

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

JUNE 30, 2013

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MITCHELL COUNTY
Osage, Iowa

OFFICIALS

(Before January 2013)

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

(After January 2013)

Joel Voaklander	Board of Supervisors	Jan 2015
Robert Marreel	Board of Supervisors	Jan 2015
Stan Walk	Board of Supervisors	Jan 2017
Lowell Tesch	County Auditor	Jan 2017
Pamela Meyer	County Treasurer	Jan 2015
Pat Skuster	County Recorder	Jan 2015
Greg Beaver	County Sheriff	Jan 2017
Mark Walk	County Attorney	Jan 2015
Amy Folkerts	County Assessor	Appointed



Renner & Birchem, PC

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109 SECOND STREET N.E. • MASON CITY, IOWA 50401
4 MAIN AVENUE SOUTH • BRITT, IOWA 50423
226 WEST 4TH STREET • ST. ANSGAR, IOWA 50472

(641) 423-7155
(641) 843-3729
(641) 736-4324
(866) 259-3667

Independent Auditor's Report

To the Board of Supervisors
Mitchell County
Osage, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mitchell County, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements 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 the 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 County'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 County'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 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, each major fund and the aggregate remaining fund information of Mitchell 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 Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 10 and 37 through 39 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 which considers it to be an essential part of the 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mitchell County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the years ended June 30, 2012, 2011, 2010, 2009, and 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements and supplemental data for the years ended June 30, 2007, 2006, 2005, and 2004 (none of which are presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unqualified opinions on those financial statements and supplemental data. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in our 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, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2014 on our consideration of Mitchell 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Mitchell County's internal control over financial reporting and compliance.

March 4, 2014



Renner & Birchem, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mitchell County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of Mitchell County is for the fiscal year ended June 30, 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 3.4% or approximately \$400,000, from fiscal 2012 to fiscal 2013. Property taxes increased approximately \$164,000, operating grants and contributions decreased approximately \$46,000, capital grants and contributions decreased approximately \$12,000 and charges for services decreased \$357,000.
- Program expenses were 35.2% or approximately \$3,882,000 more in fiscal 2013 than in fiscal 2012. Roads and transportation increased approximately \$2,183,000.
- The County's net position decreased 35.9%, or approximately \$3,619,000 from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which 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 change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

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

Fund Financial Statements

The County has two types of funds:

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Mitchell County’s combined net position decreased from a year ago, decreasing from \$10,088,000 to \$6,469,000.

Net Position of Governmental Activities
(Expressed in Thousands)

	June 30	
	2013	2012
Current and Other Assets	\$15,547	9,988
Capital Assets	22,421	23,065
Total Assets	37,968	33,053
Long-Term Debt Outstanding	24,406	17,224
Other Liabilities	7,093	5,741
Total Liabilities	31,499	22,965
Net Position:		
Invested in Capital Assets, Net of debt	3,649	6,237
Restricted	1,955	2,194
Unrestricted	865	1,657
Total Net Position	\$6,469	10,088

Net position of the County’s governmental activities decreased by approximately 35.9%, \$10,088,000 compared to \$6,469,000. The largest portion of the County’s net position is the Invested in Capital Assets (infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. Restricted net position represent resources 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.

Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30	
	2013	2012
Program Revenues:		
Charges for service	\$ 610	967
Operating grants and contributions	3,479	3,525
Capital grants and contributions	24	36
Property taxes	4,675	4,511
Unrestricted investments earnings	55	47
Other general revenues	2,452	2,609
Total revenues	11,295	11,695
Program Expenses:		
Public safety and legal services	1,494	1,452
Physical health and social services	1,772	1,600
Mental health	754	981
County environment and education	914	1,767
Roads and transportation	4,899	2,716
Government services to residents	351	350
Administration	2,450	1,483
Non-program	1,979	3
Interest on long-term debt	301	680
Total expenses	14,914	11,032
Increase (decrease) in net position	(3,619)	663
Net position beginning of year	10,088	9,425
Net position end of year	\$6,469	10,088

The County's revenue decreased 3.4% (\$400,000). The total cost of programs and services increased 35.2%, (\$3,882,000) with no new programs added this year.

The cost of all governmental activities this year was \$14.9 million compared to \$11.0 million last year. However, as shown in the Statement of Activities on page 13, the amount ultimately financed for these activities through County taxes and other unrestricted revenues was only \$10.8 million because some of the cost was paid by those directly benefited from the programs (\$610,084) or by governments and organizations that subsidized certain programs with grants and contributions (\$3,503,343).

INDIVIDUAL MAJOR FUNDS

As Mitchell County completed the year, its governmental funds reported a combined fund balance of \$8,354,421, which is \$4,232,536 above last year's total of \$4,121,885. The following are the major reasons for the changes in fund balances from the prior year.

General Basic – Decrease of \$254,076 due to the continuation of the General Supplemental Fund, since we are at our levy limit for General Basic and we were depleting our fund balance below 25% of completed expenses. We have reallocated expenditures to the General Supplemental Fund in order to increase the fund balance in General Basic.

Mental Health – Decrease of \$138,128 due to normal operations.

Rural Services- Decrease of \$4,794 due to normal operations.

Secondary Roads –Decrease of \$210,280 due to normal operations.

Debt Service – Decrease of \$22,156 due to normal operations.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mitchell County amended its budget two times. Total increase of expenditures was \$2,039,477.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, Mitchell County had approximately \$22.4 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$644,000.

Capital Assets of Governmental Activities at Year End
(Expressed in Thousands)

	June 30	
	2013	2012
Land	\$ 2,235	2,212
Buildings and Improvements	3,979	3,730
Equipment and vehicles	1,172	1,189
Infrastructure	15,035	15,934
Total	\$22,421	23,065

The County had depreciation expense of \$1,226,958 for the year ended June 30, 2013 and total accumulated depreciation as of June 30, 2013 of \$9,780,400.

Debt Administration

At June 30, 2013, the County had approximately \$24,089,000 in general obligation bonds and other debt outstanding compared to approximately \$16,952,000 at June 30, 2012, as shown below.

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

	June 30	
	2013	2012
LOSST Bonds	\$ 375	555
G.O. Capital Loan Notes	23,189	15,600
Loan Agreements	522	793
Drainage Improvement Certificates	3	4
Total	<u>\$24,089</u>	<u>16,952</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Mitchell County's outstanding general obligation debt is below its constitutional debt limit of approximately \$31 million. More detail about the County's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Mitchell County's elected and appointed officials and citizens considered many factors when setting the 2014 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy which includes oil, gas prices and utility costs. Others include land valuations and the consumer price index (CPI). The County has added no major programs or initiative to the 2014 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, 117 Plaza Lane, Osage, Iowa.

BASIC FINANCIAL STATEMENTS

Mitchell County
Osage, Iowa

Exhibit A

Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 8,792,933
Receivables:	
Property tax:	
Delinquent	8,554
Succeeding year	5,894,459
Accounts	99,583
Interest	7,694
Drainage assessments	3,259
Due from other governments	413,828
Inventories	326,908
Capital assets (net of accumulated depreciation)	22,421,217
Total assets	<u>37,968,435</u>
Liabilities	
Accounts payable	1,065,524
Salaries and benefits payable	133,097
Deferred revenue:	
Succeeding year property tax	5,894,459
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	836,400
Local option sales tax revenue bonds	185,000
Loan agreements	37,557
Drainage certificates payable	652
Compensated absences	186,841
Portion due or payable after one year:	
General obligation notes	22,352,600
Local option sales tax revenue bonds	190,000
Loan agreements	484,199
Drainage certificates payable	2,606
Net OPEB liability	130,412
Total liabilities	<u>31,499,347</u>
Net Position	
Invested in capital assets, net of related debt	3,649,550
Restricted for:	
Mental health purposes	175,745
Secondary roads purposes	1,022,244
Other purposes	756,640
Unrestricted	864,909
Total net position	<u>\$ 6,469,088</u>

See notes to financial statements.

Statement of Activities
Year ended June 30, 2013

	Program Revenues				Net (Expense) Revenue Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,494,245	86,324			(1,407,921)
Physical health and social services	1,772,155	157,371	762,793		(851,991)
Mental health	753,545		364		(753,181)
County environment and education	913,322	92,458	9,470		(811,394)
Roads & transportation	4,899,074	30,677	2,417,958	23,950	(2,426,489)
Governmental services to residents	351,263	243,254	288,808		180,799
Administrative services	2,450,143				(2,450,143)
Non-program	1,979,144				(1,979,144)
Interest/fees on long-term debt	301,082				(301,082)
Total	\$ 14,913,973	610,084	3,479,393	23,950	(10,800,546)
General Revenues:					
Property and other county tax levied for:					
General purposes					4,565,641
Debt service					108,889
Penalty and interest on property tax					23,793
State tax credits					615,102
Tax increment financing					787,899
Local option sales tax					502,024
Unrestricted investment earnings					55,140
Miscellaneous					523,491
Total general revenues					7,181,979
Change in net assets					(3,618,567)
Net position beginning of year					10,087,655
Net position end of year					\$ 6,469,088

See notes to financial statements.

Mitchell County
Osage, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2013

Special Revenue

	General	Mental Health	Rural Services	Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
Assets								
Cash and pooled investments	\$ 917,860	175,706	133,106	1,752,571	1,975	5,164,299	647,416	8,792,933
Receivables:								
Property tax:								
Delinquent	5,692	721	2,019		122			8,554
Succeeding year	2,455,400	475,390	1,585,747		1,377,922			5,894,459
Accounts	97,540		484	945			614	99,583
Accrued interest	7,554						140	7,694
Drainage assessments							3,259	3,259
Due from other governments	105,774			191,125			28,290	325,189
Inventories				326,908				326,908
Total assets	\$ 3,589,820	651,817	1,721,356	2,271,549	1,380,019	5,164,299	679,719	15,458,579
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 135,369		5,141	818,006		106,418	590	1,065,524
Salaries and benefits payable	93,991		6,736	32,370				133,097
Deferred revenue:								
Succeeding year property tax	2,455,400	475,390	1,585,747		1,377,922			5,894,459
Other	5,140	682	1,881		116		3,259	11,078
Total liabilities	2,689,900	476,072	1,599,505	850,376	1,378,038	106,418	3,849	7,104,158
Fund balances:								
Nonspendable:								
Inventories				326,908				326,908
Restricted for:								
Mental health purposes		175,745						175,745
Rural services purposes			121,851					121,851
Secondary road purposes				1,094,265				1,094,265
Drainage							15,139	15,139
Debt service					1,981			1,981
Capital projects						5,057,881		5,057,881
Other purposes							660,731	660,731
Unassigned	899,920							899,920
Total fund balances	899,920	175,745	121,851	1,421,173	1,981	5,057,881	675,870	8,354,421
Total liabilities and fund balances	\$ 3,589,820	651,817	1,721,356	2,271,549	1,380,019	5,164,299	679,719	15,458,579

See notes to financial statements.

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

June 30, 2013

Total governmental fund balances (page 14) \$ 8,354,421

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$32,201,617 and the accumulated depreciation is \$9,780,400. 22,421,217

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 99,717

Long-term liabilities, including bonds payable other post employment benefits payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (24,406,267)

Net position of governmental activities (page 12) \$ 6,469,088

See notes to financial statements.

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

Year ended June 30, 2013

	Special Revenue							Total
	General	Mental Health	Rural Services	Secondary Roads	Debt Service	Capital Projects	Nonmajor	
Revenue:								
Property and other county tax	\$ 2,554,513	583,360	1,581,850		108,773			4,828,496
Tax increment financing							787,899	787,899
Interest and penalty on property tax	23,793							23,793
Intergovernmental	1,286,325	28,347	70,718	2,441,908	4,761		357,252	4,189,311
Licenses and permits	3,977			7,795				11,772
Charges for services	835,211		14,055	30,677			18,949	898,892
Use of money and property	337,380			1,800			7,449	346,629
Miscellaneous	1,181,057	3,455		44,348			12,876	1,241,736
Total revenues	6,222,256	615,162	1,666,623	2,526,528	113,534		1,184,425	12,328,528
Expenditures:								
Current:								
Public safety and legal services	1,116,357		305,871				6,429	1,428,657
Physical health and social services	1,736,655						15,222	1,751,877
Mental health		753,545						753,545
County environment and education services	736,934		194,528				101,654	1,033,116
Roads and transportation				3,998,926				3,998,926
Governmental services to residents	309,854							309,854
Administrative services	2,391,838		644					2,392,482
Non-program							1,781	1,781
Debt service	262,950				135,690		1,049,751	1,448,391
Capital projects						1,977,363		1,977,363
Total expenditures	6,554,588	753,545	501,043	3,998,926	135,690	1,977,363	1,174,837	15,095,992
Excess(deficiency) of revenue over (under) expenditures	(332,332)	(138,383)	1,165,580	(1,472,398)	(22,156)	(1,977,363)	9,588	(2,767,464)
Other financing sources (uses):								
Operating transfers in	200,000			1,262,118			30,000	1,492,118
Operating transfers out	(121,744)		(1,170,374)				(200,000)	(1,492,118)
Proceeds long-term debt						7,000,000		7,000,000
Total other financing sources (uses)	78,256		(1,170,374)	1,262,118		7,000,000	(170,000)	7,000,000
Net change in fund balances	(254,076)	(138,383)	(4,794)	(210,280)	(22,156)	5,022,637	(160,412)	4,232,536
Fund balances beginning of year	1,153,996	314,128	126,645	1,631,453	24,137	35,244	836,282	4,121,885
Fund balances end of year	\$ 899,920	175,745	121,851	1,421,173	1,981	5,057,881	675,870	8,354,421

See notes to financial statements.

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

June 30, 2013

Net change in fund balances - Total governmental fund (page 16)		\$ 4,232,536
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlays exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	583,175	
Depreciation expense	<u>(1,226,958)</u>	(643,783)
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	276	
Other	<u>(24,592)</u>	(24,316)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:		
Issued	(8,180,000)	
Repaid	<u>1,042,289</u>	(7,137,711)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:		
Compensated absences	(14,055)	
Other postemployment benefits	<u>(31,238)</u>	<u>(45,293)</u>
Change in net position of governmental activities (page 13)		<u>\$ (3,618,567)</u>

See notes to financial statements.

Mitchell County
Osage, Iowa

Exhibit G

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2013

Assets

Cash and pooled investments:

County Treasurer	\$ 931,003
Other County officials	58,195

Property tax receivable:

Delinquent	11,899
Succeeding year	10,835,868

Accounts receivable	255
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Accrued interest	41
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Total assets	<u>\$ 11,837,261</u>
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Liabilities

Accounts payable	\$ 38,867
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Salaries payable	8,443
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Due to other governments	11,750,962
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Trust payable	25,649
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Compensated absences	13,340
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Total liabilities	<u>11,837,261</u>
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Net position	<u>\$ -</u>
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See notes to financial statements.

Mitchell County
Osage, Iowa

Notes to Financial Statements

June 30, 2013

1. **Summary of Significant Accounting Policies**

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

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

A. **REPORTING ENTITY**

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

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

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

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

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

B. BASIS OF PRESENTATION

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

The Statement of Net Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. The County has elected to show the Mental Health, Rural Services, Debt Services, and Capital Projects Funds as discretionary major funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and

other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with 1 1/2% per month penalty for delinquent payments; is based on January 1, 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 – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable, but has not been collected.

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

Due From and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in fund financial statements.

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

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

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

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

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

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

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

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

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

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

Compensated Absences - County employees accumulated a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Secondary Roads Funds.

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

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

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. BUDGETS AND BUDGETARY ACCOUNTING

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

2. Cash and Pooled Investments

The County's deposits at June 30, 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) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

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

3. Interfund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue: Local Option	\$ <u>200,000</u>
Special Revenue: Secondary Roads	General	91,744
	Special Revenue: Rural Services	<u>1,170,374</u>
Conservation Land Acquisition	General	<u>30,000</u>
Total		<u>\$1,492,118</u>

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

4. **Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,211,937	23,500		2,235,437
Total capital assets not being depreciated	<u>2,211,937</u>	<u>23,500</u>		<u>2,235,437</u>
Capital assets being depreciated:				
Buildings	6,013,821	375,530		6,389,351
Improvements other than building	229,071			229,071
Machinery and equipment	4,468,311	184,145	20,395	4,632,061
Infrastructure	18,715,697			18,715,697
Total capital assets being depreciated	<u>29,426,900</u>	<u>559,675</u>	<u>20,395</u>	<u>29,966,180</u>
Less accumulated depreciation for:				
Buildings	2,396,960	117,059		2,514,019
Improvements other than building	115,800	9,163		124,963
Machinery and equipment	3,278,500	201,953	20,395	3,460,058
Infrastructure, road network	2,782,577	898,783		3,681,360
Total accumulated depreciation	<u>8,573,837</u>	<u>1,226,958</u>	<u>20,395</u>	<u>9,780,400</u>
Total capital assets being depreciated, net	<u>20,853,063</u>	<u>(667,283)</u>	<u>0</u>	<u>20,185,780</u>
Governmental activities capital assets, net	<u>23,065,000</u>	<u>(643,783)</u>	<u>0</u>	<u>22,421,217</u>

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

Governmental activities	\$ 75,949
Public safety and legal services	5,758
Physical health and social services	44,590
County environment and education	1,034,034
Roads and transportation	16,331
Governmental services to residents	50,296
Administrative services	<u>50,296</u>
Total depreciation expense - Governmental activities	<u>\$ 1,226,958</u>

5. Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Agency:		
Agricultural Extension	Collections	\$ 162,949
Assessor		683,999
Schools		6,402,774
Community Colleges		410,458
Corporations		2,906,404
Auto License & Use Tax		233,685
All others		<u>950,693</u>
Total for Agency Funds		\$ <u>11,750,962</u>

6. Changes in Long-Term Debt

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

	LOSST Bonds	General Obligation Capital Loan Notes	Loan Agreements	Drainage Improvement Certificates	Compensated Absences	Net OPEB Liability	Total
Beginning Balance	\$ 555,000	15,600,400	792,645	3,910	172,786	99,174	17,223,915
Increases		8,180,000			14,055	31,238	8,225,293
Decreases	180,000	591,400	270,889	652			1,042,941
Ending Balance	<u>\$ 375,000</u>	<u>23,189,000</u>	<u>521,756</u>	<u>3,258</u>	<u>186,841</u>	<u>130,412</u>	<u>24,406,267</u>
Due Within One Year	<u>\$ 185,000</u>	<u>836,400</u>	<u>37,557</u>	<u>652</u>	<u>186,841</u>		<u>1,246,450</u>

Bonds Payable

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

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 185,000	13,878	198,878
2015	<u>190,000</u>	<u>7,125</u>	<u>197,125</u>
	\$ <u>375,000</u>	<u>21,003</u>	<u>396,003</u>

During the year ended June 30, 2013, the County retired \$180,000 of bonds.

General Obligation Capital Loan Notes

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

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 825,000	262,230	1,087,230
2015	1,005,000	244,493	1,249,493
2016	1,035,000	221,377	1,256,377
2017	1,060,000	193,950	1,253,950
2018	1,095,000	162,150	1,257,150
2019-2021	<u>3,495,000</u>	<u>260,665</u>	<u>3,755,665</u>
	\$ <u>8,515,000</u>	<u>1,344,865</u>	<u>9,859,865</u>

During the year ended June 30, 2013, the County retired \$450,000 of notes.

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 11,400	1,870	13,270
2015	11,400	1,386	12,786
2016	<u>21,200</u>	<u>901</u>	<u>22,101</u>
	\$ <u>44,000</u>	<u>4,157</u>	<u>48,157</u>

During the year ended June 30, 2013 the County retired \$11,400 of the notes.

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014		183,068	183,068
2015		183,068	183,068
2016	\$ 860,000	183,068	1,043,068
2017	875,000	161,568	1,036,568
2018	895,000	139,693	1,034,693
2019-2022	<u>3,820,000</u>	<u>309,088</u>	<u>4,129,088</u>
	\$ <u>6,450,000</u>	<u>1,159,553</u>	<u>7,609,553</u>

On September 11, 2012 the County issued \$8,180,000 of General Obligation Loan Notes to finance constructing improvements and facilities for the treatment of waste at the sanitary sewer treatment plant for the Osage Municipal Utilities and at a waste pretreatment facility in connection with the Valent Biosciences Corporation development project, and constructing improvements to a county emergency shelter/conservation building, interest is due semi-annually with rates of .8% to 4.0% payable on December 1 and June 1 of each year. Principal payments are due annually on June 1 beginning June 1, 2015. The capital loan notes mature June 1, 2032. Details on the note agreement are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014		224,868	224,868
2015	\$ 380,000	224,868	604,868
2016	385,000	221,828	606,828
2017	385,000	217,978	602,978
2018	390,000	213,358	603,358
2019-2032	<u>6,640,000</u>	<u>1,842,615</u>	<u>8,482,615</u>
	\$ <u>8,180,000</u>	<u>2,945,515</u>	<u>11,125,515</u>

Loan Agreements

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 11,170	6,260	17,430
2015	11,890	5,540	17,430
2016	12,655	4,775	17,430
2017	13,459	3,971	17,430
2018	14,336	3,094	17,430
2019-2020	<u>31,464</u>	<u>3,396</u>	<u>34,860</u>
	\$ <u>94,974</u>	<u>27,036</u>	<u>122,010</u>

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 21,233	2,267	23,500
2015	<u>22,204</u>	<u>1,296</u>	<u>23,500</u>
	\$ <u>43,437</u>	<u>3,563</u>	<u>47,000</u>

On February 26, 2013, the County issued \$390,000 of Notes to finance the construction of Carpenter's waste water treatment plant. Principal and interest payments are due monthly. Interest is at a rate of 2.75%. Details of the loan agreement are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 5,154	10,477	15,631
2015	5,297	10,334	15,631
2016	5,445	10,186	15,631
2017	5,597	10,034	15,631
2018	5,752	9,879	15,631
2019-2050	<u>356,100</u>	<u>200,761</u>	<u>556,861</u>
	\$ <u>383,345</u>	<u>251,671</u>	<u>635,016</u>

Drainage Improvement Certificates Payable

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

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

7. **Ag Extension Building Loan**

On May 3, 2013, the Ag Extension entered into a loan agreement with the County. The loan was to pay the existing loan at Home Trust and Savings Bank. The 10 year loan for \$24,556 is payable in monthly installments of principal and interest at 2.5%.

8. **Closure and Postclosure Care Costs**

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

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

9. **Sanitary Sewer System**

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

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

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

10. **Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$322,982, \$297,793 and \$261,452 respectively, equal to the required contributions for each year.

11. Other Postemployment Benefits (OPEB)

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 69 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 47,430
Interest on net OPEB obligation	2,480
Adjustment to annual required contribution	<u>(8,396)</u>
Annual OPEB cost	41,514
Contributions made-implicit	<u>(10,276)</u>
Increase in net OPEB obligation	31,238
Net OPEB obligation beginning of year	<u>99,174</u>
Net OPEB obligation end of year	\$ <u>130,412</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. 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 \$10,276 to the medical plan.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 37,601	8.6%	\$ 63,939
June 30, 2012	40,906	7.4%	99,174
June 30, 2013	47,430	7.4%	130,412

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 \$292,511, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$292,511. 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 methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the County's funding policy. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$328.50 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

12. Risk Management

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

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

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

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2013 were \$191,629.

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2013, which covers exposures of specific losses in excess of \$750,000 with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers' compensation, including the retention of the pool, and in excess of \$400,000 per occurrence up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general liability, automobile liability, police professional, and errors and omissions. The risk pool fund records a liability for unpaid claims based on estimates of the costs of individual cases of losses and claims reported to year-end, plus a provision for losses incurred but not yet reported. The IBNR estimates are based on the past experience of the Pool upon the experience of similar organizations as determined by Arthur J. Gallagher Risk Management Services, Inc., the Pool's Broker. The Pool also works with an outside actuary on an annual basis.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Osage, Iowa

Budgetary Comparison Schedule of

Receipts, Disbursements and Changes in Balances -

Budget and Actual (Cash Basis) - All Governmental Funds

Required Supplementary Information

Year ended June 30, 2013

	Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property and other County tax	\$ 5,965,046		5,965,046	6,019,811	6,019,811	(54,765)
Interest and penalty on property tax	23,475		23,475	10,200	10,200	13,275
Intergovernmental	3,889,095		3,889,095	3,605,213	3,719,163	169,932
Licenses and permits	10,827		10,827	6,500	12,100	(1,273)
Charges for services	884,838		884,838	721,100	750,530	134,308
Use of money and property	340,477		340,477	147,032	366,232	(25,755)
Miscellaneous	1,244,339	853	1,243,486	257,019	1,707,656	(464,170)
Total receipts	12,358,097	853	12,357,244	10,766,875	12,585,692	(228,448)
Disbursements:						
Public safety and legal services	1,425,997		1,425,997	1,460,421	1,475,421	49,424
Physical health and social services	1,748,469		1,748,469	1,699,323	1,823,613	75,144
Mental health	753,545		753,545	615,000	765,000	11,455
County environment and education services	1,060,748		1,060,748	1,100,814	1,121,286	60,538
Roads and transportation	3,331,002		3,331,002	3,595,000	3,975,000	643,998
Governmental services to residents	309,713		309,713	328,200	328,200	18,487
Administrative services	2,332,995		2,332,995	1,215,051	2,365,051	32,056
Non-program	1,781	1,781				
Debt service	1,448,391		1,448,391	1,306,606	1,506,321	57,930
Capital projects	1,870,947		1,870,947	5,090,000	5,090,000	3,219,053
Total disbursements	14,283,588	1,781	14,281,807	16,410,415	18,449,892	4,168,085
Excess (deficiency) of receipts over (under) disbursements	(1,925,491)	(928)	(1,924,563)	(5,643,540)	(5,864,200)	3,939,637
Other financing sources, net	7,002,310		7,002,310	6,001,000	7,001,000	1,310
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	5,076,819	(928)	5,077,747	357,460	1,136,800	3,940,947
Balance beginning of year	3,716,120	16,073	3,700,047	3,323,484	3,323,484	376,563
Balance end of year	\$ 8,792,939	15,145	8,777,794	3,680,944	4,460,284	4,317,510

See accompanying independent auditor's report.

Mitchell County
Osage, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 12,358,097	(29,569)	12,328,528
Expenditures	14,283,588	812,404	15,095,992
Net	(1,925,491)	(841,973)	(2,767,464)
Other financing sources, net	7,002,310	(2,310)	7,000,000
Beginning fund balances	3,716,120	405,765	4,121,885
Ending fund balances	\$ 8,792,939	(438,518)	8,354,421

See accompanying independent auditor's report.

Mitchell County
Osage, Iowa

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$2,039,477. The budget amendments are reflected in the final budgeted amounts.

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

Mitchell County
Osage, Iowa

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 279,832	279,832	0.0%	3,094,000	6.8%
2011	July 1, 2009	-	270,105	270,105	0.0%	3,144,000	8.6%
2012	July 1, 2009	-	246,837	246,837	0.0%	3,323,112	7.4%
2013	July 1, 2012	-	292,511	292,511	0.0%	3,972,810	7.4%

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

See accompanying independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

MITCHELL COUNTY
Osage, Iowa

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2013

	County Disposal Closure	Local Option Sales Tax Bond Sinking Fund	Senior Health Clinic	Home Health Capital Improvement	Drug Enforcement	Resource Enhancement & Protection	County Recorder's Records Management	Drainage Districts	Conservation Land Acquisitions	Sheriff Asset Forfeiture	K-9 Fund	Urban Renewal Tax Increment	Total
ASSETS													
Cash and pooled investments	\$ 4,794	350,052		54,922	17,082	6,171	13,887	15,139	127,608	4,817	26	52,918	647,416
Receivables:													
Accounts							614						614
Accrued interest	1	71		15	23	1	3		26				140
Drainage assessments								3,259					3,259
Due from other governments		28,290											28,290
TOTAL ASSETS	<u>4,795</u>	<u>378,413</u>		<u>54,937</u>	<u>17,105</u>	<u>6,172</u>	<u>14,504</u>	<u>18,398</u>	<u>127,634</u>	<u>4,817</u>	<u>26</u>	<u>52,918</u>	<u>679,719</u>
LIABILITIES AND FUND EQUITY													
Liabilities:													
Accounts payable									590				590
Deferred revenue:													
Other								3,259					3,259
Total liabilities								3,259	590				3,849
Fund equity:													
Fund balance:													
Restricted for:													
Drainage								15,139					15,139
Other purposes	4,795	378,413		54,937	17,105	6,172	14,504		127,044	4,817	26	52,918	660,731
Total fund equity	4,795	378,413		54,937	17,105	6,172	14,504	15,139	127,044	4,817	26	52,918	675,870
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 4,795</u>	<u>378,413</u>		<u>54,937</u>	<u>17,105</u>	<u>6,172</u>	<u>14,504</u>	<u>18,398</u>	<u>127,634</u>	<u>4,817</u>	<u>26</u>	<u>52,918</u>	<u>679,719</u>

See accompanying independent auditor's report.

MITCHELL COUNTY
Osage, Iowa

Schedule 2

NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year ended June 30, 2013

	County Disposal Closure	Local Option Sales Tax Bond Sinking Fund	Senior Health Clinic	Home Health Capital Improvement	Drug Enforcement	Resource Enhancement & Protection	County Recorder's Management	Drainage Districts	Conservation Land Acquisitions	Sheriff Asset Foreiture	K-9 Fund	Urban Renewal Tax Increment	Total
REVENUES:													
Intergovernmental		347,782				9,470							357,252
Tax increment financing												787,899	787,899
Charges for services							2,524		16,425				18,949
Uses of money and property	\$ 17	1,269		210	117	17	33		5,777	9			7,449
Miscellaneous				8,567				853	2,040	1,416			12,876
Total revenues	17	349,051		8,777	117	9,487	2,557	853	24,242	1,425		787,899	1,184,425
EXPENDITURES:													
Operating:													
Public safety and legal services					1,559					4,870			6,429
Physical health and social services			8,447	6,775									15,222
County environment and education						6,455			95,199				101,654
Non-Program								1,781					1,781
Debt Service		200,768										848,983	1,049,751
Total expenditures		200,768	8,447	6,775	1,559	6,455		1,781	95,199	4,870		848,983	1,174,837
Excess (deficiency) of revenues over (under) expenditures	17	148,283	(8,447)	2,002	(1,442)	3,032	2,557	(928)	(70,957)	(3,445)		(61,084)	9,588
Other financing sources (uses):													
Transfers in									30,000				30,000
Transfers out		(200,000)											(200,000)
Total other financing sources (uses):		(200,000)							30,000				(170,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:	17	(51,717)	(8,447)	2,002	(1,442)	3,032	2,557	(928)	(40,957)	(3,445)		(61,084)	(160,412)
Fund balances beginning of year	4,778	430,130	8,447	52,935	18,547	3,140	11,947	16,067	168,001	8,262	26	114,002	836,282
Fund balances end of year	\$ 4,795	378,413		54,937	17,105	6,172	14,504	15,139	127,044	4,817	26	52,918	675,870

See accompanying independent auditor's report.

MITCHELL COUNTY
Osage, Iowa

Schedule 3

AGENCY FUNDS
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2013

	County Offices	Auto License & Use Tax	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assessment	Ag Extension Education	Other	Total
ASSETS											
Cash and pooled investments:											
County treasurer		233,685	385,297	77,126	4,221	29,344	1,653	3,734	1,805	194,138	931,003
Other County officials	\$ 58,195										58,195
Receivables:											
Property tax:											
Delinquent			339	7,621	437	2,354	208		197	743	11,899
Succeeding year			313,478	6,318,027	405,800	2,874,706	154,110		160,947	608,800	10,835,868
Accounts	255										255
Accrued interest										41	41
TOTAL ASSETS	58,450	233,685	699,114	6,402,774	410,458	2,906,404	155,971	3,734	162,949	803,722	11,837,261
LIABILITIES											
Salaries payable			6,054							2,389	8,443
Accounts payable	32,801		1,161							4,905	38,867
Due to other governments		233,685	683,999	6,402,774	410,458	2,906,404	155,971	3,734	162,949	790,988	11,750,962
Trusts payable	25,649										25,649
Compensated absences			7,900							5,440	13,340
TOTAL LIABILITIES	\$ 58,450	233,685	699,114	6,402,774	410,458	2,906,404	155,971	3,734	162,949	803,722	11,837,261

See accompanying independent auditor's report.

MITCHELL COUNTY
Osage, Iowa

Schedule 4

AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Year ended June 30, 2013

ASSETS AND LIABILITIES	County Offices	Auto License & Use Tax	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assessment	Agricultural Extension Education	Other	Total
Balance beginning of year	\$ 58,389	239,902	356,425	6,646,218	396,516	2,813,630	165,110	6,997	158,847	1,049,679	11,891,713
Additions:											
Property and other county tax			319,636	6,435,316	414,858	2,902,975	158,087		164,466	621,740	11,017,078
E-911 surcharge										96,660	96,660
State tax credits			13,303	335,400	18,198	121,203	7,435		7,776	29,355	532,670
Office fees and collections	71,807									2,909	74,716
Auto licenses, use tax and postage		3,249,975									3,249,975
Assessments								67,926			67,926
Trusts	422,933									55,738	478,671
Miscellaneous	2,671		249,821							119,745	372,237
Total additions	497,411	3,249,975	582,760	6,770,716	433,056	3,024,178	165,522	67,926	172,242	926,147	15,889,933
Deductions:											
Agency remittances:											
To other funds	163,589										163,589
To other governments	177,415	3,256,192	240,071	7,014,160	419,114	2,931,404	174,661	71,189	168,140	1,172,104	15,624,450
Trusts paid out	156,346										156,346
Total deductions	497,350	3,256,192	240,071	7,014,160	419,114	2,931,404	174,661	71,189	168,140	1,172,104	15,944,385
Balance end of year	\$ 58,450	233,685	699,114	6,402,774	410,458	2,906,404	155,971	3,734	162,949	803,722	11,837,261

See accompanying independent auditor's report.

MITCHELL COUNTY

Osage, Iowa

Schedule 5

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

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Property and other county tax	\$ 4,828,496	4,657,872	4,547,924	4,244,637	4,141,704	4,021,275	4,273,600	4,010,883	3,259,499	3,375,423
Tax increment financing	787,899	335,332								
Interest and penalty on property tax	23,793	26,819	30,520	23,982	22,504	23,232	20,062	22,033	22,511	20,380
Intergovernmental	4,189,311	4,069,375	4,472,312	4,842,456	4,779,763	4,048,490	3,599,659	3,626,941	3,580,887	3,431,000
Licenses and permits	11,772	13,485	11,724	21,239	28,071	22,484	15,250	5,475	4,965	4,445
Charges for service	898,892	1,304,483	1,050,222	1,365,594	1,669,424	1,434,600	846,795	826,869	847,642	695,362
Use of money and property	346,629	680,910	140,697	264,353	448,146	346,286	326,770	192,282	109,334	82,143
Miscellaneous	1,241,736	576,921	254,325	208,294	92,442	40,262	81,771	86,806	56,755	40,424
Total	\$ 12,328,528	11,665,197	10,507,724	10,970,555	11,182,054	9,936,629	9,163,907	8,771,289	7,881,593	7,649,177
Expenditures:										
Current:										
Public safety and legal services	\$ 1,428,657	1,395,113	1,365,825	1,480,940	1,458,357	1,394,068	1,305,710	1,261,404	1,178,288	1,124,200
Physical health and social services	1,751,877	1,589,108	1,763,706	1,086,762	1,020,561	895,289	814,105	768,857	694,819	717,634
Mental health	753,545	975,416	200,494	1,393,046	1,431,271	1,410,701	1,416,077	1,277,208	1,344,854	1,525,248
County environment and education services	1,033,116	1,998,448	1,338,562	1,245,666	1,740,562	1,219,462	664,312	805,665	577,426	608,744
Roads and transportation	3,998,926	3,114,150	3,357,019	3,485,521	3,660,581	3,126,576	3,415,976	2,686,256	2,659,391	2,269,216
Governmental services to residents	309,854	283,833	281,006	268,877	269,027	370,833	232,917	374,699	232,922	240,475
Administrative services	2,392,482	1,438,113	1,052,968	1,018,800	1,038,659	945,431	914,867	920,800	745,282	702,140
Non-program	1,781	2,837	2,353	16,207	4,606	3,120	10,115	3,257	26,763	43,329
Debt service	1,448,391	897,948	766,872	765,704	710,360	577,134	348,829	1,910,474	208,365	203,765
Capital projects	1,977,363	3,386,107	2,516,342	8,716,511	260,161	350,000	293,658	877,979	174,489	644,901
Total	\$ 15,095,992	15,081,073	12,645,147	19,478,034	11,594,145	10,292,614	9,416,566	10,886,599	7,842,599	8,079,652

See accompanying independent auditor's report.



DENNIS L. RENNER, CPA
MICHAEL J. BIRCHEM, CPA, CFP®

109 SECOND STREET N.E. • MASON CITY, IOWA 50401
4 MAIN AVENUE SOUTH • BRITT, IOWA 50423
226 WEST 4TH STREET • ST. ANSGAR, IOWA 50472

(641) 423-7155
(641) 843-3729
(641) 736-4324
(866) 259-3667

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

To the Officials of Mitchell County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mitchell County, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mitchell County's internal control over financial reporting to determine the audit procedures 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 the Mitchell County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mitchell County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Mitchell County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-13 and I-B-13 to be material weaknesses.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mitchell County's Responses to Findings

Mitchell County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Mitchell County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion of them.

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 result of that testing and not to provide an opinion on the effectiveness of the County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 4, 2014


Renner & Birchem, P.C.

MITCHELL COUNTY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

Significant Deficiencies

I-A-13 Segregation of Duties-During our review of the internal accounting control structure, the existing procedures are evaluated in order that incompatible duties, from a control viewpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements.

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

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

Conclusion-Response accepted.

I-B-13 Preparation of Full Disclosure Financial Statements-Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Mitchell County does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

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

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

Conclusion-Response accepted.

MITCHELL COUNTY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-13** **Certified Budget**-Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted which is in compliance with Chapter 384.20 of the Code of Iowa.
- II-B-13** **Questionable Expenditures**-We noted no expenditures that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-13** **Travel Expense**-No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-13** **Business Transactions**-No business transactions between the County and County officials or employees were noted.
- II-E-13** **Bond Coverage**-Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure that the coverage is adequate for current operations.
- II-F-13** **Board Minutes**-No transactions were found that we believe should have been approved in the board minutes but were not.
- II-G-13** **Deposits and Investments**-No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- II-H-13** **Resource Enhancement and Protection Certification**-The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-13** **County Extension Office**-The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and consequently, is not included in Exhibits A or B.

Disbursements for the County Extension Office during the year ended June 30, 2013 did not exceed the amount budgeted.

MITCHELL COUNTY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

However, it was noted that the County Extension Board minutes were not all signed.

Recommendation-The proper personnel should sign minutes prior to posting them in the minute book.

Response-The proper personnel will sign minutes prior to posting them in the minute book.

Conclusion-Response accepted.

II-J-13 **Public Employee Health Plan** – Monthly bank reconciliations were not prepared for the Public Employee Health Plan.

Recommendation- Bank reconciliations should be prepared monthly for all bank accounts by a person who does not sign checks, handle or record cash. Independent reviews should be preformed and the review should be evidenced by the signature or initials of the reviewer and the date of review.

Response- Bank reconciliations will be done monthly by the auditor. The clerk or another staff member will review the reconciliation and either sign or initial and date the review of the reconciliation.

Conclusion- Response accepted.

II-K-13 **Urban Renewal Annual Report** – The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1.

The County's beginning and ending cash balances of the Special Revenue, Urban Renewal Tax Increment Fund reported on the Levy Authority Summary do not agree with the County's general ledger.

Recommendation- The County should ensure the cash balances reported on the Levy Authority Summary agree with the County's records.

Response- This will be corrected on next year's report.

Conclusion-Response accepted.