

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

June 30, 2014

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MITCHELL COUNTY
Osage, Iowa

OFFICIALS

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



Renner & Birchem, PC

Certified Public Accountants

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Independent Auditor's Report

To the Board of Supervisors
Mitchell County
Osage, Iowa

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

U.S generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 10 and 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mitchell County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the years ended June 30, 2013, 2012, 2011, 2010, 2009, and 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements and supplemental data for the years ended June 30, 2007, 2006, and 2005 (none of which are presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unqualified opinions on those financial statements and supplemental data. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2015 on our consideration of Mitchell County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Mitchell County's internal control over financial reporting and compliance.

March 25, 2015

Renner & Birchem, P.C.
Renner & Birchem, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mitchell County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of Mitchell County is for the fiscal year ended June 30, 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 4.9% or approximately \$551,000, from fiscal 2013 to fiscal 2014. Property taxes increased approximately \$166,000, operating grants and contributions increased approximately \$135,000, capital grants and contributions increased approximately \$25,000 and charges for services increased \$143,000.
- Program expenses were 2.9% or approximately \$381,000 less in fiscal 2014 than in fiscal 2013. Roads and transportation increased approximately \$98,000.
- The County's net position decreased 8.4%, or approximately \$710,000 from June 30, 2013 to June 30, 2014.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The Statement of Net Position presents all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

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

Fund Financial Statements

The County has two types of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Mitchell County's combined net position decreased from a year ago, decreasing from \$8,446,000 to \$7,736,000.

Net Position of Governmental Activities

(Expressed in Thousands)

	June 30	
	2014	2013 (Restated)
Current and Other Assets		
Capital Assets	\$22,696	15,547
Total Assets	32,315	24,398
	55,011	39,945
Long-Term Debt Outstanding	39,480	24,406
Other Liabilities	1,020	1,199
Total Liabilities	40,500	25,605
Deferred inflows of resources	6,775	5,894
Net Position:		
Invested in Capital Assets, Net of debt	3,754	5,626
Restricted	1,532	1,955
Unrestricted	2,450	865
Total Net Position	\$7,736	8,446

Net position of the County's governmental activities decreased by approximately 8.4%, \$8,446,000 compared to \$7,736,000. The largest portion of the County's net position is the Invested in Capital Assets (infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Changes in Net Position of Governmental Activities

(Expressed in Thousands)

	Year ended June 30	
	2014	2013 (Restated)
Program Revenues:		
Charges for service	\$ 753	610
Operating grants and contributions	3,614	3,479
Capital grants and contributions	49	24
Property taxes	4,841	4,675
Unrestricted investments earnings	48	55
Other general revenues	2,541	2,452
Total revenues	11,846	11,295
Program Expenses:		
Public safety and legal services	1,445	1,494
Physical health and social services	1,556	1,772
Mental health	551	754
County environment and education	969	914
Roads and transportation	4,997	4,899
Government services to residents	372	351
Administration	2,061	2,450
Non-program	69	2
Interest on long-term debt	536	301
Total expenses	12,556	12,937
Increase (decrease) in net position	(710)	(1,642)
Net position beginning of year	8,446	10,088
Net position end of year	\$7,736	8,446

The County's revenue increased 4.9% (\$551,000). The total cost of programs and services decreased 2.9%, (\$381,000) with no new programs added this year.

The cost of all governmental activities this year was \$12.6 million compared to \$12.9 million last year. However, as shown in the Statement of Activities on page 13, the amount ultimately financed for these activities through County taxes and other unrestricted revenues was only \$8.1 million because some of the cost was paid by those directly benefited from the programs (\$753,334) or by governments and organizations that subsidized certain programs with grants and contributions (\$3,662,996).

INDIVIDUAL MAJOR FUNDS

As Mitchell County completed the year, its governmental funds reported a combined fund balance of \$14,826,389, which is \$6,471,968 above last year's total of \$8,354,421. The following are the major reasons for the changes in fund balances from the prior year.

General Basic – Increase of \$1,651,089 due to an increase in miscellaneous revenue.

Mental Health – Decrease of \$35,042 due to normal operations.

Rural Services- Decrease of \$17,368 due to normal operations.

Secondary Roads –Decrease of \$426,693 due to normal operations.

Debt Service – Increase of \$1,033 due to normal operations.

Capital Projects – Increase of \$5,256,819 due to general obligation bonds issued.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mitchell County amended its budget two times. Total increase of expenditures was \$4,369,250.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, Mitchell County had approximately \$32.3 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$7,917,000.

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

	June 30	
	2014	2013 (Restated)
Land	\$ 2,586	2,235
Construction in Progress	9,889	1,977
Buildings and Improvements	3,782	3,979
Equipment and vehicles	1,614	1,172
Infrastructure	14,444	15,035
Total	\$32,315	24,398

The County had depreciation expense of \$1,229,551 for the year ended June 30, 2014 and total accumulated depreciation as of June 30, 2014 of \$9,982,224.

Debt Administration

At June 30, 2014, the County had approximately \$39,135,000 in general obligation bonds and other debt outstanding compared to approximately \$24,089,000 at June 30, 2013, as shown below.

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

	June 30	
	2014	2013
LOSST Bonds	\$ 190	375
G.O. Capital Loan Notes	37,283	23,189
Loan Agreements	1,659	522
Drainage Improvement Certificates	3	3
Total	<u>\$39,135</u>	<u>24,089</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Mitchell County's outstanding general obligation debt is below its constitutional debt limit of approximately \$53 million. More detail about the County's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Mitchell County's elected and appointed officials and citizens considered many factors when setting the 2015 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy which includes oil, gas prices and utility costs. Others include land valuations and the consumer price index (CPI). The County has added no major programs or initiative to the 2015 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

Mitchell County
Osage, Iowa

Exhibit A

Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 14,866,662
Receivables:	
Property tax:	
Delinquent	6,594
Succeeding year	6,774,635
Accounts	525,919
Interest	1,152
Drainage assessments	2,607
Due from other governments	100,952
Inventories	417,631
Capital assets (net of accumulated depreciation)	32,314,597
Total assets	<u>55,010,749</u>
Liabilities	
Accounts payable	877,308
Salaries and benefits payable	142,866
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	1,686,400
Local option sales tax revenue bonds	190,000
Loan agreements	539,248
Drainage certificates payable	652
Compensated absences	184,871
Portion due or payable after one year:	
General obligation notes	35,596,200
Loan agreements	1,119,630
Drainage certificates payable	1,955
Net OPEB liability	160,692
Total liabilities	<u>40,499,822</u>
Deferred Inflows of Resources	
Succeeding year property tax	<u>6,774,635</u>
Net Position	
Invested in capital assets, net of related debt	3,754,058
Restricted for:	
Mental health purposes	140,703
Secondary roads purposes	510,192
Other purposes	881,063
Unrestricted	2,450,276
Total net position	<u>\$ 7,736,292</u>

See notes to financial statements.

Statement of Activities
Year ended June 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue Changes in Net Position
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,445,385	81,442			(1,363,943)
Physical health and social services	1,555,904	163,460	791,052		(601,392)
Mental health	550,883		292		(550,591)
County environment and education	969,338	128,897	13,264		(827,177)
Roads & transportation	4,997,046	379,535	2,502,605	49,453	(2,065,453)
Governmental services to residents	372,270		306,330		(65,940)
Administrative services	2,060,552				(2,060,552)
Non-program	69,483				(69,483)
Interest/fees on long-term debt	535,954				(535,954)
Total	\$ 12,556,815	753,334	3,613,543	49,453	(8,140,485)
General Revenues:					
Property and other county tax levied for:					
General purposes					4,624,467
Debt service					216,594
Penalty and interest on property tax					25,045
State tax credits					598,789
Tax increment financing					1,223,360
Local option sales tax					566,924
Unrestricted investment earnings					48,145
Miscellaneous					127,002
Total general revenues					7,430,326
Change in net assets					(710,159)
Net position beginning of year, as restated					8,446,451
Net position end of year					\$ 7,736,292

See notes to financial statements.

Mitchell County
Osage, Iowa
Balance Sheet
Governmental Funds
June 30, 2014

Exhibit C

	Special Revenue							Total
	General	Mental Health	Rural Services	Secondary Roads	Debt Service	Capital Projects	Nonmajor	
Assets								
Cash and pooled investments	\$ 2,474,861	140,672	113,364	610,622	3,003	10,847,907	676,233	14,866,662
Receivables:								
Property tax:								
Delinquent	3,705	544	2,136		209			6,594
Succeeding year	2,874,255	472,316	1,694,875		1,733,189			6,774,635
Accounts	216,531		292	302,316			6,780	525,919
Accrued interest	1,125						27	1,152
Drainage assessments							2,607	2,607
Due from other governments							34,960	34,960
Inventories				417,631				417,631
Total assets	\$ 5,570,477	613,532	1,810,667	1,330,569	1,736,401	10,847,907	720,607	22,630,160
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities:								
Accounts payable	\$ 46,715		1,006	296,380		533,207		877,308
Salaries and benefits payable	94,986		8,171	39,709				142,866
Total liabilities	141,701		9,177	336,089		533,207		1,020,174
Deferred inflows of resources:								
Unavailable revenues:								
Succeeding year property tax	2,874,255	472,316	1,694,875		1,733,189			6,774,635
Other	3,512	513	2,132		198		2,607	8,962
Total deferred inflows of resources	2,877,767	472,829	1,697,007		1,733,387		2,607	6,783,597
Fund balances:								
Nonspendable:								
Inventories				417,631				417,631
Restricted for:								
Mental health purposes		140,703						140,703
Rural services purposes			104,483					104,483
Secondary road purposes				576,849				576,849
Drainage							13,579	13,579
Debt service					3,014			3,014
Capital projects						10,314,700		10,314,700
Other purposes							704,421	704,421
Unassigned	2,551,009							2,551,009
Total fund balances	2,551,009	140,703	104,483	994,480	3,014	10,314,700	718,000	14,826,389
Total liabilities, deferred inflows of resources and fund balances	\$ 5,570,477	613,532	1,810,667	1,330,569	1,736,401	10,847,907	720,607	22,630,160

See notes to financial statements.

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

June 30, 2014

Total governmental fund balances (page 14) \$ 14,826,389

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$42,296,820 and the accumulated depreciation is \$9,982,223.

32,314,597

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

74,954

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

(39,479,648)

Net position of governmental activities (page 12)

\$ 7,736,292

See notes to financial statements.

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

Year ended June 30, 2014

	Special Revenue						Total	
	General	Mental Health	Rural Services	Secondary Roads	Debt Service	Capital Projects		Nonmajor
Revenue:								
Property and other county tax	\$ 2,681,370	485,424	1,633,438		216,396		5,016,628	
Tax increment financing						1,223,360	1,223,360	
Interest and penalty on property tax	25,061						25,061	
Intergovernmental	1,293,296	25,792	77,033	2,552,058	10,004	433,961	4,392,144	
Licenses and permits	3,800			10,985			14,785	
Charges for services	856,417		15,700	151,747		42,680	1,066,544	
Use of money and property	197,841					1,818	199,659	
Miscellaneous	2,597,461	4,625		15,763		6,606	2,624,455	
Total revenues	7,655,246	515,841	1,726,171	2,730,553	226,400	1,708,425	14,562,636	
Expenditures:								
Current:								
Public safety and legal services	1,058,425		372,980			4,495	1,435,900	
Physical health and social services	1,542,063					46	1,542,109	
Mental health		550,883					550,883	
County environment and education services	1,626,861		192,893			50,960	1,870,714	
Roads and transportation				4,268,816			4,268,816	
Governmental services to residents	310,016					2,000	312,016	
Administrative services	2,019,155		1,508				2,020,663	
Non-program						69,483	69,483	
Debt service	54,242				225,367	1,419,311	1,698,920	
Capital projects				152,983		7,758,769	7,911,752	
Total expenditures	6,610,762	550,883	567,381	4,421,799	225,367	7,758,769	21,681,256	
Excess(deficiency) of revenue over (under) expenditures	1,044,484	(35,042)	1,158,790	(1,691,246)	1,033	(7,758,769)	162,130	(7,118,620)
Other financing sources (uses):								
Operating transfers in	150,000			1,264,553		30,000	1,444,553	
Operating transfers out	(118,395)		(1,176,158)			(150,000)	(1,444,553)	
Proceeds long-term debt	575,000					13,015,588	13,590,588	
Total other financing sources (uses)	606,605		(1,176,158)	1,264,553		13,015,588	(120,000)	13,590,588
Net change in fund balances	1,651,089	(35,042)	(17,368)	(426,693)	1,033	5,256,819	42,130	6,471,968
Fund balances beginning of year	899,920	175,745	121,851	1,421,173	1,981	5,057,881	675,870	8,354,421
Fund balances end of year	\$ 2,551,009	140,703	104,483	994,480	3,014	10,314,700	718,000	14,826,389

See notes to financial statements.

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

June 30, 2014

Net change in fund balances - Total governmental fund (page 16) **\$ 6,471,968**

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

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

Expenditures for capital assets	9,274,515	
Depreciation expense	<u>(1,229,551)</u>	8,044,964

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (128,947)

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	(1,465)	
Other	<u>(22,647)</u>	(24,112)

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

Issued	(16,105,000)	
Repaid	<u>1,059,278</u>	(15,045,722)

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

Compensated absences	1,970	
Other postemployment benefits	<u>(30,280)</u>	<u>(28,310)</u>

Change in net position of governmental activities (page 13) **\$ (710,159)**

See notes to financial statements.

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2014

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,046,213
Other County officials	58,861
Property tax receivable:	
Delinquent	9,858
Succeeding year	11,234,771
Accounts receivable	1,574
Accrued interest	49
Total assets	<u>\$ 12,351,326</u>

Liabilities

Accounts payable	\$ 33,430
Salaries payable	9,314
Due to other governments	12,271,374
Trust payable	25,877
Compensated absences	11,331
Total liabilities	<u>12,351,326</u>

Net position \$ -

See notes to financial statements.

Notes to Financial Statements

June 30, 2014

1. **Summary of Significant Accounting Policies**

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

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

A. **REPORTING ENTITY**

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

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

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

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

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

B. BASIS OF PRESENTATION

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

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

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

C. **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

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

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

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

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

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

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

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

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

Cash, Cash Equivalents and Pooled 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 non-negotiable certificates of deposit which are stated at cost.

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

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

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

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

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

Due From and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in fund financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. **BUDGETS AND BUDGETARY ACCOUNTING**

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

2. **Cash, Cash Equivalents and Pooled 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.

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

3. **Interfund Transfers**

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue: Local Option	\$ <u>150,000</u>
Special Revenue: Secondary Roads	General Special Revenue: Rural Services	88,395 <u>1,176,158</u>
Conservation Land Acquisition	General	<u>30,000</u>
Total		<u>\$1,444,553</u>

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

4. Capital Assets

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

	Balance Beginning of Year	Restatement (See Note 14)	Balance Beginning of Year (as restated)	Increases	Decreases	Balance End of Year
Governmental activities:						
Capital assets not being depreciated:						
Land	\$ 2,235,437		2,235,437	369,500	(19,500)	2,585,437
Construction in progress		1,977,363	1,977,363	7,911,753		9,889,116
Total capital assets not being depreciated	<u>2,235,437</u>	<u>1,977,363</u>	<u>4,212,800</u>	<u>8,281,253</u>	<u>(19,500)</u>	<u>12,474,553</u>
Capital assets being depreciated:						
Buildings	6,389,351		6,389,351		(874,000)	5,515,351
Improvements other than building	229,071		229,071		(201,071)	28,000
Machinery and equipment	4,632,061		4,632,061	681,002	(62,103)	5,250,960
Infrastructure	18,715,697		18,715,697	312,260		19,027,957
Total capital assets being depreciated	<u>29,966,180</u>		<u>29,966,180</u>	<u>993,262</u>	<u>(1,137,174)</u>	<u>29,822,268</u>
Less accumulated depreciation for:						
Buildings	2,514,019		2,514,019	117,060	(874,000)	1,757,079
Improvements other than building	124,963		124,963	1,120	(121,931)	4,152
Machinery and equipment	3,460,058		3,460,058	208,442	(31,796)	3,636,704
Infrastructure, road network	3,681,360		3,681,360	902,929		4,584,289
Total accumulated depreciation	<u>9,780,400</u>		<u>9,780,400</u>	<u>1,229,551</u>	<u>(1,027,727)</u>	<u>9,982,224</u>
Total capital assets being depreciated, net	<u>20,185,780</u>		<u>20,185,780</u>	<u>(236,289)</u>	<u>(109,447)</u>	<u>19,840,044</u>
Governmental activities capital assets, net	<u>22,421,217</u>	<u>1,977,363</u>	<u>24,398,580</u>	<u>8,044,964</u>	<u>(128,947)</u>	<u>32,314,597</u>

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

Governmental activities		
Public safety and legal services		\$ 76,282
Physical health and social services		5,758
County environment and education		47,296
Roads and transportation		1,038,181
Governmental services to residents		16,331
Administrative services		45,703
Total depreciation expense - Governmental activities		<u>\$ 1,229,551</u>

5. **Due to Other Governments**

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Agency:		
Agricultural Extension	Collections	\$ 172,634
Assessor		779,281
Schools		6,463,943
Community Colleges		406,234
Corporations		3,181,435
Auto License & Use Tax		264,692
All others		<u>1,003,155</u>
Total for Agency Funds		\$ <u>12,271,374</u>

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

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

	LOSST Bonds	General Obligation Capital Loan Notes	Loan Agreements	Drainage Improvement Certificates	Compensated Absences	Net OPEB Liability	Total
Beginning Balance	\$ 375,000	23,189,000	521,756	3,258	186,841	130,412	24,406,267
Increases		14,930,000	1,175,000			30,280	16,135,280
Decreases	185,000	836,400	37,878	651	1,970		1,061,899
Ending Balance	<u>\$ 190,000</u>	<u>37,282,600</u>	<u>1,658,878</u>	<u>2,607</u>	<u>184,871</u>	<u>160,692</u>	<u>39,479,648</u>
Due Within One Year	<u>\$ 190,000</u>	<u>1,686,400</u>	<u>539,248</u>	<u>652</u>	<u>184,871</u>		<u>2,601,171</u>

Bonds Payable

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

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ <u>190,000</u>	<u>7,125</u>	<u>197,125</u>

During the year ended June 30, 2014, the County retired \$185,000 of bonds.

General Obligation Capital Loan Notes

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

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,005,000	244,493	1,249,493
2016	1,035,000	221,377	1,256,377
2017	1,060,000	193,950	1,253,950
2018	1,095,000	162,150	1,257,150
2019	1,125,000	126,563	1,251,563
2020-2021	<u>2,370,000</u>	<u>134,102</u>	<u>2,504,102</u>
	\$ <u>7,690,000</u>	<u>1,082,635</u>	<u>8,772,635</u>

During the year ended June 30, 2014, the County retired \$825,000 of notes.

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 11,400	1,386	12,786
2016	<u>21,200</u>	<u>901</u>	<u>22,101</u>
	\$ <u>32,600</u>	<u>2,287</u>	<u>34,887</u>

During the year ended June 30, 2014 the County retired \$11,400 of the notes.

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015		183,068	183,068
2016	\$ 860,000	183,068	1,043,068
2017	875,000	161,568	1,036,568
2018	895,000	139,693	1,034,693
2019	915,000	117,318	1,032,318
2020-2022	<u>2,905,000</u>	<u>191,770</u>	<u>3,096,770</u>
	\$ <u>6,450,000</u>	<u>976,485</u>	<u>7,426,485</u>

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 380,000	224,868	604,868
2016	385,000	221,828	606,828
2017	385,000	217,978	602,978
2018	390,000	213,358	603,358
2019	400,000	207,508	607,508
2020-2032	<u>6,240,000</u>	<u>1,635,107</u>	<u>7,875,107</u>
	\$ <u>8,180,000</u>	<u>2,720,647</u>	<u>10,900,647</u>

On December 26, 2013 the County issued \$6,410,000 of General Obligation Loan Notes to finance repairing County roads and bridges damaged by floods, and constructing sanitary sewer treatment improvements, interest is due semi-annually with rates of 2.0% to 4.0% payable on December 1 and June 1 of each year. Principal payments are due annually on June 1 beginning June 1, 2015. The capital

loan note matures June 1, 2032. Details on the note agreement are as follows:

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 290,000	189,375	479,375
2016	295,000	183,575	478,575
2017	300,000	177,675	477,675
2018	305,000	171,675	476,675
2019	310,000	165,575	475,575
2020-2032	<u>4,910,000</u>	<u>1,301,400</u>	<u>6,211,400</u>
	\$ <u>6,410,000</u>	<u>2,189,275</u>	<u>8,599,275</u>

On June 25, 2014, the County issued \$8,520,000 of General Obligation Loan Notes to finance constructing and equipping a County Courthouse, interest is due semi-annually with rates of 2.0% to 3.75% payable on December 1 and June 1 of each year. Principal payments are due annually on June 1 beginning June 1, 2016. The capital loan notes mature June 1, 2033. Details on the note agreement are as follows:

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015		238,171	238,171
2016	\$380,000	247,808	627,808
2017	385,000	240,208	625,208
2018	395,000	232,508	627,508
2019	400,000	224,608	624,608
2020-2033	<u>6,960,000</u>	<u>1,816,497</u>	<u>8,776,497</u>
	\$ <u>8,520,000</u>	<u>2,999,800</u>	<u>11,519,800</u>

Loan Agreements

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

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 11,890	5,540	17,430
2016	12,655	4,775	17,430
2017	13,459	3,971	17,430
2018	14,336	3,094	17,430
2019	15,259	2,171	17,430
2020	<u>16,026</u>	<u>1,225</u>	<u>17,251</u>
	\$ <u>83,625</u>	<u>20,776</u>	<u>104,401</u>

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

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ <u>22,061</u>	<u>1,207</u>	<u>23,268</u>

On February 26, 2014, the County issued \$390,000 of Notes to finance the construction of Carpenter's waste water treatment plant. Principal and interest payments are due monthly. Interest is at a rate of 2.75%. Details of the loan agreement are as follows:

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 5,297	10,334	15,631
2016	5,445	10,186	15,631
2017	5,597	10,034	15,631
2018	5,752	9,879	15,631
2019	5,912	9,719	15,631
2020-2050	<u>350,188</u>	<u>191,042</u>	<u>541,230</u>
	<u>\$ 378,191</u>	<u>241,194</u>	<u>619,385</u>

On April 2, 2014, the County issued \$500,000 of Notes to finance the demolition of the County Courthouse. Total amount of the loan plus interest at 2.75% is due April, 2015.

On May 23, 2014, the County issued \$100,000 of Notes to finance the purchase of land. Principal and interest payments are due annually on July 15. Interest is at a rate of 3.95%. Details on the loan agreement are as follows:

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 7,822	4,546	12,368
2017	8,727	3,641	12,368
2018	9,072	3,296	12,368
2019	9,430	2,938	12,368
2020-2021	<u>64,949</u>	<u>4,743</u>	<u>69,692</u>
	<u>\$ 100,000</u>	<u>19,164</u>	<u>119,164</u>

On June 27, 2014, the County issued \$575,000 of Notes to finance the purchase of The Mitchell Dam with hydro equipment. Principal and interest payments are due annually on July 1. Interest is at a rate of 3.875%. Details on the loan agreement are as follows:

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 28,653	22,838	51,491
2017	29,967	21,524	51,491
2018	31,203	20,288	51,491
2019	32,429	19,062	51,491
2020-2030	<u>452,748</u>	<u>113,652</u>	<u>566,400</u>
	<u>\$ 575,000</u>	<u>197,364</u>	<u>772,364</u>

Drainage Improvement Certificates Payable

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

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

Internal Loan

An advance of \$66,848 was made from the Local Option Fund to the TIF Fund in order to pay for funding of an economic development grant. This advance shall be treated as a loan (the "Loan") to the TIF Fund and shall be repaid to the Local Option Fund.

7. Closure and Postclosure Care Costs

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

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

8. Sanitary Sewer System

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

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

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

9. 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% of their annual covered salary and the County is required to contribute 8.93% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$340,458, \$322,982 and \$297,793 respectively, equal to the required contributions for each year.

10. Other Postemployment Benefits (OPEB)

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

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

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the 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.

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	\$ 50,808
Interest on net OPEB obligation	3,261
Adjustment to annual required contribution	<u>(12,260)</u>
Annual OPEB cost	41,809
Contributions made-implicit	<u>(11,529)</u>
Increase in net OPEB obligation	30,280
Net OPEB obligation beginning of year	<u>130,412</u>
Net OPEB obligation end of year	\$ <u>160,692</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the County contributed \$11,529 to the medical plan.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 40,906	7.4%	\$ 99,174
June 30, 2013	47,430	7.4%	130,412
June 30, 2014	50,808	6.7%	160,692

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 \$266,716, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$266,716. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,009,000 and the ratio of the UAAL to covered payroll was 6.7%. As of June 30, 2014, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

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

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

11. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters.

Mitchell County has entered into an agreement, as allowed by Chapter 331.301 of the Code of Iowa, to become a member in a local government risk pool. The pool was formed July 1, 1987, to provide

workers' compensation and property/casualty insurance to counties in the State of Iowa. At present, ten counties are members of the pool. The risk pool was created for the purposes of providing and maintaining self-insurance benefits on a group basis substantially at cost.

Each member County is responsible for the payment of member contributions to the risk pool on an annual basis. Member contributions to the risk pool are recorded as expenditures from the operating funds at the time of payment to the risk pool. In the event of payment of any loss by the risk pool, the risk pool is subrogated to the extent of such payment to all the rights of the member County against any person or other entity legally responsible for damages for said loss, and in such event, the member County is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery. The risk pool is responsible for paying the premiums on the insurance policies when due; to pay claims in accordance with the various coverages and to make other payments as required by applicable law; to establish and accumulate a reserve in amounts which are deemed advisable or required by law to carry out the purpose of the risk pool; and to pay all reasonable and necessary expenses for administering the risk pool.

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2014, which covers exposures of specific losses in excess of \$750,000, with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers' compensation, including retention of the pool. The pool also purchased a reinsurance policy for property coverage for losses in excess of \$100,000 to a maximum of \$30,000,000 in covered property (including the retention). In addition, the pool purchased a reinsurance policy in excess of \$400,000 per occurrence up to a maximum of \$7,000,000 per occurrence, including the retention of the pool for general liability, automobile liability, police professional, and errors and omissions. The risk pool fund records a liability for unpaid claims based on estimates of the cost of individual cases of losses and claims reported to year-end, plus a provision for losses incurred but not yet reported (IBNR). The IBNR estimates are based on the past experience of the Pool and upon the recommendations of By the Numbers Actuarial Consulting, Inc. who also performs an annual actuarial review of the entire program. At June 30, 2014, 2013, and 2012, the risk pool fund reported a surplus of pool assets over liabilities.

Member counties retain the risk of claims, if any, exceeding maximum reinsurance coverage and /or the amount of surplus maintained in the risk pool, by means of an assessment that would be charged to the member county in addition to the premium contributions. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance company coverage since commencement of the risk pool.

The County's property and casualty contributions to the Pool are recorded as an expenditure from its operating fund at the time of payment to the pool. The County's contributions to the Pool for the year ended June 30, 2014 were \$214,361.

Initial membership into the risk pool was for a mandatory three year period. Subsequent to the initial term, a member county may withdraw at the end of the fifth fiscal year of any five year term, with a minimum of ninety (90) days written notice to the Chairman of the Board of Trustees. The initial membership period for the County commenced July 1, 1987. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. Construction Commitment

The County has entered into a contract totaling \$5,495,000 for wastewater treatment facility improvements. As of June 30, 2014, costs of \$2,265,064 on the project have been incurred. The \$3,229,936 balance remaining on the project at June 30, 2014 will be paid as work on the project progresses.

The County has also entered into a contract totaling \$7,723,000 for the VBC Industrial Pretreatment Facility Phase IV: Treatment Process. As of June 30, 2014, costs of \$4,629,332 on the project have been incurred. The \$3,093,668 balance remaining on the project at June 30, 2014 will be paid as work on the project progresses.

The County has also entered into a contract totaling \$6,532,900 for constructing the new courthouse. As of June 30, 2014 no costs had been incurred. The \$6,532,900 balance remaining on the project at June 30, 2014 will be paid as work on the project progresses.

14. Restatement

Beginning net position for governmental activities was restated to properly report the beginning balance for capital assets, as follows:

	Governmental <u>Activities</u>
Net position June 30, 2013 as previously reported	\$ 6,469,088
Correction to increase capital assets for construction in progress in 2013	<u>1,977,363</u>
Net Position July 1, 2013, as restated	<u>\$ 8,446,451</u>

15. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implanted for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. 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.

REQUIRED SUPPLEMENTARY INFORMATION

Mitchell County
Osage, Iowa

Budgetary Comparison Schedule of

Receipts, Disbursements and Changes in Balances -

Budget and Actual (Cash Basis) - All Governmental Funds

Required Supplementary Information

Year ended June 30, 2014

	Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property and other County tax	\$ 6,623,507		6,623,507	6,615,650	6,615,650	7,857
Interest and penalty on property tax	25,409		25,409	20,000	20,000	5,409
Intergovernmental	3,979,113		3,979,113	3,852,139	4,231,639	(252,526)
Licenses and permits	15,290		15,290	8,500	13,135	2,155
Charges for services	938,431		938,431	1,097,743	1,144,250	(205,819)
Use of money and property	230,995		230,995	100,482	107,982	123,013
Miscellaneous	2,618,387	1,075	2,617,312	800,946	1,087,985	1,529,327
Total receipts	14,431,132	1,075	14,430,057	12,495,460	13,220,641	1,209,416
Disbursements:						
Public safety and legal services	1,443,589		1,443,589	1,568,211	1,574,461	130,872
Physical health and social services	1,553,745		1,553,745	1,759,109	1,816,609	262,864
Mental health	550,883		550,883	753,560	753,560	202,677
County environment and education services	1,309,864		1,309,864	1,420,387	1,708,887	399,023
Roads and transportation	4,873,826		4,873,826	3,950,000	5,150,000	276,174
Governmental services to residents	311,207		311,207	327,207	327,207	16,000
Administrative services	2,078,487		2,078,487	1,383,267	2,113,267	34,780
Non-program	69,483	2,635	66,848		67,000	152
Debt service	1,698,920		1,698,920	1,701,444	1,721,444	22,524
Capital projects	7,484,963		7,484,963	5,750,000	7,750,000	265,037
Total disbursements	21,374,967	2,635	21,372,332	18,613,185	22,982,435	1,610,103
Excess (deficiency) of receipts over (under) disbursements	(6,943,835)	(1,560)	(6,942,275)	(6,117,725)	(9,761,794)	2,819,519
Other financing sources, net	13,017,564		13,017,564	6,001,000	6,001,000	7,016,564
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	6,073,729	(1,560)	6,075,289	(116,725)	(3,760,794)	9,836,083
Balance beginning of year	8,792,939	15,145	8,777,794	3,505,611	8,777,794	
Balance end of year	\$ 14,866,668	13,585	14,853,083	3,388,886	5,017,000	9,836,083

See accompanying independent auditor's report.

Mitchell County
Osage, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,431,132	131,504	14,562,636
Expenditures	21,374,967	306,289	21,681,256
Net	(6,943,835)	(174,785)	(7,118,620)
Other financing sources, net	13,017,564	573,024	13,590,588
Beginning fund balances	8,792,939	(438,518)	8,354,421
Ending fund balances	\$ 14,866,668	(40,279)	14,826,389

See accompanying independent auditor's report.

Mitchell County
Osage, Iowa

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$4,369,250. The budget amendments are reflected in the final budgeted amounts.

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

Mitchell County
Osage, Iowa

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 279,832	279,832	0.0%	3,094,000	6.8%
2011	July 1, 2009	-	270,105	270,105	0.0%	3,144,000	8.6%
2012	July 1, 2009	-	246,837	246,837	0.0%	3,323,000	7.4%
2013	July 1, 2012	-	292,511	292,511	0.0%	3,973,000	7.4%
2014	July 1, 2012	-	266,716	266,716	0.0%	4,009,000	6.7%

See Note 10 in the accompanying Notes to Financial Statements for the Plan description, funding

policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

MITCHELL COUNTY
Osage, Iowa

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2014

	ASSETS													Total
	County Disposal Closure	Local Option Sales Tax Bond Sinking Fund	County Disposal Closure	Home Health Capital Improvement	Drug Enforcement	Resource Enhancement & Protection	County Recorder's Records Management	Drainage Districts	Conservation Land Acquisitions	Sheriff Federal Asset Forfeiture	Sheriff R&B Reimb Fund	Urban Renewal Tax Increment		
Cash and pooled investments	\$ 4,810	321,154	957	56,896	17,291	19,467	14,045	13,579	166,663	326	4,700	56,345	676,233	
Receivables:														
Accounts														
Accrued interest	1			17	1	4	657		5,025		1,076		6,780	
Drainage assessments					26			2,607					27	
Due from other governments		34,960											2,607	
TOTAL ASSETS	4,811	356,114	957	56,913	17,318	19,471	14,702	16,186	171,688	326	5,776	56,345	720,607	

LIABILITIES AND FUND EQUITY	
Liabilities:	
Deferred revenue:	
Other	2,607
Total liabilities	2,607
Fund equity:	
Fund balance:	
Restricted for:	
Drainage	13,579
Other purposes	19,471
Total fund equity	33,050
TOTAL LIABILITIES & FUND EQUITY	35,657

See accompanying independent auditor's report.

MITCHELL COUNTY
Osage, Iowa

NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year ended June 30, 2014

	County Disposal Closure	Local Option Sales Tax Bond Sinking Fund	County Disposal Closure	Home Health Capital Improvement	Drug Enforcement	Resource Enhancement & Protection	County Recorder's Records Management	Drainage Districts	Conservation Land Acquisitions	Sheriff Federal Asset Forfeiture	Sheriff R&B Reimb Fund	Urban Renewal Tax Increment	Total
REVENUES:													
Intergovernmental		392,806				13,264			27,891				433,961
Tax increment financing												1,223,360	1,223,360
Charges for services							2,161		34,771		5,748		42,680
Uses of money and property	16	1,121		197	77	35	37		329	4	2		1,818
Miscellaneous													
Total revenues	16	393,927		1,825	136	13,299	2,198	1,075	2,613	4	5,750	1,223,360	6,606
EXPENDITURES:													
Operating:													
Public safety and legal services										4,495			4,495
Physical health and social services					46								46
County environment and education							2,000		50,960				50,960
Government services to residents								2,635					2,000
Non-Program		66,848											69,483
Debt Service		199,378										1,219,933	1,419,311
Total expenditures		266,226		46			2,000	2,635	50,960	4,495		1,219,933	1,546,295
Excess (deficiency) of revenues over (under) expenditures	16	127,701		1,976	213	13,299	198	(1,560)	14,644	(4,491)	5,750	3,427	162,130
Other financing sources (uses):													
Transfers in													
Transfers out		(150,000)							30,000				30,000
Total other financing sources (uses):		(150,000)							30,000				(120,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:													
Fund balances beginning of year	16	(22,299)		1,976	213	13,299	198	(1,560)	44,644	(4,491)	5,750	3,427	42,130
Fund balances end of year	4,795	378,413		54,937	17,105	6,172	14,504	15,139	127,044	4,817	26	52,918	675,870
	\$ 4,811	356,114		56,913	17,318	19,471	14,702	13,579	171,688	326	5,776	56,345	718,000

See accompanying independent auditor's report.

MITCHELL COUNTY
Osage, Iowa

AGENCY FUNDS
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2014

	County Offices	Auto License & Use Tax	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assessment	Ag Extension Education	Other	Total
ASSETS											
Cash and pooled investments:											
County treasurer	\$ 58,861	264,692	458,139	73,795	4,273	31,391	1,574	6,192	1,845	204,312	1,046,213
Other County officials											58,861
Receivables:											
Property tax:											
Delinquent			357	6,506	414	1,549	151		185	696	9,858
Succeeding year			332,478	6,383,642	401,547	3,148,495	153,047		170,604	644,958	11,234,771
Accounts	436		1,138								1,574
Accrued interest										49	49
TOTAL ASSETS	<u>59,297</u>	<u>264,692</u>	<u>792,112</u>	<u>6,463,943</u>	<u>406,234</u>	<u>3,181,435</u>	<u>154,772</u>	<u>6,192</u>	<u>172,634</u>	<u>850,015</u>	<u>12,351,326</u>
LIABILITIES											
Salaries payable			6,538							2,776	9,314
Accounts payable	33,420									10	33,430
Due to other governments		264,692	779,281	6,463,943	406,234	3,181,435	154,772	6,192	172,634	842,191	12,271,374
Trusts payable	25,877										25,877
Compensated absences			6,293							5,038	11,331
TOTAL LIABILITIES	<u>59,297</u>	<u>264,692</u>	<u>792,112</u>	<u>6,463,943</u>	<u>406,234</u>	<u>3,181,435</u>	<u>154,772</u>	<u>6,192</u>	<u>172,634</u>	<u>850,015</u>	<u>12,351,326</u>

See accompanying independent auditor's report.

MITCHELL COUNTY
Osage, Iowa

AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
Year ended June 30, 2014

	County Offices	Auto License & Use Tax	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assessment	Agricultural Extension Education	Other	Total
ASSETS AND LIABILITIES											
Balance beginning of year	\$ 58,450	233,685	699,114	6,402,774	410,458	2,906,404	155,971	3,734	162,949	803,722	11,837,261
Additions:											
Property and other county tax											
E-911 surcharge			339,116	6,494,450	410,624	3,158,141	156,727		173,992	657,651	11,390,701
State tax credits			17,008	347,151	20,286	145,982	7,466		8,732	125,346	579,738
Office fees and collections	60,638									33,113	93,751
Auto licenses, use tax and postage		3,352,859								2,103	3,354,962
Assessments											3,352,859
Trusts	334,100							51,144		65,604	399,704
Miscellaneous	4,433		1,500							120,368	126,301
Total additions	399,171	3,352,859	357,624	6,841,601	430,910	3,304,123	164,193	51,144	182,724	1,004,185	16,088,534
Deductions:											
Agency remittances:											
To other funds	136,242										136,242
To other governments	138,925	3,321,852	264,626	6,780,432	435,134	3,029,092	165,392	48,686	173,039	957,892	15,315,070
Trusts paid out	123,157										123,157
Total deductions	398,324	3,321,852	264,626	6,780,432	435,134	3,029,092	165,392	48,686	173,039	957,892	15,574,469
Balance end of year	\$ 59,297	264,692	792,112	6,463,943	406,234	3,181,435	154,772	6,192	172,634	850,015	12,351,326

See accompanying independent auditor's report.

MITCHELL COUNTY
Osage, Iowa

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Modified Accrual Basis										
Revenues:										
Property and other county tax	\$ 5,016,628	4,828,496	4,657,872	4,547,924	4,244,637	4,141,704	4,021,275	4,273,600	4,010,883	3,259,499
Tax increment financing	1,223,360	787,899	335,332							
Interest and penalty on property tax	25,061	23,793	26,819	30,520	23,982	22,504	23,232	20,062	22,033	22,511
Intergovernmental	4,392,144	4,189,311	4,069,375	4,472,312	4,842,456	4,779,763	4,048,490	3,599,659	3,626,941	3,580,887
Licenses and permits	14,785	11,772	13,485	11,724	21,239	28,071	22,484	15,250	5,475	4,965
Charges for service	1,066,544	898,892	1,304,483	1,050,222	1,365,594	1,669,424	1,434,600	846,795	826,869	847,642
Use of money and property	199,659	346,629	680,910	140,697	264,353	448,146	346,286	326,770	192,282	109,334
Miscellaneous	2,624,455	1,241,736	576,921	254,325	208,294	92,442	40,262	81,771	86,806	56,755
Total	\$ 14,562,636	12,328,528	11,665,197	10,507,724	10,970,555	11,182,054	9,936,629	9,163,907	8,771,289	7,881,593

Expenditures:

Current:										
Public safety and legal services	\$ 1,435,900	1,428,657	1,395,113	1,365,825	1,480,940	1,458,357	1,394,068	1,305,710	1,261,404	1,178,288
Physical health and social services	1,542,109	1,751,877	1,589,108	1,763,706	1,086,762	1,020,561	895,289	814,105	768,857	694,819
Mental health	550,883	753,545	975,416	200,494	1,393,046	1,431,271	1,410,701	1,416,077	1,277,208	1,344,854
County environment and education services	1,870,714	1,033,116	1,998,448	1,338,562	1,245,666	1,740,562	1,219,462	664,312	805,665	577,426
Roads and transportation	4,268,816	3,998,926	3,114,150	3,357,019	3,485,521	3,660,581	3,126,576	3,415,976	2,686,256	2,659,391
Governmental services to residents	312,016	309,854	283,833	281,006	268,877	269,027	370,833	232,917	374,699	232,922
Administrative services	2,020,663	2,392,482	1,438,113	1,052,968	1,018,800	1,038,659	945,431	914,867	920,800	745,282
Non-program	69,483	1,781	2,837	2,353	16,207	4,606	3,120	10,115	3,257	26,763
Debt service	1,698,920	1,448,391	897,948	766,872	765,704	710,360	577,134	348,829	1,910,474	208,365
Capital projects	7,911,752	1,977,363	3,386,107	2,516,342	8,716,511	260,161	350,000	293,658	877,979	174,489
Total	\$ 21,681,256	15,095,992	15,081,073	12,645,147	19,478,034	11,594,145	10,292,614	9,416,566	10,886,599	7,842,599

See accompanying independent auditor's report.



Renner & Birchem, PC

Certified Public Accountants

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

To the Officials of Mitchell County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mitchell County, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 25, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Mitchell County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Questioned Costs as items I-A-14, I-B-14 and I-C-14 to be material weaknesses.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mitchell County's Responses to Findings

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

Purpose of this Report

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

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

March 25, 2015


Renner & Birchem, P.C.

MITCHELL COUNTY

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

Significant Deficiencies

I-A-14 Segregation of Duties-During our review of the internal accounting control structure, the existing procedures are evaluated in order that incompatible duties, from a control viewpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements.

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

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

Conclusion-Response accepted.

I-B-14 Preparation of Full Disclosure Financial Statements-Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Mitchell County does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

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

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

Conclusion-Response accepted.

MITCHELL COUNTY

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

I-C-14 County Care Facility- During our audit procedures of the residents personal accounts, it was noted that residents were allowed to spend more funds than were available in their individual accounts, resulting in negative account balances for some residents at June 30, 2014.

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

Response- We will monitor the personal account balances monthly.

Conclusion – Response accepted.

Instances of Non-Compliance

No matters were reported.

MITCHELL COUNTY

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-14 **Certified Budget**-Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted which is in compliance with Chapter 384.20 of the Code of Iowa.
- II-B-14 **Questionable Expenditures**-We noted no expenditures that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-14 **Travel Expense**-No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-14 **Business Transactions**-No business transactions between the County and County officials or employees were noted.
- II-E-14 **Bond Coverage**-Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure that the coverage is adequate for current operations.
- II-F-14 **Board Minutes**-No transactions were found that we believe should have been approved in the board minutes but were not.
- II-G-14 **Deposits and Investments**-No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- II-H-14 **Resource Enhancement and Protection Certification**-The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-14 **County Extension Office**-The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and consequently, is not included in Exhibits A or B.

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

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

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

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

Conclusion-Response accepted.

II-J-14

Public Employee Health Plan – Monthly bank reconciliations were not prepared for the Public Employee Health Plan.

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

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

Conclusion- Response accepted.

II-K-14

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