CHICKASAW COUNTY
NEW HAMPTON, IOWA

FINANCIAL REPORT

JUNE 30, 2013

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CHICKASAW COUNTY

OFFICIALS
(Before December 2012)

Name	Title	Term Expires
Tim Zoll	Board of Supervisors	January 2015
Jason Byrne	Board of Supervisors	January 2015
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 2015
Cindy Messersmith	County Recorder	January 2015
Martin Larsen	County Sheriff	January 2013
W. Patrick Wegman	County Attorney	January 2015
Douglas Welton	County Assessor	January 2013

(After December 2012)

Name	Title	Term Expires
Tim Zoll	Board of Supervisors	January 2015
Jason Byrne	Board of Supervisors	January 2015
Rick Holthaus	Board of Supervisors	January 2017
John Anderson	Board of Supervisors	January 2017
Steve Geerts	Board of Supervisors	January 2017
Joan Knoll	County Auditor	January 2017
Sue Breitbach	County Treasurer	January 2015
Cindy Messersmith	County Recorder	January 2015
Todd Miller	County Sheriff	January 2017
W. Patrick Wegman	County Attorney	January 2015
Douglas Welton	County Assessor	January 2016

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And Business Consultants

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Decorah, IA 52101
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INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

To the Board of Supervisors
Chickasaw County
New Hampton, Iowa

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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 pages 5 through 5f and pages 34 through 37 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chickasaw County's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of governmental funds' revenues and expenditures for 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of governmental funds' revenues and expenditures for 2013 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, such information is fairly stated in all material respects in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of Chickasaw County as of and for the years ended June 30, 2005 through 2012, (none of which is presented herein), and we expressed unmodified opinions on those financial statements. Those audits were conducted for purposes of forming opinions on the financial statements that collectively comprise Chickasaw County's basic financial statements as a whole. The schedule of revenues by source and expenditures by function of the governmental funds for the years ended June 30, 2005 through 2012 presented on page 44 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 2005 through 2012 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of revenues by source and expenditures by function of the governmental funds for the years ended June 30, 2005 through 2012, presented on page 44, is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2014, 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* in considering Chickasaw County's internal control over financial reporting and compliance.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 4, 2014

CHICKASAW COUNTY
NEW HAMPTON, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- **Revenues of the County's governmental activities decreased 4.76%, or approximately $547,000, from fiscal 2012 to fiscal 2013. Charges for services decreased approximately $558,000. Operating grants decreased approximately $26,000, while general revenues increased approximately $36,000.**

- **Program expenses were 16.51%, or approximately $2,016,000, less in fiscal 2013 than in fiscal 2012. Mental health expenses decreased approximately $495,000, roads and transportation expenses decreased approximately $2,148,000.**

- **The County's net position increased 3.22%, or approximately $740,000, from June 30, 2012 to June 30, 2013.**

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 position 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 Position 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 position and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net position presents all of the County's assets and liabilities, with the difference between the two reported as "net position." Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position 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 position 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.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS (Continued)

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 position, a statement of revenues, expenses, and changes in net position and a statement of cash flows.

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 position.

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

Condensed Statement of Net Position
(Expressed in Thousands)

	2013	2012	Percent Change
Current and other assets	$ 13,312	$ 13,040	2.09%
Capital assets	17,727	16,348	8.44%
Total assets	31,039	29,388	5.62%
Long-term debt outstanding	875	817	7.10%
Other liabilities	6,475	5,622	15.17%
Total liabilities	7,350	6,439	14.15%
Net Position			
Invested in capital assets	17,727	16,348	8.44%
Restricted	4,176	3,736	11.78%
Unrestricted	1,786	2,865	-37.66%
Total net position	$ 23,689	$ 22,949	3.22%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Chickasaw County's net position for the governmental activities increased slightly from fiscal 2012 to fiscal 2013. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment). Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position-the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased for the governmental activities approximately $1,079,000 or 37.66%.

The following analysis shows the change in net position for the years ending June 30, 2013 and 2012:

	Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	2013	2012	Percent Change
Revenues:			
Program revenue			
Charges for service	$ 1,907	$ 2,465	-22.64%
Operating grants	3,499	3,525	-0.74%
General revenue			
Property taxes	4,228	4,191	0.88%
Local option sales tax	597	651	-8.29%
Penalty and interest on property taxes	23	27	-14.81%
State tax credits	206	431	-52.20%
Rents	25	20	25.00%
Unrestricted investment earnings	56	108	-48.15%
Gain/(Loss) on sale of capital assets	158	(3)	5366.67%
Other	237	67	253.73%
Total revenues	10,936	11,482	-4.76%
Program expenses:			
Public safety and legal services	1,538	1,430	7.55%
Physical health and social services	1,380	1,279	7.90%
Mental health	781	1,275	-38.75%
County environment and education	488	248	96.77%
Roads and transportation	3,602	5,749	-37.35%
Government services to residents	690	359	92.20%
Administration or general government	1,310	1,439	-8.96%
Non-program	407	431	-5.57%
Total expenses	10,196	12,210	-16.49%
Increase (Decrease) in net position	740	(728)	201.65%
Net position beginning of year	22,949	23,677	-3.07%
Net position end of year	$ 23,689	$ 22,949	3.22%

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of $6,839,000, a $528,000 decrease from the 2012 fiscal year end balance of $7,367,000.

- **The general fund revenues decreased 10.83% from the prior year, and the expenditures increased by 7.63% from the prior year. The ending fund balance showed a decrease of 16.1% from the prior year of $3,893,000 to $3,266,000.**

- **The County has continued to look for ways to effectively manage the cost of mental health services. For the year, revenues decreased 40.71% due to state changes in mental health services, and expenditures decreased 39.03% from the prior year. The mental health fund balance at year end decreased by $163,000 from the prior year.**

- **Secondary roads fund revenues increased approximately $385,000 over the prior year. For the year, expenditures totaled $4,890,000, a decrease of $284,000. The secondary roads fund balance at year end increased by $369,000, or 23.83%.**

- **The rural service fund revenues increased 0.96% from the prior year, and the expenditures decreased by 1.83% from the prior year. The ending fund balance for the rural service fund decreased by $120,000 or 17.31% 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 July and March and resulted in an increase 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 2013 fiscal year should have no impact on the 2014 fiscal year's budget.

BUDGETARY HIGHLIGHTS (Continued)

The following chart shows the original and amended budget for fiscal 2013 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule (Expressed in Thousands)			
	Budget Basis	Budget Amounts Original	Budget Amounts Final	Variance
REVENUES				
Property and other County tax	$ 4,813	$ 4,845	$ 4,845	$ (32)
Interest and penalty on property tax	23	26	26	(3)
Intergovernmental	4,158	4,973	4,981	(823)
Licenses and permits	19	8	8	11
Charges for service	1,030	611	611	419
Use of money and property	143	119	119	24
Miscellaneous	239	140	140	99
Total revenues	10,425	10,722	10,730	(305)
EXPENDITURES				
Public safety and legal services	1,522	1,610	1,761	239
Physical health and social services	1,388	1,612	1,645	257
Mental health	886	1,293	1,293	407
County environment and education services	535	577	627	92
Roads and transportation	4,615	4,390	4,615	-
Governmental services to residents	388	445	470	82
Administrative services	1,370	1,333	1,530	160
Non-program	2	2	2	-
Capital projects	659	935	935	276
Total expenditures	$ 11,365	$ 12,197	$ 12,878	$ 1,513

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2013, Chickasaw County had approximately $17,727,000 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 approximately $1,017,000 for fiscal year 2013 and total accumulated depreciation of $15,548,000 as of June 30, 2013 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, 2013, Chickasaw County has approximately $409,000 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 2012, the estimate was $427,000. The County is required to demonstrate financial assurance for the estimated costs at a minimum. At June 30, 2013, the balance restricted for postclosure costs was approximately $547,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET 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:

- **Became part of the County Social Services (CSS) Region for the MH-DD Redesign.**
- **Involved in the RFP process for the Heritage Residence.**
- **Replacement property from the sale of the Price Wildlife Habitat Property.**
- **Completion of the Veteran's Memorial and dedication on November 11, 2013.**
- **Tax Management Software update to Version.**
- **25 percent of the City of New Hampton and Fredericksburg Hotel/Motel Tax goes to Chickasaw County Tourism which passed November 2013.**
- **Transition of self funded to partial self funding health insurance effective January 1, 2014.**

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

Following is a chart showing four years of tax asking, levies and taxable values.

	2010-11	2011-12	2012-13	2013-14
General Basic	2,178,876	2,265,296	2,291,807	2,377,941
Pioneer Cemetery	1,973	1,948	1,932	1,930
General Supplemental	268,076	None	None	819,330
MH-DD Services	451,058	551,593	552,627	551,601
Rural Services Basic	1,144,934	1,384,105	1,393,794	1,450,064
Tax Asking	4,044,917	4,202,942	4,240,160	5,196,791
Levy Rate	7.23756	7.359	7.35066	8.52441
Taxable Valuation	622,535,891	647,227,452	654,801,949	679,411,692

Note that taxes have increased over recent years due to increase of statewide valuation, equalization and farmland productivity formula, based upon productivity average of the preceding five years, but the County's tax asking increased due to health insurance claims.

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 any 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.

EXHIBIT A

CHICKASAW COUNTY
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities
ASSETS	
Cash and pooled investments	$ 6,321,412
Receivables	
Property tax	
Delinquent	81,414
Succeeding year	5,196,791
Accounts	122,208
Accrued interest	6,308
Due from other governments	644,811
Inventories	809,726
Prepaid expenses	62,329
Nondepreciable assets	2,270,313
Capital assets, net of accumulated depreciation	15,456,304
Investment in insurance pool	67,278
Total assets	$ 31,038,894
LIABILITIES AND NET POSITION	
Accounts payable	$ 860,559
Salaries and benefits payable	55,712
Due to other governments	261,801
Deferred revenue	
Succeeding year property tax	5,196,791
Other	100,587
Long-term liabilities	
Portion due within one year	
Compensated absences	209,657
Portion due after one year	
Postclosure costs	408,719
Net OPEB obligation	256,204
Total liabilities	7,350,030
NET POSITION	
Invested in capital assets	17,726,617
Restricted for	
Mental health	59,563
Rural service	575,649
Secondary roads	1,917,051
Landfill postclosure costs	546,694
Capital projects	223,438
Other special revenue	280,640
Other purposes	573,453
Unrestricted	1,785,759
Total net position	23,688,864
Total liabilities and net position	$ 31,038,894

See Notes to Financial Statements.

EXHIBIT B

CHICKASAW COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Functions and Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Program Revenues: Capital Grants	Net (Expense) Revenue and Change in Net Position
Governmental activities					
Public safety and legal services	$ 1,537,982	$ 269,769	$ 42,088		$ (1,226,125)
Physical health and social services	1,379,659	708,719	293,741		(377,199)
Mental health	780,328	35,456			(744,872)
County environment and education	488,304	15,320	10,692		(462,292)
Roads and transportation	3,601,511	167,127	3,150,024		(284,360)
Government services to residents	690,123	154,326			(535,797)
Administration or general government	1,309,367	167,265	2,340		(1,139,762)
Non-program	407,245	388,257			(18,988)
Total governmental activities	$ 10,194,519	$ 1,906,239	$ 3,498,885	$ -	(4,789,395)
General revenues					
Property taxes levied for					
General purposes					4,227,899
Local option sales tax					597,359
Penalty and interest on property taxes					22,568
State tax credits					205,903
Rents					25,205
Unrestricted investment earnings					55,782
Gain on sale of capital assets					157,545
Miscellaneous					236,561
Total general revenues					5,528,822
Change in net position					739,427
Net position, beginning of year					22,949,437
Net position, end of year					$ 23,688,864

See Notes to Financial Statements.

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CHICKASAW COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

		Special Revenue	
	General	Mental Health	Rural Services
ASSETS			
Cash and pooled investments	$ 3,052,636	$ 255,825	$ 572,429
Receivables			
Property tax			
Delinquent	76,386	1,776	3,252
Succeeding year	3,199,201	551,601	1,445,989
Accounts	83,499	2,690	
Accrued interest	5,960		
Due from other funds			
Due from other governments	89,080		
Inventories			
Investment in insurance pool	67,278		
Prepaid insurance	42,639		330
Total assets	$ 6,616,679	$ 811,892	$ 2,022,000
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 33,921	$ 534	$ 15
Salaries and benefits payable	27,784	163	326
Due to other funds	187		
Due to other governments	13,517	200,031	21
Deferred revenue			
Succeeding year property tax	3,199,201	551,601	1,445,989
Other	76,386	1,776	3,252
Total liabilities	3,350,996	754,105	1,449,603
Fund balances			
Nonspendable			
Inventories			
Prepaid expenditures	42,639		330
Restricted for			
Mental health purposes		57,787	
Rural services purposes			572,067
Secondary roads purposes			
Landfill postclosure costs purposes			
Other special revenue purposes			
Capital projects			
Other purposes	11,264		
Assigned for economic development	519,550		
Unassigned	2,692,230		
Total fund balances	3,265,683	57,787	572,397
Total liabilities and fund balances	$ 6,616,679	$ 811,892	$ 2,022,000

See Notes to Financial Statements.

EXHIBIT C

Special Revenue		
Secondary Roads	Nonmajor Governmental Funds	Total Governmental Funds
$ 1,357,759	$ 1,040,204	$ 6,278,853
		81,414
		5,196,791
34,388	139	120,716
	343	6,303
187		187
544,914	10,817	644,811
809,726		809,726
		67,278
19,360		62,329
$ 2,766,334	$ 1,051,503	$ 13,268,408
$ 698,031	$ 731	$ 733,232
27,439		55,712
		187
23,232	25,000	261,801
		5,196,791
100,581		181,995
849,283	25,731	6,429,718
809,726		809,726
19,360		62,329
		57,787
		572,067
1,087,965		1,087,965
	546,694	546,694
	280,640	280,640
	223,438	223,438
		11,264
		519,550
	(25,000)	2,667,230
1,917,051	1,025,772	6,838,690
$ 2,766,334	$ 1,051,503	$ 13,268,408

CHICKASAW COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

Reconciliation of governmental fund balances to net position		
Total governmental fund balances	$	6,838,690
Amounts reported for governmental activities in the statement of net position 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 $ 15,548,215		17,726,617
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds		81,408
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 position		(83,271)
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		(408,719)
Compensated absences		(209,657)
Net OPEB obligation		(256,204)
Net position of governmental activities	$	23,688,864

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, 2013

		Special Revenue	
	General	Mental Health	Rural Services
REVENUES			
Property and other County tax	$ 2,272,298	$ 547,459	$ 1,395,557
Local option sales tax			
Interest and penalty on property tax	23,057	117	105
Intergovernmental	942,190	26,607	68,860
Licenses and permits	9,044		
Charges for service	809,740	35,456	1,000
Use of money and property	124,780		
Miscellaneous	147,460	241	
Total revenues	4,328,569	609,880	1,465,522
EXPENDITURES			
Current			
Public safety and legal services	1,485,966		6,220
Physical health and social services	1,392,454		
Mental health		773,331	
County environment and education services	367,041		96,228
Roads and transportation			
Governmental services to residents	565,519		111,287
Administrative services	1,375,678		
Non-program	2,013		
Capital projects			
Total expenditures	5,188,671	773,331	213,735
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(860,102)	(163,451)	1,251,787
OTHER FINANCING SOURCES (USES)			
Transfers in			
Proceeds from disposal of capital assets	244,926		
Transfers out	(12,500)		(1,372,000)
	232,426	-	(1,372,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(627,676)	(163,451)	(120,213)
FUND BALANCES, beginning of year	3,893,359	221,238	692,610
FUND BALANCES, end of year	$ 3,265,683	$ 57,787	$ 572,397

See Notes to Financial Statements.

EXHIBIT D

Special Revenue		
Secondary Roads	Nonmajor Governmental Funds	Total Governmental Funds
	$ 2,420	$ 4,217,734
$ 533,433	63,926	597,359
		23,279
3,150,024	9,996	4,197,677
7,910		16,954
159,217	2,652	1,008,065
	4,509	129,289
39,739	807	188,247
3,890,323	84,310	10,378,604
	25,000	1,517,186
		1,392,454
		773,331
	67,553	530,822
4,266,309		4,266,309
	2,318	679,124
		1,375,678
		2,013
623,961		623,961
4,890,270	94,871	11,160,878
(999,947)	(10,561)	(782,274)
1,359,500	25,000	1,384,500
9,290		254,216
		(1,384,500)
1,368,790	25,000	254,216
368,843	14,439	(528,058)
1,548,208	1,011,333	7,366,748
$ 1,917,051	$ 1,025,772	$ 6,838,690

CHICKASAW COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

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		$ (528,058)
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 position 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	$ 2,491,771	
Depreciation	(1,016,829)	1,474,942
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		9,453
The net effect of disposal of capital assets		(96,671)
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		(62,350)
Postclosure landfill costs		18,348
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	(1,535)	
Net OPEB obligation	(74,702)	(76,237)
Change in net position of governmental activities		$ 739,427

See Notes to Financial Statements.

EXHIBIT E

CHICKASAW COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2013

		Internal Service
	ASSETS	
Cash and pooled investments	$	42,559
Receivables		
Accounts		1,492
Accrued interest receivable		5
Total assets	$	44,056
	LIABILITIES AND NET POSITION	
Liabilities		
Accounts payable	$	17,696
Deferred revenue		109,631
Total liabilities		127,327
Net position		
Unrestricted		(83,271)
Total liabilities and net position	$	44,056

See Notes to Financial Statements.

EXHIBIT F

CHICKASAW COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2013

	Internal Service
OPERATING REVENUES	
Charges for service	$ 1,435,880
OPERATING EXPENSES	
Insurance claims paid	1,482,806
Administrative fees	15,511
Total operating expenses	1,498,317
Operating loss	(62,437)
NONOPERATING REVENUES (EXPENSES)	
Interest income	87
Change in net position	(62,350)
NET POSITION, beginning of year	(20,921)
NET POSITION, end of year	$ (83,271)

See Notes to Financial Statements.

EXHIBIT G

CHICKASAW COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2013

		Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from interfund services provided	$	1,448,241
Cash payments to suppliers for services		(1,529,014)
Net cash (used in) operating activities		(80,773)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		87
Net decrease in cash and cash equivalents		(80,686)
CASH and CASH EQUIVALENTS, beginning of year		123,245
CASH and CASH EQUIVALENTS, end of year	$	42,559
Reconciliation of operating loss to net cash (used in) operating activities		
Operating loss	$	(62,437)
Adjustments to reconcile operating loss to net cash (used in) operating activities		
Increase in accounts receivable		(1,492)
Decrease in accrued interest		14
Decrease in accounts payable		(30,697)
Increase in deferred revenue		13,839
Net cash (used in) operating activities	$	(80,773)

See Notes to Financial Statements.

EXHIBIT H

CHICKASAW COUNTY
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2013

ASSETS		
Cash and pooled investments		
County Treasurer	$	1,328,833
Other County officials		29,327
Receivables		
Property tax		
Delinquent		61,354
Succeeding year		11,677,353
Accounts		9,444
Accrued interest		249
Due from other governments		102,745
Prepaid insurance		10,808
Total assets		13,220,113
LIABILITIES		
Accounts payable		81,507
Salaries and benefits payable		5,125
Due to other governments		13,105,510
Trusts payable		14,795
Compensated absences		13,176
Total liabilities		13,220,113
NET POSITION	$	None

See 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.

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

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

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 major 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 position 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 position.

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.

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.

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

b. Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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.

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.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

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, 2013, 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, 2013 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 position not currently available for expenditure.

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 position. 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.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Capital Assets (Continued)

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 position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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, 2013. The compensated absence liability attributable to the governmental activities will be paid primarily by the general and secondary road funds.

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

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 position.

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:

- ***Nonspendable fund balances* are amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.**

- ***Restricted 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 Position

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 position consists of net position 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 position is used first when an expense is incurred for purposes for both restricted and unrestricted net position.

Unrestricted net position represents 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

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, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Interest Rate Risk

The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) 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.

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2013:

Governmental		
General fund		
Bioterrorism	$	7,109
Medicare		44,453
Medicaid		20,098
Other		17,420
		89,080
Secondary roads fund		
Local option sales tax		75,381
Road use tax		214,695
Bridge replacement		157,319
FEMA		79,519
Other		18,000
		544,914
Nonmajor governmental		10,817
Total governmental	$	644,811

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4. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Governmental activities				
Land	$ 2,366,984		$ 96,671	$ 2,270,313
Infrastructure in progress	None			None
Total non-depreciable assets	2,366,984		96,671	2,270,313
Capital assets being depreciated				
Buildings	3,705,570	$ 107,577		3,813,147
Equipment	3,967,900	186,186	20,313	4,133,773
Vehicles	1,899,379	212,896	55,047	2,057,228
Infrastructure	19,015,259	1,985,112		21,000,371
Total capital assets being depreciated	28,588,108	2,491,771	75,360	31,004,519
Less accumulated depreciation				
Buildings	1,356,821	61,665		1,418,486
Equipment	1,991,557	244,576	20,313	2,215,820
Vehicles	1,462,687	125,600	55,047	1,533,240
Infrastructure	9,795,681	584,988		10,380,669
Total accumulated depreciation	14,606,746	1,016,829	75,360	15,548,215
Total capital assets being depreciated, net	13,981,362	1,474,942	None	15,456,304
Governmental activities Capital assets, net	$ 16,348,346	$ 1,474,942	$ 96,671	$ 17,726,617

Depreciation expense was charged to functions of the primary government for the year ended June 30, 2013 as follows:

Governmental activities	
Public safety and legal services	$ 35,883
Physical health and social services	3,317
Mental health	6,997
County environment and education	27,189
Roads and transportation	881,550
Governmental services to residents	6,742
Administrative services	55,151
	$ 1,016,829

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, 2013 is as follows:

Governmental			
General fund	Services	$	13,517
Special revenue fund			
Secondary roads	Services		23,232
Rural services	Services		21
Mental health	Services		200,031
Ambulance	Services		25,000
Total for special revenue			248,284
Total for governmental		$	261,801
Fiduciary			
Agency			
County offices	Collections	$	14,532
Agricultural extension			198,248
Assessor			702,459
Schools			7,840,979
Area schools			636,311
Corporations			2,540,212
Townships			181,950
City special assessment			18,437
Auto license and use tax			312,491
Other			659,891
Total for agency funds		$	13,105,510

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 5.78%, 5.38%, and 4.50% of their annual covered salary and the County is required to contribute 8.67%, 8.07%, and 6.95% of annual covered salary for the years ended June 30, 2013, 2012, and 2011 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, 2013, 2012, and 2011 were $344,454, $326,238, and $276,461, respectively, equal to the required contributions for each year.

7. **Construction, Purchase and Other Commitments**

At June 30, 2013, the total outstanding construction and purchase commitments of the County amount to $811,642. Of these commitments, none will be funded by state and federal grants.

8. **Leases**

- The County leases farm land to Gordon Davis, Jr. for $29,593/year from March 1, 2013 through March 1, 2016.
- The County has leased business property to Heritage Regional Services for $5,849/month from July 1, 2012 through June 30, 2013 and for $2,925/month from July 1, 2013 through December 31, 2013.
- The County leases farm land to Bruce Lantzky for $20,367/year from March 1, 2011 through February 28, 2014.
- The County leases farm land to Dale Rosonke for $6,250/year from March 1, 2013 through February 28, 2016.
- The County leases a commercial building from AgVantage FS for $1,000 a month from January 1, 2011 through December 31, 2015.

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

Year ended June 30,	
2014	$ 12,000
2015	6,000
	$ 18,000

Total lease expense for the year ended June 30, 2013 was $12,000.

9. **Changes in Long-term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Estimated Liability for Landfill Postclosure Costs	Compensated Absences	Total
Balance, beginning of year	$ 427,067	$ 208,122	$ 635,189
Additions	None	209,657	209,657
Reductions	(18,348)	(208,122)	(226,470)
Balance, end of year	$ 408,719	$ 209,657	$ 618,376

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 $408,719 reported as estimated liability for landfill postclosure care costs at June 30, 2013, 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, 2013. 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 $546,694 as of June 30, 2013 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, 2013, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund		$ 187
Secondary roads	$ 187	
Total	$ 187	$ 187

11. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

	Transfers In	Transfers Out
General fund		$ 12,500
Special revenue		
Rural services		1,372,000
Secondary roads	$ 1,359,500	
	1,359,500	1,372,000
Nonmajor governmental	25,000	None
Total	$ 1,384,500	$ 1,384,500

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 92 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	$	79,883
Interest on net OPEB obligation		4,538
Adjustment to annual required contribution		(9,157)
Annual OPEB cost		75,264
Contributions made		562
Increase in net OPEB obligation		74,702
Net OPEB obligation beginning of year		181,502
Net OPEB obligation end of year	$	256,204

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, 2013.

For the year ended June 30, 2013, the County contributed $562 to the medical plan. Plan members eligible for benefits contributed $182,251, or 19.99% 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, 2013 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
June 30, 2013	$ 79,883	.70%	$ 256,204

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was $523,481, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $523,481. The covered payroll (annual payroll of active employees covered by the plan) was approximately $3,668,584 and the ratio of the UAAL to covered payroll was 14.3%. As of June 30, 2013, 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, 2012, 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 2013 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, 2013 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, 2013 were $365,478.

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.

14. Risk Management (Continued)

The pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificates, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess 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, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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 used 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, 2013 was $1,122,156.

Amounts payable from the health insurance fund at June 30, 2013 total $17,696 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:

	2013	2012
Beginning liability	$ 48,393	$ 18,704
Claims and changes in estimates	1,498,317	1,338,303
Claim payments	(1,529,014)	(1,308,614)
Ending liability	$ 17,696	$ 48,393

15. Employee Health Insurance Plan (Continued)

Chickasaw County has had a deficit fund balance in the internal service fund for 2 consecutive years. Subsequent to year end June 30, 2013, the County has decided to change to partially self-funded as of January 1, 2014, due to the increasing cost with health insurance.

16. Fund Balance Deficits

The ambulance fund has a deficit fund balance as of June 30, 2013. The deficit in the ambulance fund is due to timing of payments.

17. New Governmental Accounting Standards Board (GASB) Standards

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

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.

18. Accounting Change

Governmental Accounting Standards Board Statements No. 61 *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 3;* No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements;* and No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* were implemented during fiscal year 2013.

19. Subsequent Event

Management has evaluated subsequent events through February 4, 2014, the date on which the financial statements were available to be issued.

Required Supplementary Information

CHICKASAW COUNTY
BUDGETARY COMPARISON SCHEDULE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
June 30, 2013

	Actual/Budget	Budget Amounts Original	Budget Amounts Final	Final to Actual Variance- Positive (Negative)
RECEIPTS				
Property and other County tax	$ 4,813,179	$ 4,845,344	$ 4,845,344	$ (32,165)
Interest and penalty on property tax	22,531	25,600	25,600	(3,069)
Intergovernmental	4,158,229	4,973,352	4,981,352	(823,123)
Licenses and permits	18,822	7,870	7,870	10,952
Charges for service	1,029,543	610,895	610,895	418,648
Use of money and property	142,660	118,872	118,872	23,788
Miscellaneous	239,576	140,050	140,050	99,526
Total receipts	10,424,540	10,721,983	10,729,983	(305,443)
DISBURSEMENTS				
Public safety and legal services	1,521,578	1,610,270	1,761,325	239,747
Physical health and social services	1,387,606	1,611,692	1,645,676	258,070
Mental health	885,963	1,292,733	1,292,733	406,770
County environment and education services	534,788	576,850	626,664	91,876
Roads and transportation	4,615,138	4,390,190	4,615,190	52
Governmental services to residents	387,894	445,082	469,822	81,928
Administrative services	1,370,160	1,333,471	1,529,750	159,590
Non-program	2,013	2,100	2,100	87
Capital projects	659,864	934,915	934,915	275,051
Total disbursements	11,365,004	12,197,303	12,878,175	1,513,171
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(940,464)	(1,475,320)	(2,148,192)	1,207,728
OTHER FINANCING SOURCES, NET	254,216	-	-	254,216
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	(686,248)	(1,475,320)	(2,148,192)	1,461,944
BALANCE, beginning of year	6,965,101	6,351,778	6,965,136	(35)
BALANCE, end of year	$ 6,278,853	$ 4,876,458	$ 4,816,944	$ 1,461,909

See Notes to Required Supplementary Information.

CHICKASAW COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
For the Year Ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 10,424,540	$ (45,936)	$ 10,378,604
Expenditures	11,365,004	(204,126)	11,160,878
Net	(940,464)	158,190	(782,274)
Other financing sources, net	254,216		254,216
Beginning fund balance	6,965,101	401,647	7,366,748
Ending fund balance	$ 6,278,853	$ 559,837	$ 6,838,690

See Notes to Required Supplementary Information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2013

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:

1. Public safety and legal services
2. Physical health and social services
3. Mental health
4. County environment and education
5. Roads and transportation
6. Governmental services to residents
7. Administration
8. Non-program
9. Debt service
10. 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 $8,000 and increased budgeted disbursements by $680,872. 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.

See Independent Auditor's Report.

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%
2013	July 1, 2012	-	$ 523	$ 523	0.0%	$ 3,669	14.3%

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.

Other Supplementary Information

SCHEDULE 1

CHICKASAW COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and pooled investments	$ 816,766	$ 223,438	$ 1,040,204
Receivables			
Accounts	139		139
Accrued interest	343		343
Due from other governments	10,817		10,817
Total assets	$ 828,065	$ 223,438	$ 1,051,503
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 731		$ 731
Due to other governments	25,000		25,000
Total liabilities	25,731	$ -	25,731
Fund balances			
Restricted for:			
REAP grant	21,061		21,061
Landfill	546,694		546,694
Capital projects		223,438	223,438
Other purposes	259,579		259,579
Unassigned	(25,000)		(25,000)
Total fund balances	802,334	223,438	1,025,772
Total liabilities and fund balances	$ 828,065	$ 223,438	$ 1,051,503

See Independent Auditor's Report.

SCHEDULE 2

CHICKASAW COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Property and other County tax	$ 2,420		$ 2,420
Local option sales tax	63,926		63,926
Intergovernmental	9,996		9,996
Charges for service	2,652		2,652
Use of money and property	4,509		4,509
Miscellaneous		$ 807	807
Total revenues	83,503	807	84,310
EXPENDITURES			
Operating			
Public safety and legal services	25,000		25,000
County environment and education	67,553		67,553
Government services to residence	2,318		2,318
Total expenditures	94,871	-	94,871
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(11,368)	807	(10,561)
OTHER FINANCING SOURCES			
Operating transfers in	25,000		25,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	13,632	807	14,439
FUND BALANCES, beginning of year	788,702	222,631	1,011,333
FUND BALANCES, end of year	$ 802,334	$ 223,438	$ 1,025,772

See Independent Auditor's Report.

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CHICKASAW COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2013

	REAP	Recorder's Records Management	County Betterment
ASSETS			
Cash and pooled investments	$ 21,060	$ 5,515	$ 157,150
Receivables			
Accounts		139	
Accrued interest	1	2	
Due from other governments			8,397
Total assets	$ 21,061	$ 5,656	$ 165,547
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable			
Due to other governments			
Total liabilities	$ -	$ -	$ -
Fund balances			
Restricted for:			
REAP grant	21,061		
Landfill			
Other purposes		5,656	165,547
Unassigned			
Total fund balances	21,061	5,656	165,547
Total liabilities and fund balances	$ 21,061	$ 5,656	$ 165,547

See Independent Auditor's Report.

SCHEDULE 3

Economic Development	Ambulance	Tourism	Landfill Postclosure Costs	Total Special Revenue
$ 86,656			$ 546,385	$ 816,766
				139
			340	343
		$ 2,420		10,817
$ 86,656	$ -	$ 2,420	$ 546,725	$ 828,065
		$ 700	$ 31	$ 731
	$ 25,000			25,000
$ -	25,000	700	31	25,731
				21,061
			546,694	546,694
86,656		1,720		259,579
	(25,000)			(25,000)
86,656	(25,000)	1,720	546,694	802,334
$ 86,656	$ -	$ 2,420	$ 546,725	$ 828,065

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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, 2013

	REAP	Recorder's Records Management	County Betterment
REVENUES			
Property and other County tax			
Local option sales tax			$ 63,926
Intergovernmental	$ 9,996		
Charges for service		$ 2,652	
Use of money and property	12	25	
Total revenues	10,008	2,677	63,926
EXPENDITURES			
Operating			
Public safety and legal services			
County environment and education			45,231
Government services to residence		2,318	
Total expenditures	-	2,318	45,231
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,008	359	18,695
OTHER FINANCING SOURCES			
Transfers in			
	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	10,008	359	18,695
FUND BALANCES, beginning of year	11,053	5,297	146,852
FUND BALANCES, end of year	$ 21,061	$ 5,656	$ 165,547

See Independent Auditor's Report.

SCHEDULE 4

Economic Development	Ambulance	Tourism	Landfill Postclosure Costs	Total Special Revenue
		$ 2,420		$ 2,420
				63,926
				9,996
				2,652
			$ 4,472	4,509
$ -	$ -	2,420	4,472	83,503
	25,000			25,000
500		700	21,122	67,553
				2,318
500	25,000	700	21,122	94,871
(500)	(25,000)	1,720	(16,650)	(11,368)
	25,000			25,000
-	25,000	-	-	25,000
(500)	-	1,720	(16,650)	13,632
87,156	(25,000)	-	563,344	788,702
$ 86,656	$ (25,000)	$ 1,720	$ 546,694	$ 802,334

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CHICKASAW COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash and pooled investments				
County Treasurer		$ 1,919	$ 388,648	$ 78,127
Other County Officials	$ 29,327			
Receivables				
Property tax				
Delinquent		611	1,182	24,340
Succeeding year		195,718	381,062	7,738,512
Accounts			158	
Accrued interest			101	
Due from other government				
Prepaid insurance			4,580	
Total assets	$ 29,327	$ 198,248	$ 775,731	$ 7,840,979
LIABILITIES				
Accounts payable			$ 71,786	
Salaries and benefits payable			1,486	
Due to other governments	$ 14,532	$ 198,248	702,459	$ 7,840,979
Trusts payable	14,795			
Compensated absences				
Total liabilities	$ 29,327	$ 198,248	$ 775,731	$ 7,840,979

See Independent Auditor's Report.

Area Schools	Corporations	Townships	City Special Assessment	Auto License and Use Tax	Other	Total
$ 6,379	$ 21,317	$ 1,918	$ 794	$ 312,491	$ 517,240	$ 1,328,833
						29,327
2,056	13,892	590	17,643		1,040	61,354
627,876	2,505,003	179,442			49,740	11,677,353
					9,286	9,444
					148	249
					102,745	102,745
					6,228	10,808
$ 636,311	$ 2,540,212	$ 181,950	$ 18,437	$ 312,491	$ 686,427	$ 13,220,113
					$ 9,721	$ 81,507
					3,639	5,125
$ 636,311	$ 2,540,212	$ 181,950	$ 18,437	$ 312,491	659,891	13,105,510
						14,795
					13,176	13,176
$ 636,311	$ 2,540,212	$ 181,950	$ 18,437	$ 312,491	$ 686,427	$ 13,220,113

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CHICKASAW COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES - AGENCY FUNDS
For the Year Ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
Balances beginning of year	$ 30,524	$ 193,273	$ 909,930	$ 7,943,128
Additions				
Property tax		193,998	570,277	7,390,669
E-911 surcharge				
State tax credits		9,160	17,718	373,117
Office fees and collections	359,462		171	
Auto licenses, use tax and postage				
Trusts	64,143			
Miscellaneous	105,647		1,803	
Total additions	529,252	203,158	589,969	7,763,786
Deductions				
Agency remittances				
To other funds	131,108			
To other governments	247,483	198,183	724,168	7,865,935
Miscellaneous	87,715			
Trusts paid out	64,143			
Total deductions	530,449	198,183	724,168	7,865,935
Balances end of year	$ 29,327	$ 198,248	$ 775,731	$ 7,840,979

See Independent Auditor's Report.

Area Schools	Corporations	Townships	City Special Assessment	Auto License and Use Tax	Other	Total
$ 682,796	$ 2,485,986	$ 180,490	$ 16,710	$ 323,590	$ 638,856	$ 13,405,283
591,051	2,418,061	171,721	2,925		482,675	11,821,377
					154,273	154,273
30,482	123,101	8,282			5,964	567,824
					489,680	849,313
				4,607,477		4,607,477
						64,143
			8,506		108,799	224,755
621,533	2,541,162	180,003	11,431	4,607,477	1,241,391	18,289,162
				88,517		219,625
668,018	2,486,936	178,543		4,530,059	1,134,194	18,033,519
			9,704		59,626	157,045
						64,143
668,018	2,486,936	178,543	9,704	4,618,576	1,193,820	18,474,332
$ 636,311	$ 2,540,212	$ 181,950	$ 18,437	$ 312,491	$ 686,427	$ 13,220,113

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

	Modified Accrual			
	2013	2012	2011	2010
REVENUES				
Property and other County tax	$ 4,217,734	$ 4,181,641	$ 3,968,101	$ 3,969,501
Local option sales tax	597,359	651,622	611,641	536,539
Interest and penalty on property tax	23,279	26,836	30,306	27,705
Intergovernmental	4,197,677	4,649,596	4,611,574	4,288,108
Licenses and permits	16,954	17,822	13,844	36,460
Charges for service	1,008,065	1,308,426	874,227	899,135
Use of money and property	129,289	126,804	148,427	274,230
Miscellaneous	188,247	188,405	185,010	219,724
Total revenues	$ 10,378,604	$ 11,151,152	$ 10,443,130	$ 10,251,402
EXPENDITURES				
Current				
Public safety and legal services	$ 1,517,186	$ 1,368,905	$ 1,428,216	$ 1,368,322
Physical health and social services	1,392,454	1,238,753	1,202,121	1,333,575
Mental health	773,331	1,267,928	1,056,831	980,503
County environment and education services	530,822	538,901	496,085	488,552
Roads and transportation	4,266,309	4,613,869	4,586,521	4,085,263
Governmental services to residents	679,124	332,623	331,642	394,067
Administrative services	1,375,678	1,379,868	1,253,406	1,044,423
Non-program	2,013	2,022	2,024	
Capital projects	623,961	510,377	306,314	196,445
Total expenditures	$ 11,160,878	$ 11,253,246	$ 10,663,160	$ 9,891,150

See Independent Auditor's Report.

Modified Accrual					
2009	2008	2007	2006	2005	2004
$ 3,918,998	$ 3,617,898	$ 3,541,239	$ 3,977,411	$ 3,695,464	$ 3,294,773
645,155	635,468	633,591	490,913	495,598	446,001
25,694	26,881	28,360	24,732	25,617	28,503
5,433,764	4,121,929	4,411,154	4,065,174	3,940,560	4,007,690
13,025	13,043	14,791	15,201	12,260	13,165
867,848	792,280	637,096	653,626	686,820	689,513
188,421	299,578	363,080	244,136	173,860	148,715
234,214	121,828	278,898	148,077	139,365	180,712
$ 11,327,119	$ 9,628,905	$ 9,908,209	$ 9,619,270	$ 9,169,544	$ 8,809,072
$ 1,299,654	$ 1,243,205	$ 1,178,065	$ 1,155,863	$ 1,112,189	$ 1,063,303
1,276,889	1,212,382	1,172,291	1,078,649	1,125,307	1,049,749
1,025,410	1,193,450	1,171,598	994,267	986,241	963,821
656,404	549,175	408,617	628,992	477,599	606,179
4,208,117	4,161,107	3,531,863	3,337,844	3,573,374	3,641,090
387,689	365,589	337,670	497,853	354,532	295,670
887,979	777,028	960,981	861,831	835,439	832,928
4,664				100,108	
226,493	604,555	1,012,022	671,495	219,487	431,342
$ 9,973,299	$ 10,106,491	$ 9,773,107	$ 9,226,794	$ 8,784,276	$ 8,884,082

CHICKASAW COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

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

(a) An unmodified opinion was issued on the financial statements.

(b) One significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.

(c) The audit did not disclose any noncompliance which is required to be reported in accordance with *Government Auditing Standards*.

(d) One significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements. No material weaknesses are reported.

(e) An unmodified opinion was issued on compliance with requirements applicable to each major program.

(f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

(g) Major program is as follows:

- **CFDA Number 20.205 - Highway Planning and Construction**

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(i) Chickasaw County did qualify as a low-risk auditee.

CHICKASAW COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Part II: Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

Finding 13-1 Segregation of Duties

Criteria: Proper controls over financial reporting include adequate segregation of duties.

Condition: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Bank deposits are prepared by the same person who opens the bank statement. Disbursements and checks are prepared by one person. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Cause: There is a limited amount of office employees involved in the internal control process.

Effect: This deficiency results in a reasonable possibility that the County would not be able to detect misstatements that would be material in relation to the financial statement in a timely period by employees in the normal course of performing their assigned functions.

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.

CHICKASAW COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- CFDA Number 20.205, Highway Planning and Construction
  Federal Award Year: 2013
  U.S. Department of Transportation
  Passed through Iowa Department of Transportation

- See 13-1 above

Part IV: Other Findings Related to Required Statutory Reporting

See management letter dated February 4, 2014

Part V: Summary of Prior Federal Audit Findings and Questioned Costs

Comment Reference	Comment Title	Status	Explanation
12-1	Financial report preparation	Corrected	Management has the necessary training and experience to accept responsibility for the year-end financial statements.
12-2	Segregation of duties	Not corrected	The County has limited staff and segregates duties to the best of their abilities.

CHICKASAW COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
Indirect			
U.S. Department of Agriculture			
Passed through Iowa Department of Human Services			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	LAE Reimbursement	$ 7,628
Department of Transportation			
Passed through Iowa Department of Transportation			
Highway Planning and Construction	20.205	BROS-CO19(77)--8J-19	421,239
Passed through Iowa Department of Public Safety			
State and Community Highway Safety	20.600	12-03, Task 129	2,037
	20.600	13-03, Task 128	1,898
			3,935
Sub-total Department of Transportation			425,174
U.S. Department of Health and Human Services			
Passed through Iowa Department of Public Health			
Public Health Emergency Preparedness	93.069	5882BT19	2,572
	93.069	5883BT19	24,344
			26,916
Immunization Grants	93.268	5882I416	5,414
	93.268	5883I416	4,164
			9,578
Passed through Pathways Behavioral Services, Inc.			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	SPF-SIG	25,501
Passed through Iowa Department of Human Services			
Temporary Assistance for Needy Families	93.558	Specimen Collection	224
	93.558	DCAT2-13-081	13,519
			13,743
Social Services Block Grant	93.667	LAE Reimbursement	2,306
Other Federal Financial Assistance			
Human Services Administrative Reimbursements			
Refugee and Entrant Assistance - State Administered Programs	93.566	LAE Reimbursement	35
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	LAE Reimbursement	1,764
Foster Care - Title IV-E	93.658	LAE Reimbursement	2,655
Adoption Assistance	93.659	LAE Reimbursement	741
State Children's Insurance Program	93.767	LAE Reimbursement	29
Medical Assistance Program	93.778	LAE Reimbursement	7,592
			12,816
Sub-total U.S. Department of Health and Human Services			90,860
U.S. Department of Homeland Security			
Passed through Iowa Department of Public Defense			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR-4126-IA	70,163
			$ 593,825

See Independent Auditor's Report.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Chickasaw County under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Chickasaw County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Chickasaw County.

Note 2. Summary of Significant Accounting Policies

(a) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(b) Pass-through entity identifying numbers are presented where available.

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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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise Chickasaw County's basic financial statements, and have issued our report thereon dated February 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chickasaw County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Chickasaw County's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 13-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chickasaw County's financial statements are free from 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*.

Chickasaw County's Response to Finding

Chickasaw County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Chickasaw County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 4, 2014

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Chickasaw County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Chickasaw County's major federal programs for the year ended June 30, 2013. Chickasaw County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Chickasaw County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chickasaw County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Chickasaw County's compliance.

Opinion on Each Major Federal Program

In our opinion, Chickasaw County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Chickasaw County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Chickasaw County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chickasaw County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 13-1 that we consider to be a significant deficiency.

Chickasaw County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Chickasaw County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 4, 2014

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MANAGEMENT LETTER

To the Board of Supervisors
Chickasaw County
New Hampton, Iowa

In planning and performing our audit of the basic financial statements of Chickasaw County for the year ended June 30, 2013, 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 11 below are compliance comments required by the Iowa Auditor of State. A separate report dated February 4, 2014, contains our report on the County's internal control over financial reporting. This letter does not affect our report dated February 4, 2014 on the basic 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. <u>Certified Budget</u>

Disbursements for the year ended June 30, 2013 did not exceed the amounts budgeted for any function.

2. <u>Questionable Expenditures</u>

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. <u>Travel Expense</u>

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

4. <u>Business Transactions</u>

We noted no business transactions between the County and County officials and/or employees for the year ended June 30, 2013.

5. <u>Bond Coverage</u>

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, except for the Recorder's office. The depository resolution approved by the Board of Supervisors was exceeded in the months of December and January.

Recommendation

The Recorder's office needs to monitor the balance in their bank account to make sure it does not exceed the depository resolution. Disbursements of third party funds may need to be made mid month so the resolution is not exceeded.

Response

There were many land sales that took place in December of 2012, which was very unusual compared to other years. We have since amended our depository resolution at Luana Savings Bank from $40,000 to $100,000.

Conclusion

Response accepted.

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, 2013 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. Tax Increment Financing (TIF)

For the year ended June 30, 2013, the County Auditor's office performed their duties in accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa and completed reconciliations of each City's TIF receipts and TIF debt certified.

12. Transfers

The County exceeded the maximum amount allowed to be transferred from rural services fund to secondary roads fund.

Recommendation

We recommend the County take extra care in calculating the maximum amount allowed to be transferred from rural services to secondary roads.

Response

The County will keep track of transfers throughout the year.

Conclusion

Response accepted.

13. Signature Cards

During our audit, we noted the Sheriff's 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 bank account.

Conclusion

Response accepted.

14. Court Debt

The County Attorney has not started collecting court debt according to Chapter 602.8107 of the Code of Iowa.

Recommendation

We recommend the County Attorney start collecting fees to be in compliance with the Code of Iowa.

Response

The County Attorney has discussed with the Board of Supervisors, and they are working on starting to collect court debt according to the Code of Iowa.

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.

Decorah, Iowa
February 4, 2014