

**CHICKASAW COUNTY
NEW HAMPTON, IOWA**

FINANCIAL REPORT

JUNE 30, 2014

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS	2-4
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	5-5g
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>
Government-wide Financial Statements	
Statement of Net Position	A 6
Statement of Activities	B 7
Governmental Funds Financial Statements	
Balance Sheet	C 8-9
Statement of Revenues, Expenditures, and Changes in Fund Balances	D 10-11
Proprietary Fund Financial Statements	
Statement of Net Position	E 12
Statement of Revenues, Expenses, and Changes in Net Position	F 13
Statement of Cash Flows	G 14
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position - Agency Funds	H 15
Notes to Financial Statements	16-35
Required Supplementary Information	
Budgetary Comparison Schedule	
Statement of Receipts, Disbursements, and Changes in Balance – Budget and Actual (Cash Basis) - All Governmental Funds	36
Budget to GAAP Reconciliation	37
Notes to Required Supplementary Information - Budgetary Reporting	38
Schedule of Funding Progress for the Retiree Health Plan	39
OTHER SUPPLEMENTARY INFORMATION	<u>Schedule</u>
Governmental Activities	
Nonmajor Governmental Funds	
Combining Balance Sheet	1 40
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	2 41
Nonmajor Special Revenue Funds	
Combining Balance Sheet	3 42
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	4 43
Agency Funds	
Combining Schedule of Fiduciary Assets and Liabilities	5 44
Combining Schedule of Changes in Fiduciary Assets and Liabilities	6 45
All Governmental Fund Types	
Schedule of Revenues by Source and Expenditures by Function	7 46

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	47-48
MANAGEMENT LETTER	49-51

CHICKASAW COUNTY

OFFICIALS

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

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

To the Board of Supervisors
Chickasaw County
New Hampton, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chickasaw County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chickasaw County, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and funding progress for the retiree health plan on pages 5 through 5g and pages 36 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chickasaw County's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of revenues by source and expenditures by function of the governmental funds for 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedule of revenues by source and expenditures by function of the governmental funds for 2014 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of Chickasaw County, as of and for the years ended June 30, 2005 through 2013, (none of which is presented herein), and we expressed unmodified opinions on those financial statements. Those audits were conducted for purposes of forming opinions on the financial statements that collectively comprise Chickasaw County's basic financial statements as a whole. The schedule of revenues by source and expenditures by function of the governmental funds for the years ended June 30, 2005 through 2013 presented on page 46 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2005 through 2013 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of revenues by source and expenditures by function of the governmental funds for the years ended June 30, 2005 through 2013, presented on page 46, is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2015, on our consideration of Chickasaw County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chickasaw County's internal control over financial reporting and compliance.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
January 29, 2015

CHICKASAW COUNTY
NEW HAMPTON, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Chickasaw County provides this management's discussion and analysis of Chickasaw County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 22.96%, or approximately \$2,511,000, from fiscal 2013 to fiscal 2014. Charges for services increased approximately \$125,000, while general revenues increased approximately \$1,003,000.
- Program expenses were 1.05%, or approximately \$107,000, more in fiscal 2014 than in fiscal 2013. Mental health expenses decreased approximately \$278,000, roads and transportation expenses increased approximately \$544,000.
- The County's net position increased 13.27%, or approximately \$3,144,000, from June 30, 2013 to June 30, 2014.

USING THE BASIC FINANCIAL STATEMENTS

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

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

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

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

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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, deferred inflows of resources and liabilities, with the difference reported as "net position." Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

1. **Governmental activities:** most of the County's programs and services are reported here, including public safety and legal services, physical health and social services, mental health, County environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and other non-program activities. Property tax, state tax credits and state and federal grants finance most of these activities.
2. **Business-type activities:** the County records their health insurance as an internal service fund.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds

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

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

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS (Continued)

Proprietary Fund

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

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

Fiduciary Funds

Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include agency funds that account for Emergency Management Services, the County Assessor and E-911 Service Board, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Condensed Statement of Net Position (Expressed in Thousands)			
	2014	2013	Percent Change
Current and other assets	\$ 14,102	\$ 13,312	5.93%
Capital assets	19,695	17,727	11.10%
Total assets	33,797	31,039	8.89%
Long-term debt outstanding	966	875	10.40%
Other liabilities	778	1,177	-33.90%
Total liabilities	1,744	2,052	-15.01%
Deferred inflows of resources	5,197	5,298	-1.91%
Net Position			
Net investment in capital assets	19,695	17,727	11.10%
Restricted	5,026	4,176	20.35%
Unrestricted	2,135	1,786	19.54%
Total net position	\$ 26,856	\$ 23,689	13.37%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Chickasaw County's net position for the governmental activities increased slightly from fiscal 2013 to fiscal 2014. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment). Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position-the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased for the governmental activities approximately \$326,000 or 18.25%.

The following analysis shows the changes in net position for the years ending June 30, 2014 and 2013:

	Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	2014	2013	Percent Change
Revenues:			
Program revenue			
Charges for service	\$ 2,031	\$ 1,907	6.50%
Operating grants	3,456	3,499	-1.23%
Capital grants	1,450	-	100.00%
General revenue			
Property taxes	5,206	4,228	23.13%
Local option sales tax	605	597	1.34%
Penalty and interest on property taxes	27	23	17.39%
State tax credits	280	206	35.92%
Rents	27	25	8.00%
Unrestricted investment earnings	75	56	33.93%
Gain/(Loss) on sale of capital assets	(6)	158	103.80%
Other	319	237	34.60%
Total revenues	13,470	10,936	23.17%
Program expenses:			
Public safety and legal services	1,559	1,538	1.37%
Physical health and social services	1,341	1,380	-2.83%
Mental health	502	781	-35.72%
County environment and education	569	488	16.60%
Roads and transportation	4,146	3,602	15.10%
Governmental services to residents	471	690	-31.74%
Administration	1,248	1,310	-4.73%
Non-program	467	407	14.74%
Total expenses	10,303	10,196	1.05%
Increase in net position	3,167	740	327.97%
Net position beginning of year	23,689	22,949	3.22%
Net position end of year	\$ 26,856	\$ 23,689	13.37%

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$7,970,000, a \$1,131,000 increase from the 2013 fiscal year end balance of \$6,839,000.

- The general fund revenues increased 26.09% from the prior year, and the expenditures increased by 2.40% from the prior year. The ending fund balance showed an increase of 4.04% from the prior year of \$3,266,000 to \$3,398,000.
- The County participates in a 28E agreement with 20 other counties to provide mental health services at a regional level. For the year, revenues increased 15.66% and expenditures decreased 35.74% from the prior year. The mental health fund balance at year end increased by \$208,000 from the prior year.
- Secondary roads fund revenues decreased approximately \$146,000 over the prior year. For the year, expenditures totaled \$4,300,000, a decrease of \$590,000. The secondary roads fund balance at year end increased by \$808,000, or 42.15%.
- The rural service fund revenues increased 3.70% from the prior year, and the expenditures increased by 4.33% from the prior year. The ending fund balance for the rural service fund decreased by \$80,000 or 13.90% over the prior year.

BUDGETARY HIGHLIGHTS

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

The amendment made during the 2014 fiscal year should have no impact on the 2015 fiscal year's budget.

BUDGETARY HIGHLIGHTS (Continued)

The following chart shows the original and amended budget for fiscal 2014 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule			
	(Expressed in Thousands)			
	Budget Basis	Budget Amounts		Variance
	Original	Final		
REVENUES				
Property and other County tax	\$ 5,740	\$ 5,830	\$ 5,843	\$ (103)
Interest and penalty on property tax	27	7	7	20
Intergovernmental	4,352	3,851	3,895	457
Licenses and permits	16	8	8	8
Charges for service	1,177	506	518	659
Use of money and property	133	84	84	49
Miscellaneous	183	90	90	93
Total revenues	11,628	10,376	10,445	1,183
EXPENDITURES				
Public safety and legal services	1,597	1,816	1,865	268
Physical health and social services	1,411	1,698	1,716	305
Mental health	643	647	747	104
County environment and education	574	677	707	133
Roads and transportation	4,800	4,828	4,828	28
Governmental services to residents	372	457	457	85
Administration	1,411	1,461	1,638	227
Non-program	2	2	2	-
Capital projects	284	225	474	190
Total expenditures	\$ 11,094	\$ 11,811	\$ 12,434	\$ 1,340

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, Chickasaw County had approximately \$19,695,000 invested in a broad range of capital assets, including large road equipment, infrastructure and construction in progress for the governmental activities.

The County had depreciation expense of approximately \$1,105,000 for fiscal year 2014 and total accumulated depreciation of \$16,412,000 as of June 30, 2014 for the governmental activities. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-term Liabilities

At June 30, 2014, Chickasaw County has approximately \$388,000 in estimated postclosure costs for the landfill. As postclosure expenses are incurred, such as engineering costs, or the cost of leachate disposal, the estimated costs are reduced. For fiscal year 2013, the estimate was \$409,000. The County is required to demonstrate financial assurance for the estimated costs at a minimum. At June 30, 2014, the balance restricted for postclosure costs was approximately \$527,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long-term Liabilities (Continued)

As of June 30, 2014, Chickasaw County had signed an agreement with Tyler Technologies for software products and services of \$180,980 and purchased land for \$278,250 from Louie and Linda Hugh. See Note 9 to the financial statements for more details.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

Some of the accomplishments of Chickasaw County:

- Became part of the County Social Services (CSS) Region for the MH-DD Redesign.
- Replacement property from the sale of the Price Wildlife Habitat Property.
- Tax Management Software update to Version X.
- Twenty-five percent of the City of New Hampton and Fredericksburg Hotel/Motel Tax goes to Chickasaw County Tourism, which passed November 2013.
- Transition of self-funded to partial self-funding health insurance effective January 1, 2014.
- Completion of the Veteran's Memorial and dedication on November 11, 2013.
- Supported the "rejuvenation" of the Chickasaw County Pioneer Cemetery.
- Transitioned to New Horizons/Chamber as provider of County's tourism services.
- Approved the vacation of several streets in the City of Bradford in order to correct land records.
- Authorized an assessment of the artifacts at Adolph Munson Park and later created a task force to implement the recommendations made by the independent consultant through Iowa State Historical Association.

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

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

	2011-12	2012-13	2013-14	2014-15
General Basic	2,265,296	2,291,807	2,377,941	2,409,618
Pioneer Cemetery	1,948	1,932	1,930	1,935
General Supplemental	None	None	819,330	781,721
MH-DD Services	551,593	552,627	551,601	553,448
Rural Services Basic	1,384,105	1,393,794	1,450,064	1,450,064
Tax Asking	4,202,942	4,240,160	5,196,791	5,196,786
Levy Rate	7.359	7.35066	8.52441	8.44591
Taxable Valuation	647,227,452	654,801,949	679,411,692	688,462,364

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

CHICKASAW COUNTY
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
ASSETS	
Cash and pooled investments	\$ 7,233,274
Receivables	
Property tax	
Delinquent	106,921
Succeeding year	5,196,786
Accounts	59,794
Accrued interest	5,365
Due from other governments	553,508
Inventories	786,344
Prepaid expenses	88,106
Nondepreciable assets	2,546,234
Capital assets, net of accumulated depreciation	17,148,958
Investment in insurance pool	71,330
	\$ 33,796,620
LIABILITIES AND NET POSITION	
Accounts payable	\$ 329,360
Salaries and benefits payable	72,469
Due to other governments	108,912
Long-term liabilities	
Portion due within one year	
Notes payable	36,196
Compensated absences	230,923
Portion due after one year	
Notes payable	246,838
Postclosure costs	388,298
Net OPEB obligation	330,892
	1,743,888
	\$ 5,196,786
DEFERRED INFLOWS OF RESOURCES	
Unavailable property tax revenue	5,196,786
NET POSITION	
Net investment in capital assets	19,695,192
Restricted for	
Mental health	279,729
Rural service	507,942
Secondary roads	2,725,025
Landfill postclosure costs	526,782
Capital projects	228,438
Other special revenue	358,071
Other purposes	399,681
Unrestricted	2,135,086
	26,855,946
	\$ 33,796,620

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants	Capital Grants	
Governmental activities					
Public safety and legal services	\$ 1,558,740	\$ 7,631	\$ 50,415		\$ (1,500,694)
Physical health and social services	1,341,287	813,519	446,420		(81,348)
Mental health	502,770	132,606			(370,164)
County environment and education	569,081	15,636	13,792		(539,653)
Roads and transportation	4,145,545	210,268	2,944,938	\$ 1,450,240	459,901
Governmental services to residents	470,589	298,637			(171,952)
Administration	1,247,982	130,681			(1,117,301)
Non-program	466,503	422,594			(43,909)
Total governmental activities	\$ 10,302,497	\$ 2,031,572	\$ 3,455,565	\$ 1,450,240	(3,365,120)
General revenues					
Property taxes levied for					
General purposes					5,205,597
Local option sales tax					605,165
Penalty and interest on property taxes					27,246
State tax credits					279,623
Rents					26,637
Unrestricted investment earnings					75,029
Loss on sale of capital assets					(6,161)
Miscellaneous					319,066
Total general revenues					6,532,202
Change in net position					3,167,082
Net position, beginning of year					23,688,864
Net position, end of year					\$ 26,855,946

See Notes to Financial Statements.

This Page Intentionally Left Blank

CHICKASAW COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Special Revenue	
		Mental Health	Rural Services
ASSETS			
Cash and pooled investments	\$ 3,198,026	\$ 283,485	\$ 492,761
Receivables			
Property tax			
Delinquent	78,316	13,510	15,095
Succeeding year	3,193,274	553,448	1,450,064
Accounts	55,987		
Accrued interest	4,974		
Due from other governments	110,209	37,515	
Inventories			
Investment in insurance pool	71,330		
Prepaid insurance	50,413	1,072	536
	<u>6,762,529</u>	<u>889,030</u>	<u>1,958,456</u>
Total assets	\$ 6,762,529	\$ 889,030	\$ 1,958,456
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 43,993	\$ 5,537	\$ 30
Salaries and benefits payable	39,319	161	399
Due to other governments	9,700	50,155	21
	<u>93,012</u>	<u>55,853</u>	<u>450</u>
Total liabilities	93,012	55,853	450
Deferred inflows of resources			
Succeeding year property tax	3,193,274	553,448	1,450,064
Other	78,316	13,510	15,095
	<u>3,271,590</u>	<u>566,958</u>	<u>1,465,159</u>
Total deferred inflows of resources	3,271,590	566,958	1,465,159
Fund balances			
Nonspendable			
Inventories			
Prepaid expenditures	50,413	1,072	536
Restricted for			
Mental health purposes		265,147	
Rural services purposes			492,311
Secondary roads purposes			
Landfill postclosure costs purposes			
Other special revenue purposes			
Capital projects			
Other purposes	60,623		
Assigned for economic development	288,645		
Unassigned	2,998,246		
	<u>3,397,927</u>	<u>266,219</u>	<u>492,847</u>
Total fund balances	3,397,927	266,219	492,847
Total liabilities, deferred inflows of resources and fund balances	\$ 6,762,529	\$ 889,030	\$ 1,958,456

See Notes to Financial Statements.

EXHIBIT C

<u>Special Revenue</u> <u>Secondary</u> <u>Roads</u>	<u>Governmental</u> <u>Funds</u>	<u>Governmental</u> <u>Funds</u>
\$ 1,741,385	\$ 1,101,762	\$ 6,817,419
		106,921
		5,196,786
3,640	167	59,794
	299	5,273
393,425	12,359	553,508
786,344		786,344
		71,330
36,085		88,106
<u>\$ 2,960,879</u>	<u>\$ 1,114,587</u>	<u>\$ 13,685,481</u>
\$ 155,952	\$ 1,296	\$ 206,808
32,590		72,469
24,036	25,000	108,912
212,578	26,296	388,189
		5,196,786
23,276		130,197
23,276	-	5,326,983
786,344		786,344
36,085		88,106
		265,147
		492,311
1,902,596		1,902,596
	526,782	526,782
	358,071	358,071
	228,438	228,438
		60,623
		288,645
	(25,000)	2,973,246
2,725,025	1,088,291	7,970,309
<u>\$ 2,960,879</u>	<u>\$ 1,114,587</u>	<u>\$ 13,685,481</u>

CHICKASAW COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

Reconciliation of governmental fund balances to net position	
Total governmental fund balances	\$ 7,970,309
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds, net of accumulated depreciation of \$ 16,411,663	19,695,192
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	130,197
Internal service funds are used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position	293,395
Other liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds	
Postclosure costs	(424,494)
Notes payable	(246,838)
Compensated absences	(230,923)
Net OPEB obligation	(330,892)
Net position of governmental activities	<u>\$ 26,855,946</u>

See Notes to Financial Statements.

This Page Intentionally Left Blank

CHICKASAW COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General	Special Revenue	
		Mental Health	Rural Services
REVENUES			
Property and other County tax	\$ 3,153,051	\$ 543,042	\$ 1,441,210
Local option sales tax			
Interest and penalty on property tax	27,289	30	
Intergovernmental	1,211,642	29,714	77,566
Licenses and permits	9,819		
Charges for service	786,295	132,606	1,000
Use of money and property	128,212		
Miscellaneous	141,406		
Total revenues	5,457,714	705,392	1,519,776
EXPENDITURES			
Current			
Public safety and legal services	1,578,706		6,219
Physical health and social services	1,411,998		
Mental health		496,960	
County environment and education	388,111		104,084
Roads and transportation			
Governmental services to residents	366,712		112,683
Administration	1,406,241		
Non-program	161,203		
Capital projects			
Total expenditures	5,312,971	496,960	222,986
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	144,743	208,432	1,296,790
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers out	(12,500)		(1,376,340)
	(12,500)	-	(1,376,340)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	132,243	208,432	(79,550)
FUND BALANCES, beginning of year	3,265,684	57,787	572,397
FUND BALANCES, end of year	\$ 3,397,927	\$ 266,219	\$ 492,847

See Notes to Financial Statements.

EXHIBIT D

<u>Special Revenue</u> <u>Secondary</u> <u>Roads</u>	<u>Governmental</u> <u>Funds</u>	<u>Governmental</u> <u>Funds</u>
\$ 544,650	\$ 15,462	\$ 5,152,765
2,944,937	60,516	605,166
7,500	13,792	27,319
202,768	38,230	4,277,651
44,596	3,982	17,319
	17,354	1,160,899
		132,194
		203,356
<u>3,744,451</u>	<u>149,336</u>	<u>11,576,669</u>
	25,000	1,609,925
		1,411,998
		496,960
4,171,555	84,884	577,079
	1,932	4,171,555
		481,327
		1,406,241
		161,203
128,762		128,762
<u>4,300,317</u>	<u>111,816</u>	<u>10,445,050</u>
(555,866)	37,520	1,131,619
1,363,840	25,000	1,388,840
		(1,388,840)
<u>1,363,840</u>	<u>25,000</u>	<u>-</u>
807,974	62,520	1,131,619
<u>1,917,051</u>	<u>1,025,771</u>	<u>6,838,690</u>
<u>\$ 2,725,025</u>	<u>\$ 1,088,291</u>	<u>\$ 7,970,309</u>

CHICKASAW COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities		
Net change in fund balances - total governmental funds	\$	1,131,619
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period		
Capital outlays	\$	1,629,330
Capital assets contributed by the Iowa Department of Transportation		1,450,240
Depreciation		<u>(1,104,834)</u>
		1,974,736
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		25,513
Other		<u>23,276</u>
		48,789
The net effect of disposal of capital assets		(6,161)
The internal service fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the internal service fund is reported with governmental activities		376,666
Postclosure landfill costs		20,421
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		
Notes payable		(283,034)
Compensated absences		(21,266)
Net OPEB obligation		<u>(74,688)</u>
		(378,988)
Change in net position of governmental activities	\$	<u><u>3,167,082</u></u>

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2014

	<u>Internal Service</u>
ASSETS	
Cash and pooled investments	\$ 415,855
Receivables	
Accounts	<u>92</u>
Total assets	<u>\$ 415,947</u>
LIABILITIES AND NET POSITION	
Liabilities	
Accounts payable	\$ 725
Deferred revenue	<u>121,827</u>
Total liabilities	<u>122,552</u>
Net position	
Unrestricted	<u>293,395</u>
Total liabilities and net position	<u>\$ 415,947</u>

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2014

	<u>Internal Service</u>
OPERATING REVENUES	
Charges for service	<u>\$ 1,519,747</u>
OPERATING EXPENSES	
Insurance claims paid	1,128,294
Administrative fees	<u>15,511</u>
Total operating expenses	<u>1,143,805</u>
Operating income	<u>375,942</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>724</u>
Change in net position	376,666
NET POSITION, beginning of year	<u>(83,271)</u>
NET POSITION, end of year	<u>\$ 293,395</u>

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2014

	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from interfund services provided	\$ 1,533,348
Cash payments to suppliers for services	(1,160,776)
Net cash provided by operating activities	372,572
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	724
Net increase in cash and cash equivalents	373,296
CASH and CASH EQUIVALENTS, beginning of year	42,559
CASH and CASH EQUIVALENTS, end of year	\$ 415,855
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 375,942
Adjustments to reconcile operating income to net cash provided by operating activities	
Increase in accounts receivable	1,400
Decrease in accrued interest	5
Decrease in accounts payable	(16,971)
Increase in deferred revenue	12,196
Net cash provided by operating activities	\$ 372,572

See Notes to Financial Statements.

CHICKASAW COUNTY
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2014

ASSETS

Cash and pooled investments		
County Treasurer	\$	1,099,976
Other County officials		42,112
Receivables		
Property tax		
Delinquent		44,805
Succeeding year		11,615,994
Accounts		9,245
Accrued interest		146
Due from other governments		22,557
Prepaid insurance		10,189
		<hr/>
Total assets		12,845,024
		<hr/>

LIABILITIES

Accounts payable		4,305
Salaries and benefits payable		6,270
Due to other governments		12,808,466
Trusts payable		25,983
		<hr/>
Total liabilities		12,845,024
		<hr/>

NET POSITION

\$ None

See Notes to Financial Statements.

CHICKASAW COUNTY

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

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

b. Significant Accounting Policies

Scope of Reporting Entity

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

Jointly Governed Organizations

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

Government-wide Financial Statements

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

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

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements (Continued)

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

Fund Financial Statements

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

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

Governmental

General Fund

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

Special Revenue Funds

The mental health fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities, 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 fund and the special revenue, rural services fund and other revenues to be used for secondary road construction and maintenance.

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

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Proprietary Fund Types

Internal Service Fund

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

Agency Funds

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

Measurement Focus

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

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

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

- a. All governmental fund financial statements are accounted for on current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources." Governmental fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in fund balances. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.
- b. The proprietary funds are accounted for on economic resources measurement focus. This means that all assets and liabilities, whether current or non-current, associated with their activity are included on their statement of net position.

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

b. Significant Accounting Policies (Continued)

Basis of Accounting

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

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

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principle 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 is both restricted and unrestricted net position 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.

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

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash Management, Cash Equivalents and Investments

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

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

Property Tax Receivable

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

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

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Interfund Transactions

During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

Due from Other Governments

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

Inventories

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

Prepaid Expenditures

Payments made for insurance for a future period beyond June 30, 2014 are recorded as prepaid insurance. The fund balances in the governmental fund types have been reserved for the prepaid expenditures recorded in those funds. This reflects the amount of net position not currently available for expenditure.

Capital Assets

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

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Capital Assets (Continued)

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

Asset Class	Estimated Useful Lives (in Years)
Buildings	20-50
Infrastructure	30-50
Equipment	2-20
Intangibles	5-20

Due to Other Governments

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

Trusts Payable

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

Compensated Absences

County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absence liability attributable to the governmental activities will be paid primarily by the general and secondary road funds.

Long-term Liabilities

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

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Deferred Inflows of Resources

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 inflows of resources 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the statement of net position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied.

Fund Balance

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

- *Nonspendable fund balances* are amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted fund balances* are amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.
- *Assigned fund balances* are amounts the Board of Supervisors intends to use for specific purposes.
- *Unassigned fund balance* is the remaining fund balance which is not included in other spendable classifications.

Net Position

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

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

Unrestricted net positions represent the difference between assets and liabilities that are not restricted and can be used for future obligations of the County. Unrestricted net positions are often subject to constraints imposed by management which can be removed or modified.

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

b. Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

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

Management Estimates

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

2. Deposits and Investments

The County's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Interest Rate Risk

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

NOTES TO FINANCIAL STATEMENTS

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2014:

Governmental	
General fund	
Bioterrorism	\$ 9,776
Medicare	37,718
Medicaid	36,071
Other	<u>26,644</u>
	<u>110,209</u>
 Mental health fund	
Miscellaneous state grants and reimbursements	<u>37,515</u>
 Secondary roads fund	
Local option sales tax	98,926
Road use tax	197,395
Bridge replacement	23,276
FEMA	<u>73,828</u>
	<u>393,425</u>
 Nonmajor governmental	<u>12,359</u>
 Total governmental	<u><u>\$ 553,508</u></u>

NOTES TO FINANCIAL STATEMENTS

4. **Capital Assets**

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities				
Land	\$ 2,270,313	\$ 278,250	\$ 2,329	\$ 2,546,234
Infrastructure in progress	None			None
Total non-depreciable assets	2,270,313	278,250	2,329	2,546,234
Capital assets being depreciated				
Buildings	3,813,147	93,787		3,906,934
Equipment	4,133,773	282,051	57,885	4,357,939
Vehicles	2,057,228	193,261	187,333	2,063,156
Infrastructure	21,000,371	2,232,221		23,232,592
Total capital assets being depreciated	31,004,519	2,801,320	245,218	33,560,621
Less accumulated depreciation				
Buildings	1,418,486	63,406		1,481,892
Equipment	2,215,820	256,335	54,052	2,418,103
Vehicles	1,533,240	130,688	187,334	1,476,594
Infrastructure	10,380,669	654,405		11,035,074
Total accumulated depreciation	15,548,215	1,104,834	241,386	16,411,663
Total capital assets being depreciated, net	15,456,304	1,696,486	3,832	17,148,958
Governmental activities				
Capital assets, net	\$ 17,726,617	\$ 1,974,736	\$ 6,161	\$ 19,695,192

Depreciation expense was charged to functions of the primary government for the year ended June 30, 2014 as follows:

Governmental activities	
Public safety and legal services	\$ 35,682
Physical health and social services	6,305
Mental health	6,997
County environment and education	38,643
Roads and transportation	934,382
Governmental services to residents	6,742
Administration	76,083
	<u>76,083</u>
	<u>\$ 1,104,834</u>

NOTES TO FINANCIAL STATEMENTS

5. **Due to Other Governments**

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

A summary of amounts due to other governments for the year ended June 30, 2014 is as follows:

Governmental			
General fund	Services	\$	9,700
Special revenue fund			
Secondary roads	Services		24,036
Rural services	Services		21
Mental health	Services		50,155
Ambulance	Services		25,000
			99,212
			\$ 108,912
Fiduciary			
Agency			
County offices	Collections	\$	16,129
Agricultural extension			199,419
Assessor			569,604
Schools			7,734,248
Area schools			647,111
Corporations			2,596,656
Townships			182,562
City special assessment			11,652
Auto license and use tax			321,933
Other			526,152
			\$ 12,805,466

6. **Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.95%, 5.78%, and 5.38% of their annual covered salary and the County is required to contribute 8.93%, 8.67%, and 8.07% of annual covered salary for the years ended June 30, 2014, 2013, and 2012 respectively. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$366,260, \$344,454, and \$326,238, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

7. Construction, Purchase and Other Commitments

At June 30, 2014, the total outstanding construction and purchase commitments of the County amount to \$1,126,560. Of these commitments, none will be funded by state and federal grants.

8. Leases

- The County leases farm land to Gordon Davis, Jr. for \$29,593/year from March 1, 2013 through March 1, 2016.
- The County has leased business property to Heritage Regional Services for \$2,925/month from July 1, 2013 through December 31, 2013 and \$1/year thereafter.
- The County leases farm land to Bruce Lantzky for \$13,140/year from March 1, 2014 through February 28, 2017.
- The County leases farm land to Dale Rosonke for \$6,250/year from March 1, 2013 through February 28, 2016.
- The County leases a commercial building from AgVantage FS for \$1,000 a month from January 1, 2011 through December 31, 2015.

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

Year ended June 30, 2015 \$ 6,000

Total lease expense for the year ended June 30, 2014 was \$12,000.

9. Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	<u>Estimated Liability for Landfill Postclosure Costs</u>	<u>Compensated Absences</u>	<u>Notes Payable</u>	<u>Total</u>
Balance, beginning of year	\$ 408,719	\$ 209,657	\$ None	\$ 618,376
Additions	None	230,923	459,230	690,153
Reductions	(20,421)	(209,657)	(176,196)	(406,274)
Balance, end of year	<u>\$ 388,298</u>	<u>\$ 230,923</u>	<u>\$ 283,034</u>	<u>\$ 902,255</u>
Due within one year	<u>\$ None</u>	<u>\$ 230,923</u>	<u>\$ 36,196</u>	<u>\$ 267,119</u>

Notes Payable

In March 2013, the County signed an agreement with Tyler Technologies totaling \$180,980 due in annual payments of \$36,196 for software products and services starting March 2014 through March 2018.

In August 2013, the County purchased land from Louie and Linda Hugh for \$278,250 due in two annual payments, with no interest and final payment due in August 2015.

NOTES TO FINANCIAL STATEMENTS

9. **Long-term Liabilities (Continued)**

A summary of the principal maturities of debt is as follows:

Year ending June 30,	Principal
2015	\$ 36,196
2016	174,446
2017	36,196
2018	36,196
	\$ 283,034

At June 30, 2014, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$ 704,845,945
Debt limit - 5% of total assessed valuation	\$ 35,242,297
Debt applicable to debt limit	
Notes payable	(283,034)
Legal debt margin	\$ 34,959,263

Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County has stopped accepting waste at the landfill. The \$388,298 reported as estimated liability for landfill postclosure care costs at June 30, 2014, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all postclosure care during the year ended June 30, 2014. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

In anticipation of State regulations requiring municipal solid waste landfills to demonstrate financial responsibility for the costs of closure and postclosure care, the County has restricted \$526,782 as of June 30, 2014 for such purposes. These funds are reflected as a restriction of fund balance within the special revenue-landfill postclosure costs fund.

NOTES TO FINANCIAL STATEMENTS

10. **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

	Transfers In	Transfers Out
General fund		\$ 12,500
Special revenue		
Rural services		1,376,340
Secondary roads	\$ 1,363,840	
	1,363,840	1,376,340
Nonmajor governmental	25,000	None
Total	\$ 1,388,840	\$ 1,388,840

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

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

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding 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.

NOTES TO FINANCIAL STATEMENTS

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	87,087
Interest on net OPEB obligation		6,405
Adjustment to annual required contribution		<u>(17,715)</u>
Annual OPEB cost		75,777
Contributions made		<u>(1,089)</u>
Increase in net OPEB obligation		74,688
Net OPEB obligation beginning of year		<u>256,204</u>
Net OPEB obligation end of year	\$	<u><u>330,892</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the County contributed \$1,089 to the medical plan. Plan members eligible for benefits contributed \$193,415 or 22.20% of the premium costs.

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, 2014 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 72,570	4.88%	\$ 181,502
June 30, 2013	\$ 79,883	.70%	\$ 256,204
June 30, 2014	\$ 87,087	1.25%	\$ 330,892

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$439,947, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$439,947. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,060,000 and the ratio of the UAAL to covered payroll was 10.8%. As of June 30, 2014, there were no trust fund assets.

11. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to financial statements, 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 provide 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 long-term perspective of the calculations.

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

Mortality rates are from RP-2000 Combined Mortality Table projected to 2014 using Scale AA.

12. Contingent Liabilities

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited by granting authorities but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

13. Risk Management

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

13. Risk Management (Continued)

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

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

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the pool for the year ended June 30, 2014 were \$365,478.

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

The pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificates, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

14. Employee Health Insurance Plan

As of January 1, 2003, the County used a fully self-funded health insurance plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Midwest Benefits, Inc. The agreement is subject to automatic renewal provisions. Monthly payments of service fees and plan contributions to the Chickasaw County health self-funding fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Midwest Benefits, Inc. from the Chickasaw County health insurance fund. The County records the plan assets and related liabilities of the Chickasaw County health insurance funding as an internal service fund. The County's contribution to the fund for the year ended June 30, 2014 was \$1,202,265.

Amounts payable from the health insurance fund at June 30, 2014 totaled \$725, which is for incurred but unpaid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. An analysis of claims activity in the internal service fund follows:

- Chickasaw County had a deficit fund balance in the internal service fund for 2 consecutive years ending June 30, 2013. Subsequent to year end June 30, 2013, the County has decided to change to partially self-funded as of January 1, 2014, due to the increasing cost with health insurance.
- The County established a partially self-funded group medical plan, which is on a fiscal year basis. The plan allows the County lower monthly premiums for coverage in exchange for the potential of claims actually filed. If all the covered individuals submitted the maximum claim to be paid by the County, the total would be \$285,000. As of June 30, 2014, \$35,523 in claims had been paid. As of June 30, 2014, the County had a balance of \$104,417 in their self-fund cash account maintained by Employee Benefits Systems to pay for claims.

15. Fund Balance Deficit

As of June 30, 2014, the ambulance fund has a deficit fund balance. The deficit in the ambulance fund is due to timing of payments.

16. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued one statement not yet implemented by the County. The statement which might impact the County is as follows:

GASB Statement 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, issued June 2012, will be effective for the fiscal year ended June 30, 2015. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions which are provided by other entities. In addition, the statement of net position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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

NOTES TO FINANCIAL STATEMENTS

17. **Accounting Change**

GASB Statement 65, *Items Previously Classified as Assets and Liabilities*; and No. 66 *Technical Corrections–2012, an amendment of GASB Statements 10 and 62*, were implemented during fiscal year 2014.

18. **Subsequent Event**

Management has evaluated subsequent events through January 29, 2015, the date on which the financial statements were available to be issued.

Required Supplementary Information

CHICKASAW COUNTY
 BUDGETARY COMPARISON SCHEDULE
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 June 30, 2014

	Actual/Budget	Budget Amounts		Final to Actual Variance-Positive (Negative)
		Original	Final	
RECEIPTS				
Property and other County tax	\$ 5,739,632	\$ 5,830,322	\$ 5,843,316	\$ (103,684)
Interest and penalty on property tax	27,121	6,617	6,617	20,504
Intergovernmental	4,351,828	3,851,416	3,895,548	456,280
Licenses and permits	16,465	8,050	8,050	8,415
Charges for service	1,176,342	506,126	517,833	658,509
Use of money and property	133,223	83,887	83,887	49,336
Miscellaneous	183,372	89,550	89,550	93,822
Total receipts	11,627,983	10,375,968	10,444,801	1,183,182
DISBURSEMENTS				
Public safety and legal services	1,597,004	1,816,491	1,865,052	268,048
Physical health and social services	1,411,041	1,698,439	1,716,139	305,098
Mental health	642,907	647,211	747,211	104,304
County environment and education	573,654	676,514	706,288	132,634
Roads and transportation	4,799,764	4,828,301	4,828,301	28,537
Governmental services to residents	371,824	457,419	457,419	85,595
Administration	1,410,652	1,460,737	1,637,987	227,335
Non-program	2,000	2,100	2,100	100
Capital projects	284,550	224,710	473,616	189,066
Total disbursements	11,093,396	11,811,922	12,434,113	1,340,717
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	534,587	(1,435,954)	(1,989,312)	2,523,899
OTHER FINANCING SOURCES, NET	3,980	500	500	3,480
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	538,567	(1,435,454)	(1,988,812)	2,527,379
BALANCE, beginning of year	6,278,852	5,134,772	6,278,852	-
BALANCE, end of year	\$ 6,817,419	\$ 3,699,318	\$ 4,290,040	\$ 2,527,379

See Notes to Required Supplementary Information.

CHICKASAW COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 BUDGET TO GAAP RECONCILIATION
 For the Year Ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 11,627,983	\$ (51,314)	\$ 11,576,669
Expenditures	11,093,396	(648,346)	10,445,050
Net	534,587	597,032	1,131,619
Other financing sources, net	3,980	(3,980)	-
Beginning fund balance	6,278,852	559,838	6,838,690
Ending fund balance	<u>\$ 6,817,419</u>	<u>\$ 1,152,890</u>	<u>\$ 7,970,309</u>

See Notes to Required Supplementary Information.

CHICKASAW COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2014

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are:

1. Public safety and legal services
2. Physical health and social services
3. Mental health
4. County environment and education
5. Roads and transportation
6. Governmental services to residents
7. Administration
8. Non-program
9. Debt service
10. Capital projects

Function disbursements required to be budgeted include disbursements for the general fund, special revenue fund, debt service fund and capital projects fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted revenues by \$68,833 and increased budgeted disbursements by \$622,191. The budget amendments are reflected in the final budgeted amounts.

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

See Independent Auditor's Report.

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

Fiscal Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 526	\$ 526	0.0%	\$ 3,378	15.6%
2011	July 1, 2009	-	\$ 526	\$ 526	0.0%	\$ 3,403	15.5%
2012	July 1, 2009	-	\$ 526	\$ 526	0.0%	\$ 3,583	14.7%
2013	July 1, 2012	-	\$ 486	\$ 486	0.0%	\$ 3,669	13.2%
2014	July 1, 2012	-	\$ 440	\$ 440	0.0%	\$ 4,060	10.8%

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 Independent Auditor's Report.

Other Supplementary Information

CHICKASAW COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and pooled investments	\$ 873,324	\$ 228,438	\$ 1,101,762
Receivables			
Accounts	167		167
Accrued interest	299		299
Due from other governments	12,359		12,359
	<u>886,149</u>	<u>228,438</u>	<u>1,114,587</u>
Total assets	<u>\$ 886,149</u>	<u>\$ 228,438</u>	<u>\$ 1,114,587</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,296		\$ 1,296
Due to other governments	25,000		25,000
	<u>26,296</u>	<u>\$ -</u>	<u>26,296</u>
Total liabilities	<u>26,296</u>	<u>\$ -</u>	<u>26,296</u>
Fund balances			
Restricted for:			
REAP grant	34,866		34,866
Landfill	526,782		526,782
Capital projects		228,438	228,438
Other purposes	323,205		323,205
Unassigned	(25,000)		(25,000)
	<u>859,853</u>	<u>228,438</u>	<u>1,088,291</u>
Total fund balances	<u>859,853</u>	<u>228,438</u>	<u>1,088,291</u>
	<u>\$ 886,149</u>	<u>\$ 228,438</u>	<u>\$ 1,114,587</u>
Total liabilities and fund balances	<u>\$ 886,149</u>	<u>\$ 228,438</u>	<u>\$ 1,114,587</u>

See Independent Auditor's Report.

CHICKASAW COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2014

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Property and other County tax	\$ 15,462		\$ 15,462
Local option sales tax	60,516		60,516
Intergovernmental	13,792		13,792
Charges for service	38,230		38,230
Use of money and property	3,982		3,982
Miscellaneous	12,354	\$ 5,000	17,354
Total revenues	144,336	5,000	149,336
EXPENDITURES			
Operating			
Public safety and legal services	25,000		25,000
County environment and education	84,884		84,884
Governmental services to residents	1,932		1,932
Total expenditures	111,816	-	111,816
EXCESS OF REVENUES OVER EXPENDITURES	32,520	5,000	37,520
OTHER FINANCING SOURCES			
Operating transfers in	25,000		25,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	57,520	5,000	62,520
FUND BALANCES, beginning of year	802,333	223,438	1,025,771
FUND BALANCES, end of year	\$ 859,853	\$ 228,438	\$ 1,088,291

See Independent Auditor's Report.

This Page Intentionally Left Blank

CHICKASAW COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2014

	REAP	Recorder's Records Management	County Betterment
ASSETS			
Cash and pooled investments	\$ 34,865	\$ 5,802	\$ 166,178
Receivables			
Accounts		167	
Accrued interest	1	1	
Due from other governments			9,892
Total assets	\$ 34,866	\$ 5,970	\$ 176,070
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable			
Due to other governments			
Total liabilities	\$ -	\$ -	\$ -
Fund balances			
Restricted for:			
REAP grant	34,866		
Landfill			
Other purposes		5,970	176,070
Unassigned			
Total fund balances	34,866	5,970	176,070
Total liabilities and fund balances	\$ 34,866	\$ 5,970	\$ 176,070

See Independent Auditor's Report.

SCHEDULE 3

<u>Economic Development</u>	<u>Ambulance</u>	<u>Tourism</u>	<u>Landfill Postclosure Costs</u>	<u>Total Special Revenue</u>
\$ 122,156		\$ 17,432	\$ 526,891	\$ 873,324
				167
			297	299
		2,467		12,359
<u>\$ 122,156</u>	<u>\$ -</u>	<u>\$ 19,899</u>	<u>\$ 527,188</u>	<u>\$ 886,149</u>
	\$ 25,000	\$ 890	\$ 406	\$ 1,296
				25,000
<u>\$ -</u>	<u>25,000</u>	<u>890</u>	<u>406</u>	<u>26,296</u>
				34,866
122,156		19,009	526,782	526,782
	(25,000)			323,205
				(25,000)
<u>122,156</u>	<u>(25,000)</u>	<u>19,009</u>	<u>526,782</u>	<u>859,853</u>
<u>\$ 122,156</u>	<u>\$ -</u>	<u>\$ 19,899</u>	<u>\$ 527,188</u>	<u>\$ 886,149</u>

This Page Intentionally Left Blank

CHICKASAW COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2014

	REAP	Recorder's Records Management	County Betterment
REVENUES			
Property and other County tax			
Local option sales tax			\$ 60,516
Intergovernmental	\$ 13,792		
Charges for service		\$ 2,230	
Use of money and property	14	17	
Miscellaneous			
Total revenues	<u>13,806</u>	<u>2,247</u>	<u>60,516</u>
EXPENDITURES			
Operating			
Public safety and legal services			
County environment and education			49,993
Governmental services to residents		1,932	
Total expenditures	<u>-</u>	<u>1,932</u>	<u>49,993</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>13,806</u>	<u>315</u>	<u>10,523</u>
OTHER FINANCING SOURCES			
Transfers in			
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>13,806</u>	<u>315</u>	<u>10,523</u>
FUND BALANCES, beginning of year	<u>21,060</u>	<u>5,655</u>	<u>165,547</u>
FUND BALANCES, end of year	<u>\$ 34,866</u>	<u>\$ 5,970</u>	<u>\$ 176,070</u>

See Independent Auditor's Report.

SCHEDULE 4

<u>Economic Development</u>	<u>Ambulance</u>	<u>Tourism</u>	<u>Landfill Postclosure Costs</u>	<u>Total Special Revenue</u>
		\$ 15,462		\$ 15,462
				60,516
				13,792
\$ 36,000			\$ 3,951	38,230
		12,354		3,982
				12,354
<u>36,000</u>	<u>\$ -</u>	<u>27,816</u>	<u>3,951</u>	<u>144,336</u>
	25,000			25,000
500		10,527	23,864	84,884
				1,932
<u>500</u>	<u>25,000</u>	<u>10,527</u>	<u>23,864</u>	<u>111,816</u>
<u>35,500</u>	<u>(25,000)</u>	<u>17,289</u>	<u>(19,913)</u>	<u>32,520</u>
	25,000			25,000
35,500	-	17,289	(19,913)	57,520
<u>86,656</u>	<u>(25,000)</u>	<u>1,720</u>	<u>546,695</u>	<u>802,333</u>
<u>\$ 122,156</u>	<u>\$ (25,000)</u>	<u>\$ 19,009</u>	<u>\$ 526,782</u>	<u>\$ 859,853</u>

This Page Intentionally Left Blank

CHICKASAW COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash and pooled investments				
County Treasurer		\$ 2,385	\$ 198,649	\$ 96,052
Other County Officials	\$ 42,112			
Receivables				
Property tax				
Delinquent		657	1,279	25,638
Succeeding year		196,377	367,515	7,615,558
Accounts				
Accrued interest			55	
Due from other governments				
Prepaid insurance			4,290	
Total assets	\$ 42,112	\$ 199,419	\$ 571,788	\$ 7,737,248
LIABILITIES				
Accounts payable			\$ 343	
Salaries and benefits payable			1,841	
Due to other governments	\$ 16,129	\$ 2,385	200,810	\$ 96,052
Trusts payable	25,983			
Unavailable property tax revenue		197,034	368,794	7,641,196
Other				
Total liabilities	\$ 42,112	\$ 199,419	\$ 571,788	\$ 7,737,248

See Independent Auditor's Report.

Area Schools	Corporations	Townships	City Special Assessment	Auto License and Use Tax	Other	Total
\$ 7,470	\$ 24,278	\$ 2,433	\$ 930	\$ 321,933	\$ 445,846	\$ 1,099,976 42,112
2,114	14,430	687				44,805
637,527	2,557,948	179,442	10,722		50,905	11,615,994
					9,245	9,245
					91	146
					22,557	22,557
					5,899	10,189
<u>\$ 647,111</u>	<u>\$ 2,596,656</u>	<u>\$ 182,562</u>	<u>\$ 11,652</u>	<u>\$ 321,933</u>	<u>\$ 534,543</u>	<u>\$ 12,845,024</u>
					\$ 3,962	\$ 4,305
					4,429	6,270
\$ 7,470	\$ 24,278	\$ 2,433	\$ 930	\$ 321,933	452,690	1,125,110
						25,983
639,641	2,572,378	180,129	10,722		50,905	11,660,799
					22,557	22,557
<u>\$ 647,111</u>	<u>\$ 2,596,656</u>	<u>\$ 182,562</u>	<u>\$ 11,652</u>	<u>\$ 321,933</u>	<u>\$ 534,543</u>	<u>\$ 12,845,024</u>

This Page Intentionally Left Blank

CHICKASAW COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
 ASSETS AND LIABILITIES - AGENCY FUNDS
 For the Year Ended June 30, 2014

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Schools</u>
ASSETS AND LIABILITIES				
Balances, beginning of year	\$ 29,327	\$ 198,248	\$ 775,731	\$ 7,840,979
Additions				
Property tax		185,237	371,682	7,578,678
E-911 surcharge				
State tax credits		17,998	20,528	421,771
Office fees and collections	284,637		114	
Auto licenses, use tax and postage				
Trusts	191,561			
Miscellaneous	48,060		4,185	
Total additions	<u>524,258</u>	<u>203,235</u>	<u>396,509</u>	<u>8,000,449</u>
Deductions				
Agency remittances				
To other funds	117,355			
To other governments	154,497	202,064	600,452	8,104,180
Miscellaneous	48,060			
Trusts paid out	191,561			
Total deductions	<u>511,473</u>	<u>202,064</u>	<u>600,452</u>	<u>8,104,180</u>
Balances, end of year	<u>\$ 42,112</u>	<u>\$ 199,419</u>	<u>\$ 571,788</u>	<u>\$ 7,737,248</u>

See Independent Auditor's Report.

<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessment</u>	<u>Auto License and Use Tax</u>	<u>Other</u>	<u>Total</u>
\$ 636,311	\$ 2,540,212	\$ 181,950	\$ 18,437	\$ 312,492	\$ 686,426	\$ 13,220,113
608,463	2,376,892	178,585	3,869		455,291	11,758,697
33,207	148,868	9,682			145,095	145,095
					8,407	660,461
					300,061	584,812
				4,501,203		4,501,203
						191,561
					121,365	173,610
<u>641,670</u>	<u>2,525,760</u>	<u>188,267</u>	<u>3,869</u>	<u>4,501,203</u>	<u>1,030,219</u>	<u>18,015,439</u>
630,870	2,469,316	187,655	10,654	71,170		188,525
				4,420,592	1,125,430	17,895,056
					56,672	115,386
						191,561
<u>630,870</u>	<u>2,469,316</u>	<u>187,655</u>	<u>10,654</u>	<u>4,491,762</u>	<u>1,182,102</u>	<u>18,390,528</u>
<u>\$ 647,111</u>	<u>\$ 2,596,656</u>	<u>\$ 182,562</u>	<u>\$ 11,652</u>	<u>\$ 321,933</u>	<u>\$ 534,543</u>	<u>\$ 12,845,024</u>

This Page Intentionally Left Blank

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

	Modified Accrual			
	2014	2013	2012	2011
REVENUES				
Property and other County tax	\$ 5,152,765	\$ 4,217,734	\$ 4,181,641	\$ 3,968,101
Local option sales tax	605,166	597,359	651,622	611,641
Interest and penalty on property tax	27,319	23,279	26,836	30,306
Intergovernmental	4,277,651	4,197,677	4,649,596	4,611,574
Licenses and permits	17,319	16,954	17,822	13,844
Charges for service	1,160,899	1,008,065	1,308,426	874,227
Use of money and property	132,194	129,289	126,804	148,427
Miscellaneous	203,356	188,247	188,405	185,010
Total revenues	\$ 11,576,669	\$ 10,378,604	\$ 11,151,152	\$ 10,443,130
EXPENDITURES				
Current				
Public safety and legal services	\$ 1,609,925	\$ 1,517,186	\$ 1,368,905	\$ 1,428,216
Physical health and social services	1,411,998	1,392,454	1,238,753	1,202,121
Mental health	496,960	773,331	1,267,928	1,056,831
County environment and education	577,079	530,822	538,901	496,085
Roads and transportation	4,171,555	4,266,309	4,613,869	4,586,521
Governmental services to residents	481,327	679,124	332,623	331,642
Administration	1,406,241	1,375,678	1,379,868	1,253,406
Non-program	161,203	2,013	2,022	2,024
Capital projects	128,762	623,961	510,377	306,314
Total expenditures	\$ 10,445,050	\$ 11,160,878	\$ 11,253,246	\$ 10,663,160

See Independent Auditor's Report.

Modified Accrual					
2010	2009	2008	2007	2006	2005
\$ 3,969,501	\$ 3,918,998	\$ 3,617,898	\$ 3,541,239	\$ 3,977,411	\$ 3,695,464
536,539	645,155	635,468	633,591	490,913	495,598
27,705	25,694	26,881	28,360	24,732	25,617
4,288,108	5,433,764	4,121,929	4,411,154	4,065,174	3,940,560
36,460	13,025	13,043	14,791	15,201	12,260
899,135	867,848	792,280	637,096	653,626	686,820
274,230	188,421	299,578	363,080	244,136	173,860
219,724	234,214	121,828	278,898	148,077	139,365
<u>\$ 10,251,402</u>	<u>\$ 11,327,119</u>	<u>\$ 9,628,905</u>	<u>\$ 9,908,209</u>	<u>\$ 9,619,270</u>	<u>\$ 9,169,544</u>
\$ 1,368,322	\$ 1,299,654	\$ 1,243,205	\$ 1,178,065	\$ 1,155,863	\$ 1,112,189
1,333,575	1,276,889	1,212,382	1,172,291	1,078,649	1,125,307
980,503	1,025,410	1,193,450	1,171,598	994,267	986,241
488,552	656,404	549,175	408,617	628,992	477,599
4,085,263	4,208,117	4,161,107	3,531,863	3,337,844	3,573,374
394,067	387,689	365,589	337,670	497,853	354,532
1,044,423	887,979	777,028	960,981	861,831	835,439
	4,664				100,108
196,445	226,493	604,555	1,012,022	671,495	219,487
<u>\$ 9,891,150</u>	<u>\$ 9,973,299</u>	<u>\$ 10,106,491</u>	<u>\$ 9,773,107</u>	<u>\$ 9,226,794</u>	<u>\$ 8,784,276</u>

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

To the Board of Supervisors
Chickasaw County
New Hampton, Iowa

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chickasaw County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Chickasaw County's basic financial statements and have issued our report thereon dated January 29, 2015.

Internal Control over Financial Reporting

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

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

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

Overlapping Duties

The County's offices are not large enough to permit an adequate segregation of duties for effective internal controls. The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Criteria

A properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Recommendation

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

Response and Corrective Action Planned

Management is cognizant of this limitation and will implement additional procedures whenever possible.

Conclusion

Response acknowledged.

Compliance and Other Matters

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

Chickasaw County's Response to Finding

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

Purpose of this Report

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
January 29, 2015

MANAGEMENT LETTER

To the Board of Supervisors
Chickasaw County
New Hampton, Iowa

In planning and performing our audit of the basic financial statements of Chickasaw County for the year ended June 30, 2014, we considered the County's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the County's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 11 below are compliance comments required by the Iowa Auditor of State. A separate report dated January 29, 2015, contains our report on the County's internal control over financial reporting. This letter does not affect our report dated January 29, 2015 on the basic financial statements of Chickasaw County. All prior year statutory comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the County's response and, accordingly, we express no opinion on it.

1. Certified Budget

Disbursements for the year ended June 30, 2014 did not exceed the amounts budgeted for any function.

2. Questionable Expenditures

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

3. Travel Expense

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

4. Business Transactions

We noted no business transactions between the County and County officials and/or employees for the year ended June 30, 2014.

5. Bond Coverage

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

6. Board Minutes

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

7. Deposits and Investments

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

8. Resource Enhancement and Protection Certification

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

9. County Extension Office

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

Disbursements during the year ended June 30, 2014 for the County Extension Office did not exceed the amount budgeted.

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

10. Financial Assurance

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

11. Tax Increment Financing (TIF)

For the year ended June 30, 2014, the County Auditor's office performed their duties in accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa and completed reconciliations of each City's TIF receipts and TIF debt certified.

12. Court Debt

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

Recommendation

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

Response

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

Conclusion

Response accepted.

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

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

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
January 29, 2015