

MAHASKA COUNTY

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2013

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MAHASKA COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2013)		
Henry Van Weelden	Board of Supervisors	Jan. 2013
Ken Rozenboom	Board of Supervisors	Jan. 2015
Greg Gordy	Board of Supervisors	Jan. 2015
Kay Swanson	County Auditor	Jan. 2013
Sone Scott	County Treasurer	Jan. 2015
Diane Upton Crookham	County Recorder	Jan. 2015
Paul De Geest	County Sheriff	Jan. 2013
Rose Anne Mefford	County Attorney	Jan. 2015
Lindsey Thomas	County Assessor	Jan. 2016
(After January 2013)		
Ken Rozenboom	Board of Supervisors	(Resigned January 2013)
Greg Gordy	Board of Supervisors	Jan. 2015
Mark Doland	Board of Supervisors	Jan. 2015
Mike Vander Molen	Board of Supervisors	Jan. 2017
Susan Brown	County Auditor	Jan. 2017
Sone Scott	County Treasurer	Jan. 2015
Diane Upton Crookham	County Recorder	Jan. 2015
Paul De Geest	County Sheriff	Jan. 2017
Rose Anne Mefford	County Attorney	(Resigned March 2013)
Charles Stream	County Attorney	(Appointed April 2013)
Lindsey Thomas	County Assessor	Jan. 2016

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Mahaska County:

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 Mahaska County, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 Mahaska County as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 12 and 50 through 53 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 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 Mahaska 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 eight years ended June 30, 2012 (which are not presented herein). For the five years ended June 30, 2012 and the year ended June 30, 2005, we expressed unqualified opinions on those financial statements. For the two years ended June 30, 2007, we expressed a qualified opinion on the Secondary Roads Fund due to the effects of a written and held warrant and unqualified opinions on the governmental activities, General Fund, Mental Health Fund, Rural Services Fund, and the aggregate remaining fund information. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the 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 24, 2014 on our consideration of Mahaska 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 Mahaska County's internal control over financial reporting and compliance.

Oskaloosa, Iowa  
March 24, 2014

*Hunt & Associates, P.C.*

# Management's Discussion and Analysis

Management of Mahaska County provides this Management's Discussion and Analysis of Mahaska County's annual financial statements. This narrative overview and analysis of the financial activities of Mahaska County is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

## FINANCIAL HIGHLIGHTS

- County governmental funds revenue totaled \$14,759,531 for 2013, a decrease of \$1,479,379 from 2012. This decrease was due to the fact that the Mental Health Fund did not receive property tax relief nor allowed growth monies from the state. This amounted to a \$1.4 million decrease in the Mental Health Fund Intergovernmental Revenue for fiscal year 2013. Property and other county taxes totaled \$7,772,987 for 2013, a decrease of \$286,041 over the prior year. Property tax levy rates in the General Basic Fund and Rural Services Fund remained consistent with rates in 2013 at 3.50 and 3.95 respectively. Property tax valuations showed an increase of approximately 5.0% from the previous year. The County lowered the General Supplemental levy rate from .95 to .40 in order to spend down fund balance during the year.
- County governmental funds functional expenditures totaled \$14,219,388 for 2013, a decrease of \$2,073,594 from 2012 expenditures. Expenditures decreased in the Mental Health Fund by \$2,063,529 over 2012 as the County is no longer responsible for non-federal share Medicaid services. Capital project monies in the amount of \$659,688 were expended in fiscal year 2013.
- The County's governmental fund balances at June 30, 2013 were \$10,365,965, an increase of \$540,143 due to the above noted factors.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements.

- The Statement of Net Position and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances.
- Fund financial statements immediately follow this report. For governmental activities these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds.
- The remaining statements provide financial information about activities for which the County acts solely as an agent or custodian for the benefit of those outside the government (Agency Funds).

## **The County as a Whole Reporting**

### *The Statement of Net Position and the Statement of Activities*

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

The statement of net position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases and 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 assets changed during the most recent fiscal year. All changes in net position are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed 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 or general government, interest on long-term debt and other non-program activities. Property taxes and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The fund financial statements provide detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County establishes many other funds to help it control and manage money for particular purposes.

Most of the County's basic services are accounted for in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation following the fund financial statements.

### *Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

### *Supplementary Information*

The supplementary information provides detailed information about the non-major governmental funds and the individual agency funds.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial health.

### **STATEMENT OF NET POSITION –GOVERNMENTAL ACTIVITIES**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Current and other Assets	\$20,078,936	\$20,510,355	\$ 19,813,151
Capital assets	32,438,250	33,131,835	31,187,723
Total Assets	52,517,186	53,642,190	51,000,874
Long term debt outstanding	527,470	492,473	459,257
Other liabilities	7,959,183	9,045,141	8,638,910
Total liabilities	8,486,653	9,537,614	9,098,167
Net Position			
Net investment in capital assets	32,438,250	33,131,835	31,187,723
Restricted	5,698,924	5,312,504	5,514,510
Unrestricted	5,893,359	5,660,237	5,200,474
Total net position	44,030,533	44,104,576	\$41,902,707

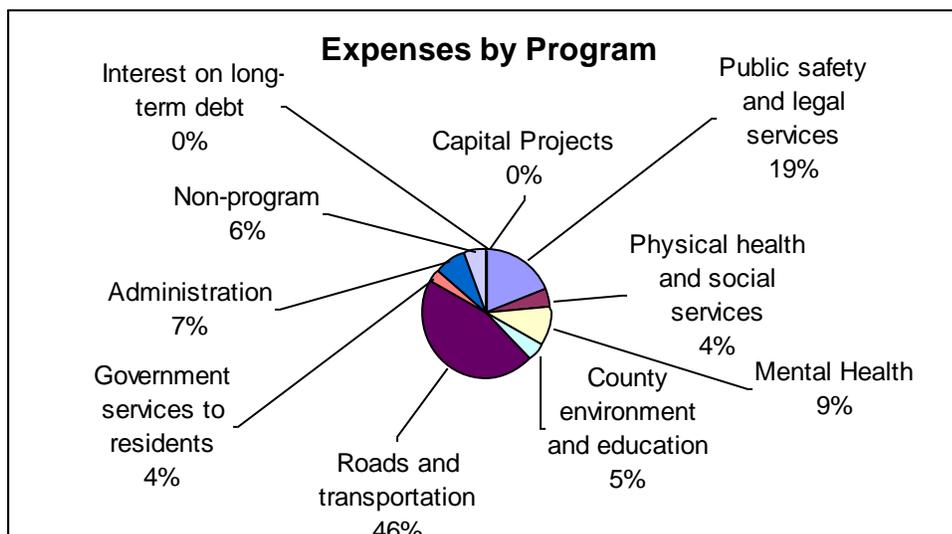
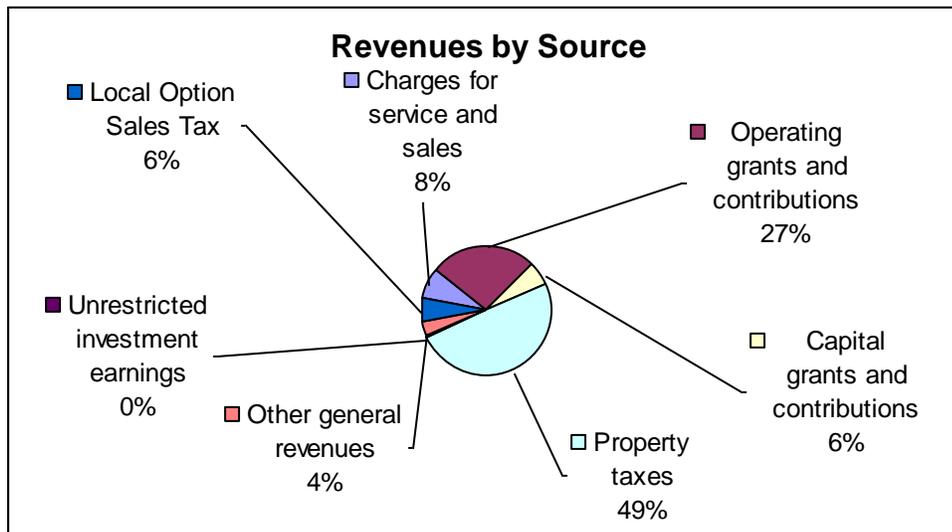
The largest portion of the County's net position is the Net Investment in Capital Assets (that is, infrastructure, buildings and equipment). Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

The County's combined net position totaled \$44,030,533 a slight decrease from a year ago. Capital assets were down as depreciation expense exceeded new capital assets. Liabilities due to other governments were also down in the Mental Health Fund for Medicaid services no longer the responsibility of the County. These factors created a small decrease in the total net assets of \$74,043 from fiscal year 2012.

### **Changes in Net Position of Governmental Activities**

<b>Revenues:</b>	<b>2013</b>	<b>2012</b>
<b>Program revenues:</b>		
Charges for Service	\$1,207,279	\$1,114,367
Operating grants and contributions	4,018,103	5,722,325
Capital grants and contributions	875,506	3,030,610
<b>General revenues:</b>		
Property taxes, penalties & tax credits	7,273,433	7,485,780
Unrestricted investment earnings	46,330	54,875
Local Option sales and services tax	853,060	890,205
Other general revenues	557,130	517,966
<b>Total Revenues</b>	<b>\$14,830,841</b>	<b>\$18,816,128</b>

	2013	2012
<b>Program expenses:</b>		
Public safety and legal services	\$2,887,235	\$2,874,081
Physical health and social services	660,081	610,868
Mental health	1,379,089	3,432,951
County environment and education	687,484	672,622
Roads and transportation	6,751,397	6,335,285
Government services to residents	561,496	536,990
Administration	1,108,569	1,274,536
Non-program	868,313	875,634
Interest on long-term debt	1,220	1,292
Capital Projects		
<b>Total expenses</b>	<b>\$14,904,884</b>	<b>\$16,614,259</b>
<b>Increase (decrease) in net position</b>	<b>-74,043</b>	<b>2,201,869</b>
<b>Net position July 1, 2012</b>	<b>\$44,104,576</b>	<b>\$41,902,707</b>
<b>Net position June 30, 2013</b>	<b>\$44,030,533</b>	<b>\$44,104,576</b>



## **THE COUNTY'S INDIVIDUAL MAJOR FUNDS**

As the County completed the year, its governmental funds reported combined fund balances of \$10,365,965. Revenue received in the County funds was \$540,143 more than was expended for the year. The following are the major reasons for the changes in fund balances for the year:

Expenditures in the General Fund showed a decrease from \$5,663,598 to \$5,300,821 when compared to the prior year. Revenues in the General Fund decreased \$316,594 over the prior year. The County lowered the General Supplemental Fund levy from .95 to .40 compared to the previous year resulting in \$349,168 less property and other county taxes collected. The General Basic Fund levy remained at 3.50. The ending fund balance showed an increase from the prior year of \$199,212.

Mental Health revenues decreased from \$3,235,229 in 2012 to \$1,735,279. As the County budgeted for the year the levy was lowered from 1.33013 to 1.28015. The County did not receive state dollars for property tax relief or allowed growth. Expenditures for the year totaled \$1,379,971 down \$2,063,529 from the year before. After July 1, 2012 the County was no longer responsible for the non-federal share of Medicaid services. The Mental Health Fund showed an increase in the ending fund balance of \$355,308.

The Rural Services Fund property tax levy remained at \$3.95 which is the maximum allowed. The ending fund balance of \$545,141 was an increase of \$77,135 compared to 2012 after the full transfer to the Secondary Roads Fund.

Capital Projects expenditures in the Secondary Roads Fund totaled \$659,688 an increase of \$356,225 from the previous year. Several reimbursable DOT bridge projects were completed including: Project 867 – 325<sup>th</sup>; Project 874 – 255<sup>th</sup>; Project 872 – Rutledge; Project 875 – Merino. The Secondary Road fund balance at the end of the year decreased from \$1,689,954 to \$1,612,465 a difference of \$77,489.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except internal service and agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis.

Over the course of the year, the County amended its operating budget once. The amendment was made on May 20, 2013 and resulted in an increase in the Roads and Transportation for fuel disbursements and Hwy 63 studies along with a Capital Projects increase of \$585,914 for bridge improvements. The amendment increased total budgeted disbursements for the County by \$1,327,267 and increased receipts by \$1,576,847. Disbursements in the capital projects function exceeded the amount budgeted prior to the amendment of the County budget.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of FY13, the County had \$32,438,250 (net of accumulated depreciation) invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net decrease (including additions and deletions) of \$693,585. Depreciation expense for the year exceeded new capital assets which created a negative effect on the total capital assets. Depreciation expense for the year ended June 30, 2013 was \$1,831,645 and total accumulated depreciation as of June 30, 2013 was \$28,734,429.

## **Capital Assets, Net of Accumulated Depreciation**

	2013	2012
Land	952,594	897,924
Construction in progress	0	88,166
Buildings and Imp	3,513,583	3,679,472
Machinery & equip	1,460,195	1,437,064
Infrastructure	26,511,878	27,029,209
TOTALS	32,438,250	33,131,835

## **Long-Term Liabilities**

At year-end, the County had \$527,470 in loans and other long term liabilities compared to \$492,473 a year ago, as shown below.

Annual payments continue to be made on the Intermediary Relending Program Loan from the USDA. Liability for Other Postemployment Benefits (OPEB) was added to the debt schedule in 2009 through the implementation of GASB Statement No. 45 (Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions). This reflects the liability the County incurs from medical benefits provided for retirees.

## **Outstanding Debt at Year End**

	2013	2012
Intermediary Relending Program Loan	117,700	124,940
Compensated Absences	204,770	197,533
Net OPEB Liability	205,000	170,000
TOTALS	527,470	492,473

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The County's elected and appointed officials and citizens considered many factors when setting the 2014 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. Amounts available for appropriation in the operating budget are \$14,733,241 compared to \$15,583,147 in 2013, a decrease of approximately 5.5% over the original 2013 budget. Budgeted expenditures in the Mental Health Fund were reduced by 51.1%

## **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, Mahaska County, at 106 S. 1<sup>st</sup> St., Oskaloosa, IA 52577.

## Basic Financial Statements

MAHASKA COUNTY  
STATEMENT OF NET POSITION  
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 11,574,482
Investments held by fiscal agent	5,618
Receivables:	
Property tax:	
Delinquent	11,851
Succeeding year	6,900,000
Interest and penalty on property tax	94,544
Accounts	196,644
Accrued interest	7,400
Due from other governments	666,619
Prepaid expenses	25,611
Inventories	341,029
Loans receivable (note 4)	255,138
Capital assets, net of accumulated depreciation (note 5)	<u>32,438,250</u>
 Total assets	 <u>52,517,186</u>
Liabilities	
Accounts payable	521,166
Salaries and benefits payable	87,719
Due to other governments (note 6)	151,875
Accrued interest payable	490
Incurred but not reported health claims (note 11)	190,000
Deferred revenue:	
Succeeding year property tax	6,900,000
Other	107,933
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Intermediary relending program loan	7,312
Compensated absences	204,770
Portion due or payable after one year:	
Intermediary relending program loan	110,388
Net OPEB liability	<u>205,000</u>
 Total liabilities	 <u>8,486,653</u>

MAHASKA COUNTY  
STATEMENT OF NET POSITION  
June 30, 2013

	<u>Governmental Activities</u>
Net Position	
Net investment in capital assets	\$ 32,438,250
Restricted for:	
Supplemental levy purposes	1,178,968
Cemetery levy purposes	9,868
Mental health purposes	1,138,305
Rural services purposes	509,721
Secondary roads purposes	1,529,935
Conservation purposes	664,869
Other purposes	667,258
Unrestricted	<u>5,893,359</u>
Total net position	<u>\$ 44,030,533</u>

See notes to financial statements.

MAHASKA COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 2,887,235	\$ 254,728	\$ 255,780	\$ -	\$ (2,376,727)
Physical health and social services	660,081	6,049	148,334	-	(505,698)
Mental health	1,379,089	4,504	501,686	-	(872,899)
County environment and education	687,484	100,311	110,579	144,670	(331,924)
Roads and transportation	6,751,397	441,587	3,001,610	730,836	(2,577,364)
Government services to residents	561,496	378,612	114	-	(182,770)
Administration	1,108,569	21,488	-	-	(1,087,081)
Non-program	868,313	-	-	-	(868,313)
Interest on long-term debt	1,220	-	-	-	(1,220)
<b>Total</b>	<b>\$ 14,904,884</b>	<b>\$ 1,207,279</b>	<b>\$ 4,018,103</b>	<b>\$ 875,506</b>	<b>(8,803,996)</b>
General Revenues:					
Property and other county tax levied for:					
General purposes					6,920,428
Penalty and interest on property tax					54,078
State tax credits					298,927
Local option sales and services tax					853,060
Unrestricted investment earnings					46,330
Miscellaneous					557,130
<b>Total general revenues</b>					<b>8,729,953</b>
Change in net position					(74,043)
Net position beginning of year					44,104,576
Net position end of year					<b>\$ 44,030,533</b>

See notes to financial statements.

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MAHASKA COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2013

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 6,456,318	\$ 1,208,743	\$ 537,388	\$ 1,250,358
Investments held by fiscal agent	5,618	-	-	-
Receivables:				
Property tax:				
Delinquent	6,972	1,924	2,955	-
Succeeding year	3,679,000	1,015,000	2,206,000	-
Interest and penalty on property tax	94,544	-	-	-
Accounts	67,828	91,839	300	29,127
Accrued interest	4,801	-	-	-
Due from other governments	135,380	10,877	14,225	368,312
Inventories	-	-	-	341,029
Loans receivable (note 4)	-	-	-	-
<b>Total assets</b>	<b>\$ 10,450,461</b>	<b>\$ 2,328,383</b>	<b>\$ 2,760,868</b>	<b>\$ 1,988,826</b>

<u>Nonmajor</u>	<u>Total</u>
\$ 526,655	\$ 9,979,462
-	5,618
-	11,851
-	6,900,000
-	94,544
1,063	190,157
2,599	7,400
137,825	666,619
-	341,029
<u>255,138</u>	<u>255,138</u>
<u>\$ 923,280</u>	<u>\$ 18,451,818</u>

MAHASKA COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2013

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 96,946	\$ 137,925	\$ 3,522	\$ 277,944
Salaries and benefits payable	49,781	4,751	3,286	29,901
Due to other governments (note 6)	-	14,050	-	-
Deferred revenue:				
Succeeding year property tax	3,679,000	1,015,000	2,206,000	-
Other	101,435	1,914	2,919	68,516
Total liabilities	<u>3,927,162</u>	<u>1,173,640</u>	<u>2,215,727</u>	<u>376,361</u>
Fund balances:				
Nonspendable:				
Inventories	-	-	-	341,029
Restricted for:				
Supplemental levy purposes	1,238,402	-	-	-
Cemetery levy purposes	9,859	-	-	-
Mental health purposes	-	1,154,743	-	-
Rural services purposes	-	-	545,141	-
Secondary roads purposes	-	-	-	1,271,436
Courthouse security	123,255	-	-	-
Conservation purposes	531,396	-	-	-
Other purposes	10,211	-	-	-
Assigned for:				
Mapping	15,000	-	-	-
Technology	35,000	-	-	-
Courthouse capital improvements	200,000	-	-	-
Future conservation nature center	20,000	-	-	-
Public safety purposes	973,836	-	-	-
Unassigned	3,366,340	-	-	-
Total fund balances	<u>6,523,299</u>	<u>1,154,743</u>	<u>545,141</u>	<u>1,612,465</u>
Total liabilities and fund balances	<u>\$ 10,450,461</u>	<u>\$ 2,328,383</u>	<u>\$ 2,760,868</u>	<u>\$ 1,988,826</u>

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 516,337
-	87,719
137,825	151,875
-	6,900,000
255,138	429,922
<u>392,963</u>	<u>8,085,853</u>
-	341,029
-	1,238,402
-	9,859
-	1,154,743
-	545,141
-	1,271,436
-	123,255
133,473	664,869
396,844	407,055
-	15,000
-	35,000
-	200,000
-	20,000
-	973,836
-	3,366,340
<u>530,317</u>	<u>10,365,965</u>
<u>\$ 923,280</u>	<u>\$ 18,451,818</u>

## MAHASKA COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION

June 30, 2013

Total fund balances of governmental funds	\$ 10,365,965
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 as assets in the governmental funds. The cost of assets is \$61,172,679 and the accumulated depreciation is \$28,734,429.	32,438,250
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	429,922
The Internal Service Fund is used by management to charge the costs of the self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	1,324,356
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(490)
Long-term liabilities, including loans payable, compensated absences payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(527,470)</u>
Net position of governmental activities	<u>\$ 44,030,533</u>

See notes to financial statements.

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MAHASKA COUNTY

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

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other County tax	\$ 3,597,493	\$ 1,179,271	\$ 2,143,162	\$ -
Interest and penalty on property tax	46,419	-	-	-
Intergovernmental	618,445	551,504	129,884	3,734,463
Licenses and permits	1,501	-	9,725	5,570
Charges for service	616,875	-	-	-
Use of money and property	180,935	-	-	-
Miscellaneous	600,225	4,504	331	436,017
<b>Total revenues</b>	<b>5,661,893</b>	<b>1,735,279</b>	<b>2,283,102</b>	<b>4,176,050</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	2,653,741	-	245,215	-
Physical health and social services	585,306	-	74,294	-
Mental health	-	1,379,971	-	-
County environment and education	461,054	-	170,786	-
Roads and transportation	-	-	7,879	5,457,550
Government services to residents	565,290	-	-	-
Administration	1,035,430	-	5,954	-
Non-program	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	659,688
<b>Total expenditures</b>	<b>5,300,821</b>	<b>1,379,971</b>	<b>504,128</b>	<b>6,117,238</b>
Excess (deficiency) of revenues over (under) expenditures	361,072	355,308	1,778,974	(1,941,188)
<b>Other financing sources (uses):</b>				
Interfund transfers in (note 3)	-	-	-	1,863,699
Interfund transfers out (note 3)	(161,860)	-	(1,701,839)	-
<b>Total other financing sources (uses)</b>	<b>(161,860)</b>	<b>-</b>	<b>(1,701,839)</b>	<b>1,863,699</b>
Net change in fund balances	199,212	355,308	77,135	(77,489)
Fund balances beginning of year	6,324,087	799,435	468,006	1,689,954
Fund balances end of year	<u>\$ 6,523,299</u>	<u>\$ 1,154,743</u>	<u>\$ 545,141</u>	<u>\$ 1,612,465</u>

See notes to financial statements.

	<u>Nonmajor</u>	<u>Total</u>
\$	853,061	\$ 7,772,987
	-	46,419
	33,459	5,067,755
	-	16,796
	4,366	621,241
	12,321	193,256
	-	1,041,077
	<u>903,207</u>	<u>14,759,531</u>
	4,018	2,902,974
	-	659,600
	-	1,379,971
	33,250	665,090
	-	5,465,429
	3,159	568,449
	-	1,041,384
	868,313	868,313
	8,490	8,490
	-	659,688
	<u>917,230</u>	<u>14,219,388</u>
	(14,023)	540,143
	-	1,863,699
	-	(1,863,699)
	<u>-</u>	<u>-</u>
	(14,023)	540,143
	<u>544,340</u>	<u>9,825,822</u>
\$	<u><u>530,317</u></u>	<u><u>\$ 10,365,965</u></u>

MAHASKA COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ 540,143

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. The amount of capital outlay  
expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 1,083,390	
Capital assets contributed by the State of Iowa	54,670	
Depreciation expense	<u>(1,831,645)</u>	(693,585)

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, as follows:

Property tax	502	
Loan payments	8,964	
Other	<u>5,642</u>	15,108

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. 7,240

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 the governmental funds, as follows:

Compensated absences	(7,237)	
Net OPEB liability	(35,000)	
Interest on long-term debt	<u>30</u>	(42,207)

The Internal Service Fund is used by management to charge the costs of  
the self funding of the County's health insurance benefit plan to individual  
funds. The change in net position of the Internal Service Fund is reported  
with governmental activities. 99,258

Change in net position of governmental activities \$ (74,043)

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 1,595,020
Accounts receivable	6,487
Prepaid expenses	<u>25,611</u>
Total assets	<u>1,627,118</u>
Liabilities	
Accounts payable	4,829
Incurred but not reported health claims (note 11)	190,000
Deferred revenue	<u>107,933</u>
Total liabilities	<u>302,762</u>
Net Position	
Unrestricted	\$ <u><u>1,324,356</u></u>

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Charges to County operating funds and others	\$ 1,557,664
Stop loss reimbursements	<u>124,310</u>
Total operating revenues	<u>1,681,974</u>
Operating expenses:	
Medical claims	1,245,257
Insurance premiums	312,941
Administrative fees	13,524
Miscellaneous	<u>12,526</u>
Total operating expenses	<u>1,584,248</u>
Operating income	97,726
Non-operating revenues:	
Interest on investments	<u>1,532</u>
Net income	99,258
Net position beginning of year	<u>1,225,098</u>
Net position end of year	<u>\$ 1,324,356</u>

See notes to financial statements.

MAHASKA COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2013

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from charges to operating funds and others	\$ 1,556,845
Cash received from stop loss reimbursements	155,831
Cash payments to suppliers for services	<u>(1,575,030)</u>
Net cash provided by operating activities	<u>137,646</u>
Cash flows from investing activities:	
Interest on investments	<u>1,532</u>
Net increase in cash and cash equivalents	139,178
Cash and cash equivalents beginning of year	<u>1,455,842</u>
Cash and cash equivalents end of year	<u>\$ 1,595,020</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 97,726
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	31,521
(Increase) in prepaid expenses	(25,611)
Increase in accounts payable	4,829
Increase in incurred but not reported health claims	30,000
(Decrease) in deferred revenue	<u>(819)</u>
Net cash provided by operating activities	<u>\$ 137,646</u>

See notes to financial statements.

MAHASKA COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2013

Assets	
Cash and pooled investments:	
County Treasurer	\$ 1,467,492
Other County officials	116,857
Receivables:	
Property tax:	
Delinquent	46,365
Succeeding year	21,819,000
Accounts	19,691
Accrued interest	4,078
Due from other governments	<u>17,647</u>
Total assets	<u><u>\$ 23,491,130</u></u>
Liabilities	
Accounts payable	\$ 95,233
Salaries and benefits payable	14,951
Due to other governments (note 6)	23,268,206
Trusts payable	58,242
Compensated absences	<u>54,498</u>
Total liabilities	<u><u>\$ 23,491,130</u></u>

See notes to financial statements.

## MAHASKA COUNTY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2013

#### Note 1. Summary of Significant Accounting Policies

Mahaska 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, Mahaska 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 Mahaska 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 that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Three 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 the Mahaska 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 Mahaska County Auditor's office. The drainage districts had no assets or liabilities at June 30, 2013.

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

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

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 and liabilities, with the difference reported as net position. Net position is reported in three 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 position use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental 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 that are not paid from other funds.

Special Revenue:

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

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

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

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

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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 liabilities 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 position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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 tax 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.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

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.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Asset Class	Amount
Intangibles	\$ 125,000
Infrastructure	50,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

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

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

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Deferred revenue in the proprietary fund consists of prepaid health insurance charges.

Deferred revenue in the Statement of Net Position consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and health insurance charges that will not be recognized as revenue until the year for which the related premiums are due.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position. 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 costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

Fund Equity – In the governmental fund financial statements, fund balances 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.

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

Unassigned – All amounts not included in preceding classifications.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the capital projects function prior to the amendment of the budget.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

During the two years ended June 30, 2009, the County transferred a total of \$252,716 received by the County through an estate bequest to a local non-profit organization (Foundation). The original \$252,716 investment was transferred back to the County during the year ended June 30, 2011. At June 30, 2013, the carrying amount and fair value of the remaining balance was \$5,618. The Foundation holds investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 161,860
	Special Revenue:	
	Rural Services	<u>1,701,839</u>
		<u>\$ 1,863,699</u>

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

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Loans Receivable

The County has \$617,634 available to use for revolving loans for economic development within the County, of which \$255,138 was loaned at June 30, 2013. The original amounts were previously provided through a Community Development Block Grant and a Community Economic Betterment Account Grant. Additional amounts were made available through an Intermediary Relending Program Loan (see note 7). The County may make new loans from repayments of both principal and interest. As of June 30, 2013 there were five outstanding loans. All payments are current except as noted below.

Mahaska Community Development Group – 5% interest loan payable in monthly installments of \$384.97, including interest.

Beyond Elegance – 4% loan payable in monthly installments of \$1,068.07, including interest.

Randau Family Agency – 4% interest loan payable in monthly installments of \$184.92, including interest. Loan payments are twenty months in arrears, totaling \$3,698.

Sterling Properties – 4.25% interest loan payable in monthly installments of \$1,024.38, including interest.

South Central Diesel – During the year ended June 30, 2013, the County entered into a new loan agreement with South Central Diesel, L.L.C. for a \$31,250 loan. The agreement is a 4% interest loan payable in monthly installments of \$316.48, including interest. In the event South Central Diesel doesn't create three full-time equivalent jobs by February 1, 2014, the loan will be payable at 9% interest.

The following is a schedule of payments showing amounts to be collected over the life of the loans:

Year Ending June 30,	Mahaska Community Development Group	Beyond Elegance	Randau Family Agency	Sterling Properties	South Central Diesel	Less: Amount Representing Interest	Total
2014	\$ 4,620	\$ 12,817	\$ 5,917*	\$ 12,293	\$ 3,798	\$ (11,376)	\$ 28,069
2015	4,620	12,817	2,219	12,293	3,798	(9,158)	26,589
2016	4,620	12,817	2,219	12,293	3,798	(8,033)	27,714
2017	4,620	12,817	2,219	12,293	3,798	(6,839)	28,908
2018	4,620	12,817	2,219	12,293	3,798	(5,605)	30,142
2019-2023	23,098	45,456	7,211	16,390	17,636	(11,840)	97,951
2024-2027	17,322	-	-	-	-	(1,557)	15,765
	<u>\$ 63,520</u>	<u>\$ 109,541</u>	<u>\$ 22,004</u>	<u>\$ 77,855</u>	<u>\$ 36,626</u>	<u>\$ (54,408)</u>	<u>\$ 255,138</u>

\* = Includes payments in arrears totaling \$3,698.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 897,924	\$ 54,670	\$ -	\$ 952,594
Construction in progress	88,166	659,687	747,853	-
Total capital assets not being depreciated	<u>986,090</u>	<u>714,357</u>	<u>747,853</u>	<u>952,594</u>
Capital assets being depreciated:				
Buildings	7,980,247	-	-	7,980,247
Improvements other than buildings	236,665	-	-	236,665
Machinery and equipment	7,192,448	423,703	473,882	7,142,269
Infrastructure	44,113,051	747,853	-	44,860,904
Total capital assets being depreciated	<u>59,522,411</u>	<u>1,171,556</u>	<u>473,882</u>	<u>60,220,085</u>
Less accumulated depreciation for:				
Buildings	4,531,819	160,268	-	4,692,087
Improvements other than buildings	5,621	5,621	-	11,242
Machinery and equipment	5,755,384	400,572	473,882	5,682,074
Infrastructure	17,083,842	1,265,184	-	18,349,026
Total accumulated depreciation	<u>27,376,666</u>	<u>1,831,645</u>	<u>473,882</u>	<u>28,734,429</u>
Total capital assets being depreciated, net	<u>32,145,745</u>	<u>(660,089)</u>	<u>-</u>	<u>31,485,656</u>
Governmental activities capital assets, net	<u>\$ 33,131,835</u>	<u>\$ 54,268</u>	<u>\$ 747,853</u>	<u>\$ 32,438,250</u>

MAHASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	90,366
County environment and education		55,372
Roads and transportation		1,545,529
Government services to residents		2,662
Administration		<u>137,716</u>
Total depreciation expense - governmental activities	\$	<u><u>1,831,645</u></u>

Note 6. 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>
Special Revenue:		
Mental Health	Services	\$ 14,050
Local Option Sales and Services Tax Revenue		<u>137,825</u>
Total for governmental funds		<u><u>\$ 151,875</u></u>
Agency:		
County Hospital	Collections	\$ 1,843,295
Schools		13,456,065
Area Schools		755,696
Townships		335,822
Corporations		5,372,894
Stephens Memorial Animal Shelter		434,728
Auto License and Use Tax		525,736
All Other		<u>543,970</u>
Total for agency funds		<u><u>\$ 23,268,206</u></u>

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 7. Long-Term Liabilities

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

	Intermediary Relending Program Loan	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 124,940	\$ 197,533	\$ 170,000	\$ 492,473
Increases	-	204,770	35,000	239,770
Decreases	7,240	197,533	-	204,773
Balance end of year	<u>\$ 117,700</u>	<u>\$ 204,770</u>	<u>\$ 205,000</u>	<u>\$ 527,470</u>
Due within one year	<u>\$ 7,312</u>	<u>\$ 204,770</u>	<u>\$ -</u>	<u>\$ 212,082</u>

Intermediary Relending Program Loan

In January 1998, the County entered into an agreement with the U.S. Department of Agriculture whereby the County will receive up to \$200,000 through the Intermediary Relending Program. The money will be relented by the County to eligible local businesses for the purpose of economic development. The County must first repay the loan to the Department of Agriculture, interest only, at a fixed rate of 1% per annum, for the first three years, with subsequent payment of principal and interest in 27 equal annual amortized installments beginning on the fourth anniversary of the date the County began the program.

Details of the County's June 30, 2013 intermediary relending program loan indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 7,312	\$ 1,177	\$ 8,489
2015	7,385	1,104	8,489
2016	7,459	1,030	8,489
2017	7,534	955	8,489
2018	7,609	880	8,489
2019-2023	39,201	3,244	42,445
2024-2028	41,200	1,244	42,444
	<u>\$ 117,700</u>	<u>\$ 9,634</u>	<u>\$ 127,334</u>

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 8. Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 101 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage, which is a self-funded medical plan, is administered by First Administrators. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 54,000
Interest on net OPEB obligation	7,000
Adjustment to annual required contribution	<u>(7,000)</u>
Annual OPEB cost	54,000
Contributions made	<u>(19,000)</u>
Increase in net OPEB obligation	35,000
Net OPEB obligation beginning of year	<u>170,000</u>
Net OPEB obligation end of year	<u><u>\$ 205,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the County contributed \$19,000 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 51,000	17.6%	\$ 128,000
2012	51,000	17.6%	170,000
2013	54,000	35.2%	205,000

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 8. Other Postemployment Benefits (OPEB) (continued)

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$526,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$526,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,083,000 and the ratio of the UAAL to covered payroll was 12.9%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present 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 projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table fully generational projected using Scale AA. Annual retirement and termination rates were developed from the IPERS Actuarial Valuation as of June 30, 2012.

Projected claim costs of the medical plan are \$625 per month for retirees less than age 55, \$758 per month for retirees age 55 to 59, and \$942 per month for retirees age 60 to 64. 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.

Note 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.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 9. Pension and Retirement Benefits (continued)

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of 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 contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$407,458, \$376,343 and \$343,001, respectively, equal to the required contributions for each year.

Note 10. Risk Management

Mahaska County is a member in the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool with ten member Counties throughout the State of Iowa. The Pool was formed in July 1987 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, and workers compensation. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2013 were \$284,495.

Initial risk of loss is retained by the Pool. The risk pool is reinsured through commercial companies for 100% of claims in excess of \$400,000 per occurrence for general, automobile, law enforcement and public officials liabilities, \$750,000 per occurrence for workers compensation, and \$100,000 per occurrence for property losses. The risk pool fund includes reserves established to account for the liability for claims reported but not yet paid. A liability is also factored in for claims incurred but not reported (referred to as IBNR claims). As of June 30, 2013, the Pool maintained a surplus over the reserves and IBNR claims.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 10. Risk Management (continued)

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

The County also carries commercial insurance purchased from other insurers for coverage associated with employee blanket bond in the amount of \$25,000 (\$50,000 for County Treasurer). The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11. Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the self - funding of the County's health insurance benefit plan. The plan is administered through a service agreement with First Administrators. The agreement, which was effective July 1, 2009, is subject to automatic renewal provisions.

The County purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$45,000 in insured claims for any one covered individual. The County assumes liability for claims up to the individual stop-loss limitation of \$45,000.

Monthly payments of service fees and plan contributions to the Mahaska County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, weekly payments of service fees and claims processed are paid to First Administrators from the Mahaska County Employee Group Health Fund. MidWestOne Bank, trustee for the plan, administers the funds of the plan in accordance with the provision of a trust agreement entered into by Mahaska County and MidWestOne Bank. The County records the plan assets and related liabilities for the Mahaska County Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2013 was \$1,349,159.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 11. Employee Health Insurance Plan (continued)

Amounts payable from the Employee Group Health Fund at June 30, 2013 total \$190,000 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$1,324,356 at June 30, 2013 and is reported as net position of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims at July 1, 2012	\$ 160,000
Incurred claims (including claims incurred but not reported at June 30, 2013)	1,245,257
Payments	<u>(1,215,257)</u>
Unpaid claims at June 30, 2013	<u>\$ 190,000</u>

Note 12. Mahaska County Care Facility

The Mahaska County Care Facility is managed and operated by Country Life Health Care, Inc. The County is leasing the Care Facility site to Country Life Health Care, Inc. for a one year period which ends June 30, 2013. The County provides financial support for the operation of the Care Facility. The lease is reviewed on an annual basis and has been renewed for the upcoming year.

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Required Supplementary Information

MAHASKA COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds  
 Required Supplementary Information  
 Year Ended June 30, 2013

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 7,773,509	\$ 8,042,128	\$ 8,042,128	\$ (268,619)
Interest and penalty on property tax	47,294	13,200	19,809	27,485
Intergovernmental	5,135,178	4,750,957	5,826,394	(691,216)
Licenses and permits	16,666	16,825	21,400	(4,734)
Charges for service	660,939	534,850	635,501	25,438
Use of money and property	194,840	245,769	245,769	(50,929)
Miscellaneous	999,796	535,950	925,525	74,271
Total receipts	<u>14,828,222</u>	<u>14,139,679</u>	<u>15,716,526</u>	<u>(888,304)</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	2,943,280	3,029,634	3,077,334	134,054
Physical health and social services	657,195	760,057	760,957	103,762
Mental health	2,256,253	2,729,603	2,739,603	483,350
County environment and education	709,437	944,881	979,131	269,694
Roads and transportation	5,542,507	5,005,000	5,652,000	109,493
Government services to residents	568,948	635,992	635,992	67,044
Administration	1,061,628	1,354,490	1,355,993	294,365
Non-program	853,338	955,000	955,000	101,662
Debt service	8,490	8,490	8,490	-
Capital projects	745,914	160,000	745,914	-
Total disbursements	<u>15,346,990</u>	<u>15,583,147</u>	<u>16,910,414</u>	<u>1,563,424</u>
Excess (deficiency) of receipts over (under) disbursements	(518,768)	(1,443,468)	(1,193,888)	675,120
Balance beginning of year	<u>10,503,848</u>	<u>8,340,751</u>	<u>8,340,751</u>	<u>2,163,097</u>
Balance end of year	<u>\$ 9,985,080</u>	<u>\$ 6,897,283</u>	<u>\$ 7,146,863</u>	<u>\$ 2,838,217</u>

See accompanying independent auditor's report.

MAHASKA COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,828,222	\$ (68,691)	\$ 14,759,531
Expenditures	15,346,990	(1,127,602)	14,219,388
Net	(518,768)	1,058,911	540,143
Beginning fund balances	10,503,848	(678,026)	9,825,822
Ending fund balances	<u>\$ 9,985,080</u>	<u>\$ 380,885</u>	<u>\$ 10,365,965</u>

See accompanying independent auditor's report.

## MAHASKA COUNTY

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, internal service funds, 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 ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government 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, one budget amendment increased budgeted disbursements by \$1,327,267. This budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the capital projects function prior to the amendment of the budget.

MAHASKA COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended June 30, 2013

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 )
2009	July 1, 2009	\$ -	\$ 445	\$ 445	0.0%	\$ 4,241	10.5%
2010	July 1, 2009	-	445	445	0.0%	3,936	11.3%
2011	July 1, 2009	-	445	445	0.0%	4,120	10.8%
2012	July 1, 2009	-	445	445	0.0%	3,982	11.1%
2013	July 1, 2012	-	526	526	0.0%	4,083	12.9%

See note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

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Supplementary Information

MAHASKA COUNTY

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2013

	Special Revenue		
	County Recorder's Records Management	Resource Enhancement and Protection	Revolving Loan
Assets			
Cash and pooled investments	\$ 23,347	\$ 132,830	\$ 360,654
Receivables:			
Accounts	1,063	-	-
Accrued interest	114	643	1,842
Due from other governments	-	-	-
Loans receivable	-	-	255,138
Total assets	\$ 24,524	\$ 133,473	\$ 617,634
Liabilities and Fund Balances			
Liabilities:			
Due to other governments	\$ -	\$ -	-
Deferred revenue:			
Other	-	-	255,138
Total liabilities	-	-	255,138
Fund balances:			
Restricted for:			
Conservation purposes	-	133,473	-
Other purposes	24,524	-	362,496
Total fund balances	24,524	133,473	362,496
Total liabilities and fund balances	\$ 24,524	\$ 133,473	\$ 617,634

See accompanying independent auditor's report.

<u>Local Option Sales and Services Tax Revenue</u>	<u>County Sheriff's Forfeiture</u>	<u>Total</u>
\$ -	\$ 9,824	\$ 526,655
-	-	1,063
-	-	2,599
137,825	-	137,825
-	-	255,138
<u>\$ 137,825</u>	<u>\$ 9,824</u>	<u>\$ 923,280</u>
\$ 137,825	\$ -	\$ 137,825
-	-	255,138
<u>137,825</u>	<u>-</u>	<u>392,963</u>
-	-	133,473
-	9,824	396,844
<u>-</u>	<u>9,824</u>	<u>530,317</u>
<u>\$ 137,825</u>	<u>\$ 9,824</u>	<u>\$ 923,280</u>

MAHASKA COUNTY

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

	Special Revenue		
	County Recorder's Records Management	Resource Enhancement and Protection	Revolving Loan
Revenues:			
Property and other County tax	\$ -	\$ -	\$ -
Intergovernmental	-	12,186	21,273
Charges for service	4,366	-	-
Use of money and property	114	643	11,564
Total revenues	<u>4,480</u>	<u>12,829</u>	<u>32,837</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	-	33,250
Government services to residents	3,159	-	-
Non-program	-	-	-
Debt service	-	-	8,490
Total expenditures	<u>3,159</u>	<u>-</u>	<u>41,740</u>
Excess (deficiency) of revenues over (under) expenditures	1,321	12,829	(8,903)
Fund balances beginning of year	<u>23,203</u>	<u>120,644</u>	<u>371,399</u>
Fund balances end of year	<u>\$ 24,524</u>	<u>\$ 133,473</u>	<u>\$ 362,496</u>

See accompanying independent auditor's report.

Local Option Sales and Services Tax Revenue	County Sheriff's Forfeiture	Total
\$ 853,061	\$ -	\$ 853,061
-	-	33,459
-	-	4,366
-	-	12,321
<u>853,061</u>	<u>-</u>	<u>903,207</u>
-	4,018	4,018
-	-	33,250
-	-	3,159
868,313	-	868,313
-	-	8,490
<u>868,313</u>	<u>4,018</u>	<u>917,230</u>
(15,252)	(4,018)	(14,023)
<u>15,252</u>	<u>13,842</u>	<u>544,340</u>
<u>\$ -</u>	<u>\$ 9,824</u>	<u>\$ 530,317</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

June 30, 2013

	County Offices			County Assessor
	County Auditor	County Recorder	County Sheriff	
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	198,486
Other County officials	13,388	46,165	57,304	-
Receivables:				
Property tax:				
Delinquent	-	-	-	226
Succeeding year	-	-	-	119,000
Accounts	-	292	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 13,388</u>	<u>\$ 46,457</u>	<u>\$ 57,304</u>	<u>\$ 317,712</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 32,271	\$ 12,763	\$ 27,380
Salaries and benefits payable	-	-	-	2,746
Due to other governments	-	14,186	-	287,349
Trusts payable	13,388	-	44,541	-
Compensated absences	-	-	-	237
Total liabilities	<u>\$ 13,388</u>	<u>\$ 46,457</u>	<u>\$ 57,304</u>	<u>\$ 317,712</u>

<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Townships</u>	<u>Corporations</u>	<u>Lynndana Sanitary Sewer District</u>
\$ 1,981	\$ 18,843	\$ 132,224	\$ 7,273	\$ 3,330	\$ 51,332	\$ 4
-	-	-	-	-	-	-
363	3,452	25,841	1,423	492	14,562	-
191,000	1,821,000	13,298,000	747,000	332,000	5,307,000	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 193,344</u>	<u>\$ 1,843,295</u>	<u>\$ 13,456,065</u>	<u>\$ 755,696</u>	<u>\$ 335,822</u>	<u>\$ 5,372,894</u>	<u>\$ 1,004</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
193,344	1,843,295	13,456,065	755,696	335,822	5,372,894	1,004
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 193,344</u>	<u>\$ 1,843,295</u>	<u>\$ 13,456,065</u>	<u>\$ 755,696</u>	<u>\$ 335,822</u>	<u>\$ 5,372,894</u>	<u>\$ 1,004</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

June 30, 2013

	Brucellosis and Tuberculosis Eradication	City Special Assessments	Emergency Management Services	Stephens Memorial Animal Shelter
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 31	\$ 5,424	\$ 30,486	\$ 444,390
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	6	-	-	-
Succeeding year	3,000	-	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	3,777
Due from other governments	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 3,037</u>	<u>\$ 5,424</u>	<u>\$ 30,486</u>	<u>\$ 448,167</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 12,204	\$ 8,601
Salaries and benefits payable	-	-	1,164	2,834
Due to other governments	3,037	5,424	14,792	434,728
Trusts payable	-	-	-	-
Compensated absences	-	-	2,326	2,004
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$ 3,037</u>	<u>\$ 5,424</u>	<u>\$ 30,486</u>	<u>\$ 448,167</u>

See accompanying independent auditor's report.

<u>Auto License and Use Tax</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>E-911</u>	<u>Unclaimed Property</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 525,736	\$ 37	\$ 47,201	\$ 313	\$ 401	\$ 1,467,492
-	-	-	-	-	116,857
-	-	-	-	-	46,365
-	-	-	-	-	21,819,000
-	-	19,045	-	354	19,691
-	-	301	-	-	4,078
-	-	17,647	-	-	17,647
<u>\$ 525,736</u>	<u>\$ 37</u>	<u>\$ 84,194</u>	<u>\$ 313</u>	<u>\$ 755</u>	<u>\$ 23,491,130</u>
\$ -	\$ -	\$ 2,014	\$ -	\$ -	\$ 95,233
-	-	8,207	-	-	14,951
525,736	37	24,042	-	755	23,268,206
-	-	-	313	-	58,242
-	-	49,931	-	-	54,498
<u>\$ 525,736</u>	<u>\$ 37</u>	<u>\$ 84,194</u>	<u>\$ 313</u>	<u>\$ 755</u>	<u>\$ 23,491,130</u>

MAHASKA COUNTY

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

	County Offices			
	County Auditor	County Recorder	County Sheriff	County Assessor
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 13,318	\$ 47,209	\$ 145,770	\$ 497,883
Additions:				
Property and other County tax	-	-	-	119,418
E-911 surcharge	-	-	-	-
E-911 local contributions	-	-	-	-
State tax credits	-	-	-	10,673
Federal grants	-	-	-	-
Office fees and collections	-	403,416	197,701	684
Drivers license fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Interest	-	-	-	-
Assessments	-	-	-	-
Trusts	70	-	323,002	-
Miscellaneous	-	-	-	-
Total additions	<u>70</u>	<u>403,416</u>	<u>520,703</u>	<u>130,775</u>
Deductions:				
Agency remittances:				
To other funds	-	140,509	241,210	-
To other governments	-	263,659	8,414	310,946
Trusts paid out	-	-	359,545	-
Total deductions	<u>-</u>	<u>404,168</u>	<u>609,169</u>	<u>310,946</u>
Balances end of year	\$ <u>13,388</u>	\$ <u>46,457</u>	\$ <u>57,304</u>	\$ <u>317,712</u>

<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Townships</u>	<u>Corporations</u>	<u>Lynndana Sanitary Sewer District</u>
\$ <u>194,304</u>	\$ <u>1,850,490</u>	\$ <u>13,446,010</u>	\$ <u>711,210</u>	\$ <u>313,819</u>	\$ <u>5,233,685</u>	\$ <u>1,004</u>
192,064	1,829,451	13,335,440	750,749	336,551	5,201,717	1,176
-	-	-	-	-	-	-
-	-	-	-	-	-	-
8,155	77,574	554,056	29,768	14,630	183,572	55
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>200,219</u>	<u>1,907,025</u>	<u>13,889,496</u>	<u>780,517</u>	<u>351,181</u>	<u>5,385,289</u>	<u>1,231</u>
-	-	-	-	-	-	-
201,179	1,914,220	13,879,441	736,031	329,178	5,246,080	1,231
-	-	-	-	-	-	-
<u>201,179</u>	<u>1,914,220</u>	<u>13,879,441</u>	<u>736,031</u>	<u>329,178</u>	<u>5,246,080</u>	<u>1,231</u>
\$ <u><u>193,344</u></u>	\$ <u><u>1,843,295</u></u>	\$ <u><u>13,456,065</u></u>	\$ <u><u>755,696</u></u>	\$ <u><u>335,822</u></u>	\$ <u><u>5,372,894</u></u>	\$ <u><u>1,004</u></u>

MAHASKA COUNTY

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

	Brucellosis and Tuberculosis Eradication	City Special Assessments	Emergency Management Services	Stephens Memorial Animal Shelter	Auto License and Use Tax
<b>ASSETS AND LIABILITIES</b>					
Balances beginning of year	\$ 3,035	\$ 1,145	\$ 77,292	\$ 440,826	\$ 497,833
Additions:					
Property and other County tax	3,037	-	-	-	-
E-911 surcharge	-	-	-	-	-
E-911 local contributions	-	-	-	-	-
State tax credits	128	-	-	-	-
Federal grants	-	-	32,742	-	-
Office fees and collections	-	-	-	-	-
Drivers license fees	-	-	-	-	116,621
Auto licenses, use tax and postage	-	-	-	-	6,290,084
Interest	-	-	-	3,777	-
Assessments	-	50,827	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	114,466	219,768	-
Total additions	<u>3,165</u>	<u>50,827</u>	<u>147,208</u>	<u>223,545</u>	<u>6,406,705</u>
Deductions:					
Agency remittances:					
To other funds	-	-	-	-	294,582
To other governments	3,163	46,548	194,014	216,204	6,084,220
Trusts paid out	-	-	-	-	-
Total deductions	<u>3,163</u>	<u>46,548</u>	<u>194,014</u>	<u>216,204</u>	<u>6,378,802</u>
Balances end of year	<u>\$ 3,037</u>	<u>\$ 5,424</u>	<u>\$ 30,486</u>	<u>\$ 448,167</u>	<u>\$ 525,736</u>

See accompanying independent auditor's report.

Anatomical Gift, Public Awareness and Transportation	E-911	Tax Sale Redemption Trust	Unclaimed Property	County Recorder's Electronic Transaction Fee	Total
\$ 41	\$ 114,477	\$ -	\$ 100	\$ 723	\$ 23,590,174
-	-	-	-	-	21,769,603
-	140,804	-	-	-	140,804
-	395,500	-	-	-	395,500
-	-	-	-	-	878,611
-	-	-	-	-	32,742
-	-	-	-	4,366	606,167
-	-	-	-	-	116,621
-	-	-	-	-	6,290,084
-	301	-	-	2	4,080
-	-	-	-	-	50,827
-	-	190,653	227	-	513,952
478	6,055	-	-	-	340,767
478	542,660	190,653	227	4,368	31,139,758
238	-	-	-	-	676,539
244	572,943	-	-	4,336	30,012,051
-	-	190,653	14	-	550,212
482	572,943	190,653	14	4,336	31,238,802
\$ 37	\$ 84,194	\$ -	\$ 313	\$ 755	\$ 23,491,130

MAHASKA COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST NINE YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2013	2012	2011	2010
<b>Revenues</b>				
Property and other County tax	\$ 7,772,987	\$ 8,059,028	\$ 8,167,296	\$ 7,881,505
Interest and penalty on property tax	46,419	50,171	63,900	68,370
Intergovernmental	5,067,755	6,268,915	5,698,240	6,283,676
Licenses and permits	16,796	19,293	18,773	18,124
Charges for service	621,241	569,852	517,078	551,630
Use of money and property	193,256	194,154	224,840	261,671
Miscellaneous	1,041,077	1,077,497	540,349	472,955
	<hr/>			
Total revenues	\$ <u>14,759,531</u>	\$ <u>16,238,910</u>	\$ <u>15,230,476</u>	\$ <u>15,537,931</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	\$ 2,902,974	\$ 2,949,357	\$ 2,821,223	\$ 2,694,373
Physical health and social services	659,600	612,909	656,882	690,847
Mental health	1,379,971	3,443,500	2,565,581	2,182,991
County environment and education	665,090	889,373	631,221	812,289
Roads and transportation	5,465,429	5,295,432	5,294,564	5,142,227
Government services to residents	568,449	558,702	514,300	511,651
Administration	1,041,384	1,187,970	1,022,796	1,058,726
Non-program	868,313	1,043,786	837,843	912,569
Debt service	8,490	8,490	8,490	8,490
Capital projects	659,688	303,463	943,680	1,452,817
	<hr/>			
Total expenditures	\$ <u>14,219,388</u>	\$ <u>16,292,982</u>	\$ <u>15,296,580</u>	\$ <u>15,466,980</u>

See accompanying independent auditor's report.

	2009	2008	2007	2006	2005
\$	7,814,318	\$ 7,320,629	\$ 6,841,706	\$ 6,950,971	\$ 6,249,202
	65,469	66,920	69,288	69,879	61,651
	5,158,834	5,517,349	4,646,922	5,368,724	6,489,935
	20,994	21,247	30,934	22,931	15,963
	552,451	592,030	554,364	540,405	528,465
	423,066	462,304	670,026	432,643	251,624
	663,288	773,378	498,512	441,435	332,090
	<u>\$ 14,698,420</u>	<u>\$ 14,753,857</u>	<u>\$ 13,311,752</u>	<u>\$ 13,826,988</u>	<u>\$ 13,928,930</u>
\$	2,631,282	\$ 2,545,494	\$ 2,501,567	\$ 2,335,596	\$ 2,237,833
	731,881	724,414	796,612	767,501	809,841
	2,683,269	2,716,999	2,616,932	2,340,063	2,307,713
	748,640	729,400	695,074	967,373	572,451
	5,540,940	5,801,883	4,405,418	4,287,635	4,068,474
	566,964	513,243	510,555	641,544	468,244
	1,264,959	1,076,258	1,008,633	1,068,734	913,191
	697,285	904,052	826,746	759,880	764,545
	8,490	8,490	8,490	8,490	-
	-	145,752	2,357,365	1,306,207	534,746
	<u>\$ 14,873,710</u>	<u>\$ 15,165,985</u>	<u>\$ 15,727,392</u>	<u>\$ 14,483,023</u>	<u>\$ 12,677,038</u>

MAHASKA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2013

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY 13	\$ <u>20,646</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS 62(76)	110,840
Highway Planning and Construction	20.205	BROS 62(75)	234,553
Highway Planning and Construction	20.205	STP-S-62(78)	193,086
Highway Planning and Construction	20.205	BROS 62(79)	78,051
Highway Planning and Construction	20.205	BROS 62(80)	<u>104,306</u>
			<u>720,836</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs	93.566	FY 13	<u>92</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY 13	<u>4,770</u>
Foster Care - Title IV-E	93.658	FY 13	<u>7,183</u>
Adoption Assistance	93.659	FY 13	<u>2,005</u>
Social Services Block Grant	93.667	FY 13	<u>6,226</u>
Children's Health Insurance Program	93.767	FY 13	<u>78</u>
Medical Assistance Program	93.778	FY 13	<u>20,513</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	IA DR1930	<u>5,235</u>
Emergency Management Performance Grants	97.042	FY 13	<u>27,507</u>
Total			\$ <u><u>815,091</u></u>

MAHASKA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2013

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Mahaska County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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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 Mahaska 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 Mahaska County, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 24, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting 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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-13 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mahaska 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 that are described in Part IV 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, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Mahaska County's Responses to Findings

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

### Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mahaska 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.

Oskaloosa, Iowa  
March 24, 2014

*Hunt + Associates, P.C.*

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON  
INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Officials of Mahaska County:

Report on Compliance for Each Major Federal Program

We have audited Mahaska County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. Mahaska County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Mahaska County as of and for the year ended June 30, 2013, and have issued our report dated March 24, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Oskaloosa, Iowa  
March 24, 2014

*Hunt & Associates, P.C.*

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

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 20.205 Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Mahaska County did not qualify as a low-risk auditee.

MAHASKA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, 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. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Recorder, Sheriff, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Auditor, Recorder Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

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

Part II: Findings Related to the Basic Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

II-A-13 Segregation of Duties (continued)

Responses –

County Auditor – We will review procedures and try to make any necessary changes to improve internal control. We are working on assigning duties for next fiscal year which will improve our controls over disbursements.

County Recorder – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

Conclusion – Responses accepted.

II-B-13 Financial Reporting – During the audit, we identified material amounts of payables not recorded in the County’s financial statements. We also noted that the June motor vehicle transactions were not recorded in the general ledger until July, Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all payables and motor vehicle transactions are identified and properly included in the County’s financial statements.

Response – We will review our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

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

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

MAHASKA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the capital projects function prior to the amendment of the County budget. In addition, Emergency Management Services disbursements exceeded the amount budgeted prior to the amendment of that budget.

Recommendation – The County budget and the Emergency Management Services budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget when required in the future.

Conclusion – Response accepted.

IV-B-13 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-13 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-13 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-13 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

IV-F-13 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-13 Deposits and Investments – Except as noted in IV-K-13, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.

IV-H-13 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-13 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

MAHASKA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

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

- IV-J-13 Treasurer's Semi-annual Report – The County Treasurer's semi-annual report for the six months ended June 30, 2013 was published as required by Chapter 349.16(3) of the Code of Iowa. However, we noted some material differences.

Recommendation – The Treasurer's semi-annual reports should be published accurately. The report should equal the Treasurer's bank reconciliation and general ledger.

Response – We will try to publish the required reports accurately in the future. The differences are due to the timing of recording auto license and use tax funds, which are recorded in the first week of the month which follows their actual month of collection and deposit.

Conclusion – Response accepted.

- IV-K-13 Bequest to the Mahaska County Conservation Board – During the year ended June 30, 2008, the Mahaska County Conservation Board was named as a beneficiary in a last will and testament. The Conservation Board remitted \$130,000 of the bequest to the Greater Des Moines Community Foundation (Foundation) in the year ended June 30, 2008, and \$122,716 in the year ended June 30, 2009. The Conservation Board signed a "Designated Passthrough Fund Agreement" and a "Designated Endowment Fund Agreement" with the Foundation. Both agreements state, in part, "the Donor hereby irrevocably assigns, conveys, transfers and delivers to the GDMCF (Foundation) all of the Donor's rights, title and interest in the property described." As of June 30, 2012, these funds were returned to the County but the earnings and other donations were still deposited with the Foundation.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 states, "No public money or property shall be appropriated for local or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly." In addition, Chapter 350.4 of the Code of Iowa states, in part, "a County conservation board may accept in the name of the County gifts, bequests, contributions and appropriations of money and other personal property for conservation purposes."

Chapter 331.552 of the Code of Iowa states, in part, that a County shall "keep a true account of all receipts and disbursements of the County."

A letter of advice from the Iowa Attorney General regarding gifts to governmental entities and the propriety of giving proceeds from a gift to a private non-profit Foundation has been issued dated April 22, 2008. The letter of advice states, in part:

MAHASKA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

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

IV-K-13 Bequest to the Mahaska County Conservation Board (continued)

“...I do not believe that a board may simply donate funds received from private donors to a private non-profit organization to use and invest as the non-profit organization sees fit. Unless the board retains the ability to oversee expenditures and to demand return of the funds in the event that future trustees do not agree with that delegation of control over the funds, the transaction violates the public purpose and non-delegation principles discussed above. Further, even if safeguards are put in place to assure ongoing oversight and control, I believe that the funds continue to be ‘public funds,’ subject to the deposit and investment standards contained in Code sections 12B and 12C (of the Code of Iowa) and that the funds must be earmarked and spent for the purpose for which the gift was given. A 28E agreement may provide a vehicle to facilitate joint public and private influence over the use of gifts received by a governmental body, by incorporating ongoing public oversight and accountability to the joint undertaking.”

In addition, consistent with the Iowa Attorney General’s letter of advice, the proceeds and related income are public funds and must be accounted for, deposited and invested pursuant to Chapters 12B and 12C of the Code of Iowa and the County’s investment policy. According to financial reports of the Foundation, at June 30, 2013, the Foundation’s investments included domestic and international equities, fixed income, hedge funds, real estate, private equity and cash. These types of investments are not included in the list of allowable investments of public funds specified in Chapter 12B.10(5) of the Code of Iowa.

Also, the agreement with the Foundation does not require the Foundation to notify the County in writing of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the type of services being provided under the agreement.

Recommendation – A 28E agreement, as described in the letter of advice, does not exist. We are not aware of any statutory authority for the conservation board and/or County to relinquish its fiduciary responsibility over the public funds to a separate non-profit organization.

The Mahaska County Conservation Board, through its action to give these public funds to the Foundation during the two years ended June 30, 2009, has put these public funds at risk since the Board and the Foundation have not invested and accounted for the proceeds from the bequest, including all income derived from the investment of the bequest, as required by Chapter 12B.10(5) of the Code of Iowa and Chapter 331.552 of the Code of Iowa.

The County should consult legal counsel and recover all income derived from the investment of the bequest from the time it was remitted to the Foundation.

Until the County recovers all of the funds, it should seek to amend the agreement with the Foundation to require the Foundation to notify the County in writing of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the type of services being provided under the agreement.

Response – As of December 2010, we have had the original funds transferred back to the County from the Foundation. We will continue to work on getting the remaining balance of \$5,618 less the endowment donations and related earnings returned to the County.

Conclusion – Response accepted.

MAHASKA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

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

IV-L-13 Compensated Absences – The County’s compensatory time policy limits employees to no more than 30 hours of accrued compensatory time, with various other limits for the Sheriff’s, E-911, conservation, and secondary roads departments. However, we noted compensated absence accruals for compensatory time for twenty employees exceeded the maximum amount by up to 239 hours.

Recommendation – The County should either correct the compensatory time records for these employees, document the exceptions to the compensatory time rules, or amend their compensatory time policy.

Response – We will look into this matter and take the appropriate action.

Conclusion – Response accepted.

IV-M-13 Loan Receivable – We noted that one outstanding loan in the Special Revenue, Revolving Loan Fund was twenty months in arrears at June 30, 2013.

Recommendation – The County should take further action to try to collect the overdue payments on this loan.

Response – We will continue trying to collect on this loan.

Conclusion – Response accepted.