1,430,461	\$ 128,055	\$ 40,293		\$ (1,262,113)
Physical health and social services	1,279,234	874,356	304,568		(100,310)
Mental health	1,274,925	8,586	437,841		(828,498)
County environment and education	247,593	16,666	10,694		(220,233)
Roads and transportation	5,749,446	200,130	2,716,669		(2,832,647)
Government services to residents	359,131	445,141			86,010
Administration or general government	1,439,000	468,556	14,354		(956,090)
Non-program	431,081	323,792			(107,289)
Total governmental activities	<u>\$ 12,210,871</u>	<u>\$ 2,465,282</u>	<u>\$ 3,524,419</u>	<u>\$ -</u>	<u>(6,221,170)</u>
General revenues					
Property taxes levied for					
General purposes					4,190,918
Local option sales tax					651,622
Penalty and interest on property taxes					26,836
State tax credits					431,127
Rents					20,418
Unrestricted investment earnings					107,662
Loss on sale of capital assets					(2,746)
Miscellaneous					67,214
Total general revenues					<u>5,493,051</u>
Change in net assets					<u>(728,119)</u>
Net assets, beginning of year					<u>23,677,465</u>
Net assets, end of year					<u>\$ 22,949,346</u>

See Notes to Financial Statements.

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CHICKASAW COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	ASSETS	Special Revenue		
		General	Mental Health	Rural Services
Cash and pooled investments		\$ 3,232,961	\$ 529,997	\$ 692,565
Receivables				
Property tax				
Delinquent		67,219	1,754	2,984
Succeeding year		2,301,589	552,627	1,393,794
Accounts		65,114	3,348	
Accrued interest		19,670		
Due from other funds		126,765		
Due from other governments		230,765	1,257	
Inventories				
Investment in insurance pool		250,660		
Prepaid insurance		38,864		467
Total assets		<u>\$ 6,333,607</u>	<u>\$ 1,088,983</u>	<u>\$ 2,089,810</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable		\$ 38,159	\$ 52,469	\$ 94
Salaries and benefits payable		28,665	668	308
Due to other funds			3,491	
Due to other governments		4,713	256,731	20
Deferred revenue				
Succeeding year property tax		2,301,589	552,627	1,393,794
Other		67,218	1,754	2,984
Total liabilities		<u>2,440,344</u>	<u>867,740</u>	<u>1,397,200</u>
Fund balances				
Nonspendable				
Inventories				
Prepaid expenditures		38,864		467
Restricted for				
Mental health purposes			221,243	
Rural services purposes				692,143
Secondary roads purposes				
Landfill postclosure costs purposes				
Other special revenue purposes				
Capital projects				
Other purposes		218,996		
Assigned for economic development		178,156		
Unassigned		3,457,247		
Total fund balances		<u>3,893,263</u>	<u>221,243</u>	<u>692,610</u>
Total liabilities and fund balances		<u>\$ 6,333,607</u>	<u>\$ 1,088,983</u>	<u>\$ 2,089,810</u>

See Notes to Financial Statements.

EXHIBIT C

<u>Special Revenue</u>			
<u>Secondary Roads</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	
\$ 1,475,288	\$ 1,034,196	\$ 6,965,007	
		71,957	
		4,248,010	
2,718	283	71,463	
	3	19,673	
		126,765	
263,271	4,190	499,483	
743,454		743,454	
		250,660	
<u>15,262</u>		<u>54,593</u>	
<u>\$ 2,499,993</u>	<u>\$ 1,038,672</u>	<u>\$ 13,051,065</u>	
\$ 779,188	\$ 27,339	\$ 897,249	
25,853		55,494	
123,274		126,765	
23,470		284,934	
		4,248,010	
		71,956	
<u>951,785</u>	<u>27,339</u>	<u>5,684,408</u>	
743,454		743,454	
15,262		54,593	
		221,243	
		692,143	
789,492		789,492	
	563,344	563,344	
	250,358	250,358	
	222,631	222,631	
		218,996	
		178,156	
	(25,000)	3,432,247	
<u>1,548,208</u>	<u>1,011,333</u>	<u>7,366,657</u>	
<u>\$ 2,499,993</u>	<u>\$ 1,038,672</u>	<u>\$ 13,051,065</u>	

CHICKASAW COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

Reconciliation of governmental fund balances to net assets	
Total governmental fund balances	\$ 7,366,657
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds, net of accumulated depreciation of \$ 14,606,746	16,348,346
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	71,955
Internal service funds are used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	(20,921)
Other liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds	
Postclosure costs	(427,067)
Compensated absences	(208,122)
Net OPEB obligation	(181,502)
Net assets of governmental activities	<u>\$ 22,949,346</u>

See Notes to Financial Statements.

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CHICKASAW COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	Special Revenue		
	General	Mental Health	Rural Services
REVENUES			
Property and other County tax	\$ 2,249,787	\$ 547,345	\$ 1,384,509
Local option sales tax			
Interest and penalty on property tax	26,836		
Intergovernmental	1,155,039	473,505	66,286
Licenses and permits	11,562		
Charges for service	1,161,666	8,587	1,200
Use of money and property	121,003		
Miscellaneous	128,796		
Total revenues	4,854,689	1,029,437	1,451,995
EXPENDITURES			
Current			
Public safety and legal services	1,337,685		6,220
Physical health and social services	1,238,753		
Mental health		1,267,928	
County environment and education services	352,201		101,047
Roads and transportation			110,324
Governmental services to residents	330,372		
Administrative services	1,379,868		
Non-program	2,022		
Capital projects	180,127		
Total expenditures	4,821,028	1,267,928	217,591
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	33,661	(238,491)	1,234,404
OTHER FINANCING SOURCES (USES)			
Transfers in	1,234,724		
Proceeds from disposal of capital assets	1,500		
Transfers out	(1,247,224)		(1,312,500)
	(11,000)	-	(1,312,500)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	22,661	(238,491)	(78,096)
FUND BALANCES, beginning of year	3,870,602	459,734	770,706
FUND BALANCES, end of year	\$ 3,893,263	\$ 221,243	\$ 692,610

See Notes to Financial Statements.

EXHIBIT D

<u>Special Revenue</u>			
<u>Secondary Roads</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	
			\$ 4,181,641
\$ 588,158	\$ 63,464		651,622
			26,836
2,716,668	238,098		4,649,596
6,260			17,822
134,262	2,711		1,308,426
	5,801		126,804
<u>59,609</u>			<u>188,405</u>
<u>3,504,957</u>	<u>310,074</u>		<u>11,151,152</u>
		25,000	1,368,905
			1,238,753
			1,267,928
4,503,545	85,653		538,901
	2,251		4,613,869
			332,623
			1,379,868
			2,022
<u>102,846</u>	<u>227,404</u>		<u>510,377</u>
<u>4,606,391</u>	<u>340,308</u>		<u>11,253,246</u>
<u>(1,101,434)</u>	<u>(30,234)</u>		<u>(102,094)</u>
1,300,000	25,000		2,559,724
			1,500
			<u>(2,559,724)</u>
<u>1,300,000</u>	<u>25,000</u>		<u>1,500</u>
198,566	(5,234)		(100,594)
<u>1,349,642</u>	<u>1,016,567</u>		<u>7,467,251</u>
<u>\$ 1,548,208</u>	<u>\$ 1,011,333</u>		<u>\$ 7,366,657</u>

CHICKASAW COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities		
Net change in fund balances - total governmental funds	\$	(100,594)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period		
Capital outlays	\$	685,327
Depreciation		<u>(950,122)</u>
		(264,795)
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds		
Property tax		9,277
The net effect of disposal of capital assets		
		(4,246)
The internal service fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the internal service fund is reported with governmental activities		
		(307,291)
Postclosure landfill costs		
		16,463
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Compensated absences		(12,518)
Net OPEB obligation		<u>(64,415)</u>
		(76,933)
Change in net assets of governmental activities	\$	<u><u>(728,119)</u></u>

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2012

		Internal Service
ASSETS		
Cash and pooled investments		\$ 123,245
Accrued interest receivable		19
Total assets		\$ 123,264
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable		\$ 48,393
Deferred revenue		95,792
Total liabilities		144,185
Net assets		
Unrestricted		(20,921)
Total liabilities and net assets		\$ 123,264

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2012

	Internal Service
OPERATING REVENUES	
Charges for service	\$ 1,029,735
OPERATING EXPENSES	
Insurance claims paid	1,321,855
Administrative fees	16,448
Total operating expenses	1,338,303
Operating loss	(308,568)
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,277
Change in net assets	(307,291)
NET ASSETS, beginning of year	286,370
NET ASSETS, end of year	\$ (20,921)

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2012

	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from interfund services provided	\$ 1,049,569
Cash payments to suppliers for services	<u>(1,308,614)</u>
Net cash (used in) operating activities	<u>(259,045)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>1,277</u>
Net decrease in cash and cash equivalents	(257,768)
CASH and CASH EQUIVALENTS, beginning of year	<u>381,013</u>
CASH and CASH EQUIVALENTS, end of year	<u>\$ 123,245</u>
Reconciliation of operating loss to net cash (used in) operating activities	
Operating loss	\$ (308,568)
Adjustments to reconcile operating loss to net cash (used in) operating activities	
Increase in accrued interest	3,357
Increase in accounts payable	29,689
Increase in deferred revenue	<u>16,477</u>
Net cash (used in) operating activities	<u>\$ (259,045)</u>

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2012

ASSETS	
Cash and pooled investments	
County Treasurer	\$ 1,755,084
Other County officials	30,524
Receivables	
Property tax	
Delinquent	58,368
Succeeding year	11,529,802
Accounts	16,163
Accrued interest	330
Due from other governments	54,708
Prepaid insurance	8,269
	<hr/>
Total assets	13,453,248
LIABILITIES	
Accounts payable	5,181
Salaries and benefits payable	5,301
Due to other governments	13,421,543
Trusts payable	11,577
Compensated absences	9,646
	<hr/>
Total liabilities	13,453,248
NET ASSETS	<hr/> <hr/> \$ None

See Notes to Financial Statements.

CHICKASAW COUNTY

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

b. Significant Accounting Policies

Scope of Reporting Entity

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

Jointly Governed Organizations

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

Government-wide Financial Statements

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

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

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements (Continued)

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

Fund Financial Statements

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

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

Governmental

General Fund

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

Special Revenue Funds

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

Proprietary Fund Types

Internal Service Fund

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

Agency Funds

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

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

b. Significant Accounting Policies (Continued)

Measurement Focus

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

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

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

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

Basis of Accounting

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

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

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

b. Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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

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

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

Assets, Liabilities and Fund Equity

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

Cash Management, Cash Equivalents and Investments

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

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Property Tax Receivable

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

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

Interfund Transactions

During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

Due from Other Governments

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

Inventories

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

Prepaid Expenditures

Payments made for insurance for a future period beyond June 30, 2012 are recorded as prepaid insurance. The fund balances in the governmental fund types have been reserved for the prepaid expenditures recorded in those funds. This reflects the amount of net assets not currently available for expenditure.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Capital Assets

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

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

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

Buildings	20-50
Infrastructure	30-50
Equipment	2-20
Intangibles	5-20

Due to Other Governments

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

Trusts Payable

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

Deferred Revenue

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Compensated Absences

County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absence liability attributable to the governmental activities will be paid primarily by the general and secondary road funds.

Long-term Liabilities

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

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

Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

Restricted fund balances are 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 imposed by law through constitutional provisions or enabling legislation.

Assigned fund balances are amounts the Board of Supervisors intend to use for specific purposes.

Unassigned fund balance is the remaining fund balance which is not included in other spendable classifications.

Net Assets

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

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

Unrestricted net assets represent the difference between assets and liabilities that are not restricted and can be used for future obligations of the County.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Revenues, Expenditures and Expenses

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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

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

Budgets and Budgetary Accounting

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

Management Estimates

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

2. Deposits and Investments

The County's deposits in banks at June 30, 2012 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.

NOTES TO FINANCIAL STATEMENTS

2. Deposits and Investments (Continued)

Interest Rate Risk

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

Credit Risk

The investment in Iowa Public Agency Investment Trust is unrated.

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2012:

Governmental		
General fund		
Bioterrorism	\$	3,429
Medicare		176,744
SPF-SIG Grant		9,849
Medicaid		19,555
Other		21,188
		230,765
Mental health		1,257
Secondary roads fund		
Local option sales tax		80,867
Road use tax		180,791
Other		1,613
		263,271
Nonmajor governmental		4,190
Total governmental	\$	499,483

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Governmental activities				
Land	\$ 2,101,559	\$ 265,425		\$ 2,366,984
Infrastructure in progress	22,596		\$ 22,596	None
Total non-depreciable assets	2,124,155	265,425	22,596	2,366,984
Capital assets being depreciated				
Buildings	3,629,472	76,098		3,705,570
Equipment	3,837,874	245,748	115,722	3,967,900
Vehicles	1,939,217	67,344	107,182	1,899,379
Infrastructure	18,961,951	53,308		19,015,259
Total capital assets being depreciated	28,368,514	442,498	222,904	28,588,108
Less accumulated depreciation				
Buildings	1,299,791	57,030		1,356,821
Equipment	1,873,663	233,616	115,722	1,991,557
Vehicles	1,450,765	114,858	102,936	1,462,687
Infrastructure	9,251,063	544,618		9,795,681
Total accumulated depreciation	13,875,282	950,122	218,658	14,606,746
Total capital assets being depreciated, net	14,493,232	(507,624)	4,246	13,981,362
Governmental activities				
Capital assets, net	\$ 16,617,387	\$ (242,199)	\$ 26,842	\$ 16,348,346

Depreciation expense was charged to functions of the primary government for the year ended June 30, 2012 as follows:

Governmental activities	
Public safety and legal services	\$ 39,577
Physical health and social services	2,242
Mental health	6,997
County environment and education	23,581
Roads and transportation	827,545
Governmental services to residents	6,742
Administrative services	43,438
	<u>\$ 950,122</u>

NOTES TO FINANCIAL STATEMENTS

5. Due to Other Governments

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

A summary of amounts due to other governments for the year ended June 30, 2012 is as follows:

Governmental			
General fund	Services	\$	4,713
Special revenue fund			
Secondary roads	Services		23,470
Rural services	Services		20
Mental health	Services		256,731
Total for special revenue			280,221
Total for governmental		\$	284,934
Fiduciary			
Agency			
County offices	Collections	\$	18,947
Agricultural extension			193,273
Assessor			908,232
Schools			7,943,128
Area schools			682,796
Corporations			2,485,986
Townships			180,490
City special assessment			16,710
Auto license and use tax			323,590
Other			668,391
Total for agency funds		\$	13,421,543

6. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.38%, 4.50%, and 4.30% of their annual covered salary and the County is required to contribute 8.07%, 6.95%, and 6.65% of annual covered salary for the years ended June 30, 2012, 2011, and 2010 respectively. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State Statute. The County's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$326,238, \$276,461, and \$254,336, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

7. Construction, Purchase and Other Commitments

At June 30, 2012, the total outstanding construction and purchase commitments of the County amount to \$596,694. Of these commitments, none will be funded by state and federal grants.

8. Leases

The County formerly leased farm land to Gordon Davis, Jr. for \$9,809 from March 1, 2011 through March 1, 2012.

The County has leased business property to Heritage Regional Services for \$5,624/month from July 1, 2011 through June 30, 2012, and for \$5,849/month from July 1, 2012 through June 30, 2013.

The County leases a commercial building from AgVantage FS for \$1,000 a month from January 1, 2011 through December 31, 2014.

Future minimum lease payments under the lease agreements are as follows:

Year ended June 30,	
2013	\$ 12,000
2014	12,000
2015	6,000
	\$ 30,000

Total lease expense for the year ended June 30, 2012 was \$12,000.

9. Changes in Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Estimated Liability for Landfill Postclosure Costs	Compensated Absences	Total
Balance, beginning of year	\$ 431,568	\$ 207,566	\$ 639,134
Additions	None	208,122	208,122
Reductions	(4,501)	(207,566)	(212,067)
	\$ 427,067	\$ 208,122	\$ 635,189

NOTES TO FINANCIAL STATEMENTS

9. Changes in Long-term Liabilities (Continued)

Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County has stopped accepting waste at the landfill. The \$427,067 reported as estimated liability for landfill postclosure care costs at June 30, 2012, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all postclosure care during the year ended June 30, 2012. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

In anticipation of State regulations requiring municipal solid waste landfills to demonstrate financial responsibility for the costs of closure and postclosure care, the County has restricted \$563,344 as of June 30, 2012 for such purposes. These funds are reflected as a restriction of fund balance within the special revenue–landfill postclosure costs fund.

10. Due to/from Other Funds

As of June 30, 2012, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 126,765	
Mental health		\$ 3,491
Secondary roads		123,274
Total	\$ 126,765	\$ 126,765

11. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

	Transfers In	Transfers Out
General fund	\$ 1,234,724	\$ 1,247,224
Special revenue		
Rural services		1,312,500
Secondary roads	1,300,000	
	1,300,000	1,312,500
Nonmajor governmental	25,000	None
Total	\$ 2,559,724	\$ 2,559,724

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

12. Other Postemployment Benefits (OPEB)

Plan Description

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

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	72,570
Interest on net OPEB obligation		2,927
Adjustment to annual required contribution		(7,544)
		67,953
Annual OPEB cost		67,953
Contributions made		3,538
		64,415
Increase in net OPEB obligation		64,415
Net OPEB obligation beginning of year		117,087
		181,502
Net OPEB obligation end of year	\$	181,502

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, 2012.

For the year ended June 30, 2012, the County contributed \$3,538 to the medical plan. Plan members eligible for benefits contributed \$163,088, or 21.77% of the premium costs.

12. Other Postemployment Benefits (OPEB) (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 60,772	3.93%	\$ 58,383
June 30, 2011	\$ 66,242	4.42%	\$ 117,087
June 30, 2012	\$ 72,570	4.88%	\$ 181,502

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, 2012, the actuarial accrued liability was \$525,631, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$525,631. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,583,221 and the ratio of the UAAL to covered payroll was 14.7%. As of June 30, 2012, 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 method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

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

Mortality rates are from RP-2000 Combined Mortality Table projected to 2012 using Scale AA.

13. Contingent Liabilities

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2012 significant amounts of grant expenditures have not been audited by granting authorities but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

14. Risk Management

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

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

Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of an 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, 2012 were \$315,701.

The pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The pool retains general, automobile, public professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificates, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

14. Risk Management (Continued)

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

15. Employee Health Insurance Plan

As of January 1, 2003, the County returned to a fully self-funded health insurance plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Midwest Benefits, Inc. The agreement is subject to automatic renewal provisions. Monthly payments of service fees and plan contributions to the Chickasaw County Health Self Funding Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Midwest Benefits, Inc. from the Chickasaw County Health Insurance Fund. The County records the plan assets and related liabilities of the Chickasaw County Health Insurance Funding as an internal service fund. The County's contribution to the fund for the year ended June 30, 2012 was \$748,969.

Amounts payable from the health insurance fund at June 30, 2012 total \$48,393 which is for incurred but unpaid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. An analysis of claims activity in the internal service fund follows:

	2012	2011
Beginning liability	\$ 18,704	\$ 13,306
Claims and changes in estimates	1,338,303	1,095,795
Claim payments	(1,308,614)	(1,090,397)
Ending liability	\$ 48,393	\$ 18,704

16. Fund Balance Deficits

The ambulance fund has a deficit fund balance as of June 30, 2012. The County plans to eliminate this deficit through transfers from other County funds. The internal service fund also has a deficit fund balance as of June 30, 2012. The County plans to increase premiums charged to the various funds and employees in order to cover the higher costs.

17. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued six statements not yet implemented by the County. The statements which might impact the County are as follows:

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this statement is to improve financial reporting for a governmental financial reporting entity.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; issued December 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011, will be effective for the fiscal year ending June 30, 2013. This statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement 65, *Items Previously Classified as Assets and Liabilities*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. This statement reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflow of resources, and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement 66, *Technical Corrections – 2012*, an amendment of GASB Statements 10 and 62, issued March 2012, effective for the fiscal year ending June 30, 2014. The objective of this statement is to improve accounting and financial reporting for governmental entities by resolving conflicting guidance in GASB Statements 54 and 62, on risk financing activities and operating leases.

GASB Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, issued June 2012, will be effective for the fiscal year ended June 30, 2015. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions which are provided by other entities.

The County's management has not yet determined the effect these statements will have on the County's financial statements.

CHICKASAW COUNTY
 BUDGETARY COMPARISON SCHEDULE
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 June 30, 2012

	Actual/Budget	Budget Amounts		Final to Actual Variance- Positive (Negative)
		Original	Final	
RECEIPTS				
Property and other County tax	\$ 4,800,203	\$ 4,801,293	\$ 4,801,293	\$ (1,090)
Interest and penalty on property tax	27,026	4,500	4,500	22,526
Intergovernmental	4,821,969	5,130,349	5,183,349	(361,380)
Licenses and permits	16,910	7,030	7,030	9,880
Charges for service	796,910	768,806	768,806	28,104
Use of money and property	158,780	55,832	55,832	102,948
Miscellaneous	120,555	142,500	142,500	(21,945)
Total receipts	10,742,353	10,910,310	10,963,310	(220,957)
DISBURSEMENTS				
Public safety and legal services	1,423,651	1,483,931	1,547,381	123,730
Physical health and social services	1,302,874	1,411,252	1,475,692	172,818
Mental health	1,152,806	1,242,770	1,267,770	114,964
County environment and education services	551,771	763,432	789,570	237,799
Roads and transportation	4,363,983	4,366,433	4,366,433	2,450
Governmental services to residents	343,906	379,782	383,312	39,406
Administrative services	1,087,686	1,190,938	1,227,875	140,189
Capital projects	460,746	1,284,664	534,664	73,918
Total disbursements	10,687,423	12,123,202	11,592,697	905,274
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	54,930	(1,212,892)	(629,387)	684,317
OTHER FINANCING SOURCES, NET	2,702	500	500	2,202
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	57,632	(1,212,392)	(628,887)	686,519
BALANCE, beginning of year	6,907,375	6,089,419	6,907,375	-
BALANCE, end of year	\$ 6,965,007	\$ 4,877,027	\$ 6,278,488	\$ 686,519

See Notes to Required Supplementary Information.

CHICKASAW COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 BUDGET TO GAAP RECONCILIATION
 For the Year Ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 10,742,353	\$ 408,799	\$ 11,151,152
Expenditures	10,687,423	565,823	11,253,246
Net	54,930	(157,024)	(102,094)
Other financing sources, net	2,702	(1,202)	1,500
Beginning fund balance	6,907,375	559,876	7,467,251
Ending fund balance	<u>\$ 6,965,007</u>	<u>\$ 401,650</u>	<u>\$ 7,366,657</u>

See Notes to Required Supplementary Information.

CHICKASAW COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2012

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue fund, debt service fund and capital projects fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted revenues by \$53,000 and decreased budgeted disbursements by \$530,505. The budget amendments are reflected in the final budgeted amounts.

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

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

Fiscal Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 526	\$ 526	0.0%	\$ 3,378	15.6%
2011	July 1, 2009	-	\$ 526	\$ 526	0.0%	\$ 3,403	15.5%
2012	July 1, 2009	-	\$ 526	\$ 526	0.0%	\$ 3,583	14.7%

See Note 12 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY INFORMATION

To the Board of Supervisors
Chickasaw County
New Hampton, Iowa

We have audited the financial statements of Chickasaw County as of and for the year ended June 30, 2012, and our report thereon dated February 26, 2013, which expressed an unqualified opinion on the financial statements, appears on pages 2 through 3. Our audit was performed for the purpose of forming opinions on such financial statements as a whole. The supplementary information on Schedules 1 through 7 for 2012 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information on Schedules 1 through 7 for 2012 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the financial statements of Chickasaw County as for and for the years ending June 30, 2005 through 2011, (none of which are presented herein), and we expressed unqualified opinions on those financial statements. Those audits were conducted for purposes of forming an opinion on the financial statements as a whole. The comparative schedule of revenues by source and expenditures by function (Schedule 7) information for fiscal years 2005 through 2011 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2005 through 2011 financial statements. The information has been subjected to the auditing procedures applied in the audits of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information set forth in the required supplementary information for the periods ended June 30, 2005 through 2011, appearing on Schedule 7, is fairly stated, in all material respects in relation to the financial statements from which it has been derived.

The financial statements of Chickasaw County for the years ended June 30, 2003 and 2004 (none of which are presented herein), were audited by other auditors whose report dated May 27, 2005, expressed an unqualified opinion on those financial statements. Their report, as of the same date, on the supplemental information for 2003 and 2004 presented on Schedule 7 stated in their opinion, such information was fairly stated in all material respects in relation to the financial statements for which it has been derived.

Decorah, Iowa
February 26, 2013

Hacker, Nelson & Co., P.C.

CHICKASAW COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2012

SCHEDULE 1

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and pooled investments	\$ 811,565	\$ 222,631	\$ 1,034,196
Receivables			
Accounts	283		283
Accrued interest	3		3
Due from other governments	4,190		4,190
Total assets	\$ 816,041	\$ 222,631	\$ 1,038,672
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 27,339		\$ 27,339
Total liabilities	27,339	\$ -	27,339
Fund balances			
Restricted for:			
REAP grant	11,053		11,053
Landfill	563,344		563,344
Capital projects		222,631	222,631
Other purposes	239,305		239,305
Unassigned	(25,000)		(25,000)
Total fund balances	788,702	222,631	1,011,333
Total liabilities and fund balances	\$ 816,041	\$ 222,631	\$ 1,038,672

See Independent Auditor's Report on the Supplementary Information.

CHICKASAW COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2012

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Local option sales tax	\$ 63,464		\$ 63,464
Intergovernmental	10,694	\$ 227,404	238,098
Charges for service	2,711		2,711
Use of money and property	5,801		5,801
Total revenues	<u>82,670</u>	<u>227,404</u>	<u>310,074</u>
EXPENDITURES			
Operating			
Public safety and legal services	25,000		25,000
County environment and education	85,653		85,653
Government services to residence	2,251		2,251
Capital projects		227,404	227,404
Total expenditures	<u>112,904</u>	<u>227,404</u>	<u>340,308</u>
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(30,234)</u>	<u>-</u>	<u>(30,234)</u>
OTHER FINANCING SOURCES			
Operating transfers in	25,000		25,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(5,234)	-	(5,234)
FUND BALANCES, beginning of year	793,936	222,631	1,016,567
FUND BALANCES, end of year	<u>\$ 788,702</u>	<u>\$ 222,631</u>	<u>\$ 1,011,333</u>

See Independent Auditor's Report on the Supplementary Information.

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CHICKASAW COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2012

		REAP	Recorder's Records Management	County Betterment
ASSETS				
Cash and pooled investments		\$ 11,052	\$ 7,263	\$ 142,662
Receivables				
Accounts			283	
Accrued interest		1	2	
Due from other governments				4,190
Total assets		\$ 11,053	\$ 7,548	\$ 146,852
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable			\$ 2,251	
Total liabilities		\$ -	2,251	\$ -
Fund balances				
Restricted for:				
REAP grant		11,053		
Landfill				
Other purposes			5,297	146,852
Unassigned				
Total fund balances		11,053	5,297	146,852
Total liabilities and fund balances		\$ 11,053	\$ 7,548	\$ 146,852

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 3

<u>Economic Development</u>	<u>Ambulance</u>	<u>Landfill Postclosure Costs</u>	<u>Total Special Revenue</u>
\$ 87,156		\$ 563,432	\$ 811,565
			283
			3
			<u>4,190</u>
<u>\$ 87,156</u>	<u>\$ -</u>	<u>\$ 563,432</u>	<u>\$ 816,041</u>
	\$ 25,000	\$ 88	\$ 27,339
\$ -	<u>25,000</u>	<u>88</u>	<u>27,339</u>
87,156	(25,000)	563,344	11,053
			563,344
			239,305
			<u>(25,000)</u>
<u>87,156</u>	<u>(25,000)</u>	<u>563,344</u>	<u>788,702</u>
<u>\$ 87,156</u>	<u>\$ -</u>	<u>\$ 563,432</u>	<u>\$ 816,041</u>

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CHICKASAW COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2012

	REAP	Recorder's Records Management	County Betterment
REVENUES			
Local option sales tax			\$ 63,464
Intergovernmental	\$ 10,694		
Charges for service		\$ 2,711	
Use of money and property	27	22	
Total revenues	<u>10,721</u>	<u>2,733</u>	<u>63,464</u>
EXPENDITURES			
Operating			
Public safety and legal services			
County environment and education	20,000		42,457
Government services to residence		2,251	
Total expenditures	<u>20,000</u>	<u>2,251</u>	<u>42,457</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(9,279)</u>	<u>482</u>	<u>21,007</u>
OTHER FINANCING SOURCES			
Transfers in			
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>(9,279)</u>	<u>482</u>	<u>21,007</u>
FUND BALANCES, beginning of year	<u>20,332</u>	<u>4,815</u>	<u>125,845</u>
FUND BALANCES, end of year	<u>\$ 11,053</u>	<u>\$ 5,297</u>	<u>\$ 146,852</u>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 4

<u>Economic Development</u>	<u>Ambulance</u>	<u>Landfill Postclosure Costs</u>	<u>Total Special Revenue</u>
			\$ 63,464
			10,694
			2,711
		\$ 5,752	5,801
<u>\$ -</u>	<u>\$ -</u>	<u>5,752</u>	<u>82,670</u>
	25,000		25,000
500		22,696	85,653
			2,251
<u>500</u>	<u>25,000</u>	<u>22,696</u>	<u>112,904</u>
<u>(500)</u>	<u>(25,000)</u>	<u>(16,944)</u>	<u>(30,234)</u>
	25,000		25,000
(500)	-	(16,944)	(5,234)
<u>87,656</u>	<u>(25,000)</u>	<u>580,288</u>	<u>793,936</u>
<u>\$ 87,156</u>	<u>\$ (25,000)</u>	<u>\$ 563,344</u>	<u>\$ 788,702</u>

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CHICKASAW COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash and pooled investments				
County Treasurer		\$ 2,436	\$ 728,551	\$ 98,172
Other County Officials	\$ 30,524			
Receivables				
Property tax				
Delinquent		591	1,092	23,619
Succeeding year		190,246	176,797	7,821,337
Accounts			29	
Accrued interest			165	
Due from other government				
Prepaid insurance			3,296	
Total assets	<u>\$ 30,524</u>	<u>\$ 193,273</u>	<u>\$ 909,930</u>	<u>\$ 7,943,128</u>
LIABILITIES				
Accounts payable			\$ 233	
Salaries and benefits payable			1,465	
Due to other governments	\$ 18,947	\$ 193,273	908,232	\$ 7,943,128
Trusts payable	11,577			
Compensated absences				
Total liabilities	<u>\$ 30,524</u>	<u>\$ 193,273</u>	<u>\$ 909,930</u>	<u>\$ 7,943,128</u>

See Independent Auditor's Report on the Supplementary Information.

<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessment</u>	<u>Auto License and Use Tax</u>	<u>Other</u>	<u>Total</u>
\$ 8,791	\$ 27,128	\$ 2,740	\$ 1,992	\$ 323,590	\$ 561,684	\$ 1,755,084 30,524
2,118	14,521	540	14,718		1,169	58,368
671,887	2,444,337	177,210			47,988	11,529,802
					16,134	16,163
					165	330
					54,708	54,708
					4,973	8,269
<u>\$ 682,796</u>	<u>\$ 2,485,986</u>	<u>\$ 180,490</u>	<u>\$ 16,710</u>	<u>\$ 323,590</u>	<u>\$ 686,821</u>	<u>\$ 13,453,248</u>
					\$ 4,948	\$ 5,181
\$ 682,796	\$ 2,485,986	\$ 180,490	\$ 16,710	\$ 323,590	3,836	5,301
					668,391	13,421,543
						11,577
					9,646	9,646
<u>\$ 682,796</u>	<u>\$ 2,485,986</u>	<u>\$ 180,490</u>	<u>\$ 16,710</u>	<u>\$ 323,590</u>	<u>\$ 686,821</u>	<u>\$ 13,453,248</u>

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CHICKASAW COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
 ASSETS AND LIABILITIES - AGENCY FUNDS
 For the Year Ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 23,612	\$ 3,000	\$ 610,174	\$ 7,951,367
Additions				
Property tax		374,659	516,579	7,338,566
E-911 surcharge				
State tax credits		8,343	15,442	337,064
Office fees and collections	291,443		65	
Auto licenses, use tax and postage				
Trusts	36,505			
Miscellaneous	123,644		2,963	
Total additions	451,592	383,002	535,049	7,675,630
Deductions				
Agency remittances				
To other funds	121,275			
To other governments	176,956	192,729	164,238	7,683,869
Miscellaneous	109,944		71,055	
Trusts paid out	36,505			
Total deductions	444,680	192,729	235,293	7,683,869
Balances end of year	\$ 30,524	\$ 193,273	\$ 909,930	\$ 7,943,128

See Independent Auditor's Report on the Supplementary Information.

<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessment</u>	<u>Auto License and Use Tax</u>	<u>Other</u>	<u>Total</u>
<u>\$ 682,273</u>	<u>\$ 2,489,478</u>	<u>\$ 180,375</u>	<u>\$ 19,831</u>	<u>\$ 320,598</u>	<u>\$ 449,487</u>	<u>\$ 12,730,195</u>
675,557	2,331,644	183,423			455,823	11,876,251
30,193	103,764	8,714			78,046	78,046
					6,114	509,634
					629,753	921,261
				4,380,781		4,380,781
			1,192			36,505
					130,090	257,889
<u>705,750</u>	<u>2,435,408</u>	<u>192,137</u>	<u>1,192</u>	<u>4,380,781</u>	<u>1,299,826</u>	<u>18,060,367</u>
705,227	2,438,900	192,022	4,313	132,690		253,965
				4,245,099	985,649	16,784,689
					76,843	262,155
						36,505
<u>705,227</u>	<u>2,438,900</u>	<u>192,022</u>	<u>4,313</u>	<u>4,377,789</u>	<u>1,062,492</u>	<u>17,337,314</u>
<u>\$ 682,796</u>	<u>\$ 2,485,986</u>	<u>\$ 180,490</u>	<u>\$ 16,710</u>	<u>\$ 323,590</u>	<u>\$ 686,821</u>	<u>\$ 13,453,248</u>

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

	Modified Accrual			
	2012	2011	2010	2009
REVENUES				
Property and other County tax	\$ 4,181,641	\$ 3,968,101	\$ 3,969,501	\$ 3,918,998
Local option sales tax	651,622	611,641	536,539	645,155
Interest and penalty on property tax	26,836	30,306	27,705	25,694
Intergovernmental	4,649,596	4,611,574	4,288,108	5,433,764
Licenses and permits	17,822	13,844	36,460	13,025
Charges for service	1,308,426	874,227	899,135	867,848
Use of money and property	126,804	148,427	274,230	188,421
Miscellaneous	188,405	185,010	219,724	234,214
Total revenues	\$ 11,151,152	\$ 10,443,130	\$ 10,251,402	\$ 11,327,119
EXPENDITURES				
Current				
Public safety and legal services	\$ 1,368,905	\$ 1,428,216	\$ 1,368,322	\$ 1,299,654
Physical health and social services	1,238,753	1,202,121	1,333,575	1,276,889
Mental health	1,267,928	1,056,831	980,503	1,025,410
County environment and education services	538,901	496,085	488,552	656,404
Roads and transportation	4,613,869	4,586,521	4,085,263	4,208,117
Governmental services to residents	332,623	331,642	394,067	387,689
Administrative services	1,379,868	1,253,406	1,044,423	887,979
Non-program	2,022	2,024		4,664
Capital projects	510,377	306,314	196,445	226,493
Total expenditures	\$ 11,253,246	\$ 10,663,160	\$ 9,891,150	\$ 9,973,299

See Independent Auditor's Report on the Supplementary Information.

Modified Accrual					
2008	2007	2006	2005	2004	2003
\$ 3,617,898	\$ 3,541,239	\$ 3,977,411	\$ 3,695,464	\$ 3,294,773	\$ 2,488,526
635,468	633,591	490,913	495,598	446,001	622,879
26,881	28,360	24,732	25,617	28,503	27,431
4,121,929	4,411,154	4,065,174	3,940,560	4,007,690	3,622,117
13,043	14,791	15,201	12,260	13,165	9,842
792,280	637,096	653,626	686,820	689,513	700,818
299,578	363,080	244,136	173,860	148,715	200,168
121,828	278,898	148,077	139,365	180,712	60,703
<u>\$ 9,628,905</u>	<u>\$ 9,908,209</u>	<u>\$ 9,619,270</u>	<u>\$ 9,169,544</u>	<u>\$ 8,809,072</u>	<u>\$ 7,732,484</u>
\$ 1,243,205	\$ 1,178,065	\$ 1,155,863	\$ 1,112,189	\$ 1,063,303	\$ 1,156,610
1,212,382	1,172,291	1,078,649	1,125,307	1,049,749	1,050,744
1,193,450	1,171,598	994,267	986,241	963,821	1,058,135
549,175	408,617	628,992	477,599	606,179	485,164
4,161,107	3,531,863	3,337,844	3,573,374	3,641,090	3,273,852
365,589	337,670	497,853	354,532	295,670	271,566
777,028	960,981	861,831	835,439	832,928	1,018,133
			100,108		
604,555	1,012,022	671,495	219,487	431,342	141,970
<u>\$ 10,106,491</u>	<u>\$ 9,773,107</u>	<u>\$ 9,226,794</u>	<u>\$ 8,784,276</u>	<u>\$ 8,884,082</u>	<u>\$ 8,456,174</u>

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

To the Board of Supervisors
Chickasaw County
New Hampton, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chickasaw County as of and for the year ended June 30, 2012, which collectively comprise Chickasaw County's basic financial statements and have issued our report thereon dated February 26, 2013. 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

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

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

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

1. Financial Report Preparation

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

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

Recommendation

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

Response and Corrective Action Planned

Management is cognizant of this limitation.

Conclusion

Response accepted.

2. Segregation of Duties

The County's offices are not large enough to permit an adequate segregation of duties for effective internal controls. The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. While we do recognize that the County is not large enough to permit a segregation of duties for effective internal controls, we believe it is important the Board be aware that this condition does exist.

Recommendation

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

Response and Corrective Action Planned

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

Conclusion

Response accepted.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Chickasaw County in a separate letter dated February 26, 2013.

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

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 26, 2013

MANAGEMENT LETTER

To the Board of Supervisors
Chickasaw County
New Hampton, Iowa

In planning and performing our audit of the financial statements of Chickasaw County for the year ended June 30, 2012, we considered the County's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the County's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 9 below are compliance comments required by the Iowa Auditor of State. A separate report dated February 26, 2013, contains our report on significant deficiencies in the County's internal control. This letter does not affect our report dated February 26, 2013 on the financial statements of Chickasaw County. All prior year statutory comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the County's responses and, accordingly, we express no opinion on them.

1. Certified Budget

Disbursements for the year ended June 30, 2012 did not exceed the amounts budgeted for any function.

2. Questionable Expenditures

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

3. Travel Expense

No expenditures of County money for travel expenses of spouses of County officials and/or employees were noted.

4. Business Transactions

We noted no business transactions between the County and County officials and/or employees for the year ended June 30, 2012.

5. Bond Coverage

Surety bond coverage of County officials and employees is in accordance with statutory provisions.

6. Board Minutes

No transactions were found that we believe should have been approved in the Board minutes but were not. The minutes were published as required by Chapter 349.18 of the Code of Iowa and Attorney General's opinions dated December 10, 1985, December 31, 1986 and May 2, 1989.

7. Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

8. Resource Enhancement and Protection Certification

The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with Subsections (b)(2) and (b)(3).

9. County Extension Office

The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A through D.

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.

The surety bond covering the Treasurer of the County Extension Council was in compliance with statutory provisions.

10. Financial Assurance

The County is required to demonstrate financial assurance for postclosure care costs for the landfill. The County has chosen local government dedicated fund as provided in Chapter 567-111.6(8) of the Iowa Administrative Code. The County is in compliance with the Code.

11. Deputy Salary

The annual base salary of any other deputy shall not exceed the annual base salary of the first or second deputy sheriff. Two deputies were paid 87% of the Sheriff's base salary and these amounts also exceeded the first and second deputies' annual base amounts.

Recommendation

We recommend the Sheriff's office monitor hours worked to make sure base pay of all deputies is in compliance with the Code of Iowa.

Response

The Sheriff's office had a deputy retire during the year. The replacement was not immediately hired and the office was busier, so other deputies had to work extra hours. We will explain the compliance issues to the Sheriff's office.

Conclusion

Response accepted.

12. Disbursement Documentation

During our audit, we noted 1 disbursement that did not have supporting documentation for the amount paid. The payment was for \$40 for postage stamps.

Recommendation

We recommend all disbursements have adequate supporting documentation before amounts are paid.

Response

We will watch disbursements more closely in the future to make sure supporting documentation is adequate.

Conclusion

Response accepted.

13. Signature Cards

During our audit, we noted 2 bank accounts had signature cards that contained former County employees as authorized signers.

Recommendation

We recommend signature cards be updated to remove former County employees as authorized signers on accounts.

Response

We have already requested and updated new signature cards for the 2 bank accounts.

Conclusion

Response accepted.

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

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

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

Hacker, Nelson & Co., P.C.