

MAHASKA COUNTY

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

JUNE 30, 2014

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MAHASKA COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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
Charles Stream	County Attorney	Jan. 2015
Lindsey Thomas	County Assessor	Jan. 2016

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

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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, 2014, and the related notes to 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa. 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 11 and 46 through 49 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 nine years ended June 30, 2013 (which are not presented herein). For the six years ended June 30, 2013 and the year ended June 30, 2005, we expressed unmodified 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 unmodified 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 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2015 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 and contracts. 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.

Hunt & Associates, P.C.

Oskaloosa, Iowa
March 20, 2015

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, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- County governmental funds revenue totaled \$14,390,518 compared to \$14,759,531 the previous year. Property and other county taxes totaled \$7,817,762 for 2014, an increase of \$44,775 over the prior year. Property tax levy rates in the General Basic Fund and Rural Services Fund remained consistent with rates in 2014 at 3.50 and 3.95 respectively. Property tax valuations showed an increase of approximately 4.5% from the previous year.
- County governmental funds functional expenditures totaled \$14,136,864 for 2014, a slight decrease of \$82,524 from 2013 expenditures. Expenditures in the Mental Health Fund were decreased by \$183,970. There were no Capital project monies expended in fiscal year 2014.
- The County's governmental fund balances at June 30, 2014 were \$10,625,039, an increase of 2.5% 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, liabilities and deferred inflows of resources 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 the liabilities and deferred inflows of resources, with the difference between them 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 at the bottom of 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 position.

STATEMENT OF NET POSITION –GOVERNMENTAL ACTIVITIES

	2014	2013	2012
Current and other Assets	\$19,182,455	\$20,078,936	\$ 20,510,355
Capital assets	32,526,509	32,438,250	33,131,835
Total Assets	51,708,964	52,517,186	53,642,190
Long term debt outstanding	555,436	527,470	492,473
Other liabilities	1,120,873	1,059,183	2,193,141
Total liabilities	1,676,309	1,586,653	2,685,614
Deferred Inflows of Resources			
Unavailable Prop Tax Rev	5,716,000	6,900,000	6,852,000
Net Position			
Net investment in capital assets	32,526,509	32,438,250	33,131,835
Restricted	5,789,733	5,698,924	5,312,504
Unrestricted	6,000,413	5,893,359	5,660,237
Total net position	44,316,655	44,030,533	\$44,104,576

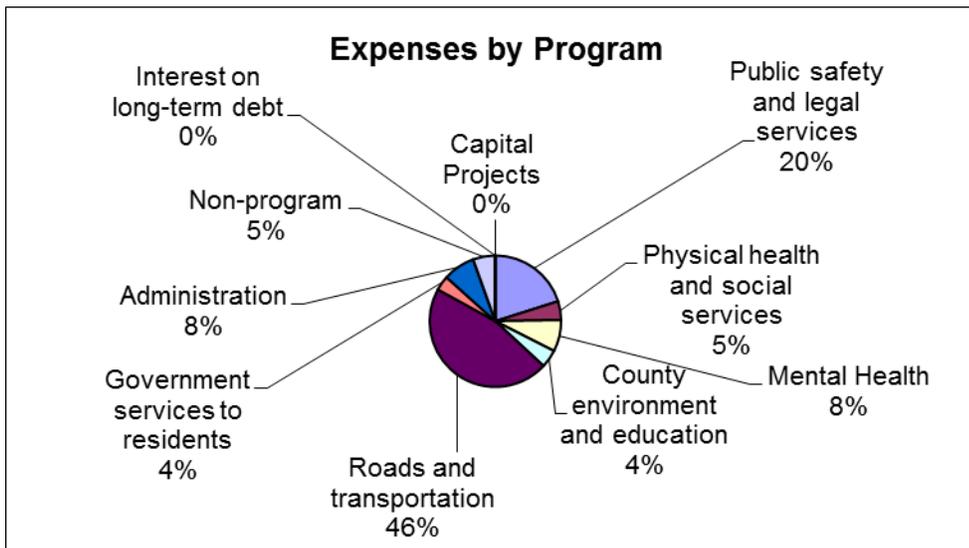
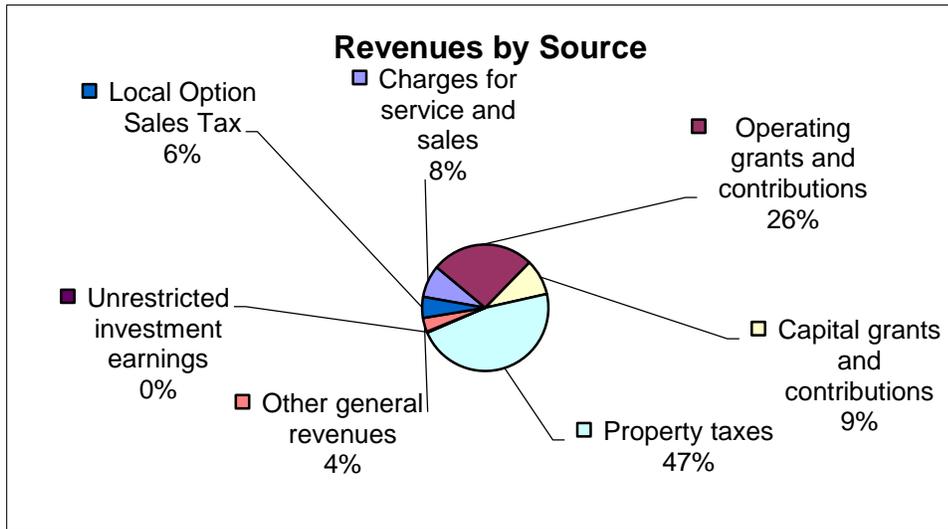
The largest portion of the County’s net position is the Net Investment in Capital Assets (that is, infrastructure, buildings and equipment). Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling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

The County’s combined net position increased by 0.64% from a year ago totaling \$44,316,655. Capital assets increased as new capital asset additions exceeded depreciation expense.

Changes in Net Position of Governmental Activities

Revenues:	2014	2013
Program revenues:		
Charges for Service	\$1,292,422	\$1,207,279
Operating grants and contributions	4,099,749	4,018,103
Capital grants and contributions	1,432,776	875,506
General revenues:		
Property taxes, penalties & tax credits	7,347,324	7,273,433
Unrestricted investment earnings	44,277	46,330
Local Option sales and services tax	839,168	853,060
Other general revenues	557,857	557,130
	\$15,613,573	\$14,830,841

	2014	2013
Program expenses:		
Public safety and legal services	\$3,079,933	\$2,887,235
Physical health and social services	708,770	660,081
Mental health	1,190,276	1,379,089
County environment and education	680,555	687,484
Roads and transportation	7,064,064	6,751,397
Government services to residents	559,941	561,496
Administration	1,202,343	1,108,569
Non-program	840,419	868,313
Interest on long-term debt	1,150	1,220
Capital Projects		
Total expenses	\$15,327,451	\$14,904,884
Increase (decrease) in net position	286,122	-74,043
Net position July 1, 2013	\$44,030,533	\$44,104,576
Net position June 30, 2014	\$44,316,655	\$44,030,533



THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported combined fund balances of \$10,625,039. Revenue received in the County funds was \$259,074 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 an increase from \$5,300,821 to \$5,601,442 when compared to the prior year. The largest increase was in public safety and legal services at \$194,024. Revenues in the General Fund remained constant with a slight \$750 increase over the prior year. The County lowered the General Supplemental Fund levy from .40 to .35 compared to fiscal year 2013. The General Basic Fund levy remained at 3.50. The ending fund balance of \$6,415,450 indicated a decrease from the prior year of \$107,849.

The Rural Services Fund property tax levy remained at \$3.95 which is the maximum allowed. The ending fund balance of \$596,160 was an increase of \$51,019 compared to 2013 after the full transfer to the Secondary Roads Fund.

There were no Capital Projects expenditures in the Secondary Roads Fund during the year. The Secondary Road fund balance at the end of the year increased slightly from \$1,612,465 to \$1,681,637 a difference of \$69,172.

Revenues in the Mental Health fund for fiscal year 2014 decreased by \$435,629 due to the following factors: 1) the County lowered the tax levy from 1.28015 to 1.06333 compared to the previous year; 2) year to year reconciliation of case management Medicaid receipts affected Intergovernmental Revenue presenting a decrease from the previous year. Expenditures for the year totaled \$1,196,001 down \$183,970 from the year before. The County is no longer responsible for the non-federal share of Medicaid services. Factors in place through the Affordable Care Act beginning January 1st, 2014 had an impact on mental health service expenditures that were now covered through insurance. The Mental Health Fund showed an increase in the ending fund balance of \$103,649.

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 19, 2014 and resulted in an increase in the Roads and Transportation for fuel disbursements, Hwy 63 studies and bank stabilization through NRCS projects. The amendment increased total budgeted disbursements for the County by \$939,322 and increased receipts by \$1,047,329. Disbursements in the medical examiner and libraries departments exceeded the amount appropriated prior to the amendment of the County budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY14, the County had \$32,526,509 (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 increase (including additions and deletions) of \$88,259. Depreciation expense for the year was less than new capital assets which created a positive effect on the total capital assets. Depreciation expense for the year ended June 30, 2014 was \$1,766,263 and total accumulated depreciation as of June 30, 2014 was \$30,300,483.

Capital Assets, Net of Accumulated Depreciation

	2014	2013
Land	977,594	952,594
Construction in progress	0	0
Buildings and Imp	3,344,663	3,513,583
Machinery & equip	1,549,667	1,460,195
Infrastructure	26,654,585	26,511,878
TOTALS	32,526,509	32,438,250

Long-Term Liabilities

At year-end, the County had \$555,436 in loans and other long term liabilities compared to \$527,470 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

	2014	2013
Intermediary Relending Program Loan	110,390	117,700
Compensated Absences	214,046	204,770
Net OPEB Liability	231,000	205,000
TOTALS	555,436	527,470

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials and citizens considered many factors when setting the 2015 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. Amounts available for appropriation in the operating budget are \$14,004,216 compared to \$14,733,241 in 2014, a decrease of approximately 4.95% over the original 2014 budget. Budgeted expenditures in the Mental Health Fund were reduced by 31.5% as services will move to the Mid Iowa Behavioral Health Region. The Mental Health tax levy was reduced to zero for fiscal year 2015.

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. 1st St., Oskaloosa, IA 52577.

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Basic Financial Statements

MAHASKA COUNTY
STATEMENT OF NET POSITION
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 12,211,068
Investments held by fiscal agent	2,408
Receivables:	
Property tax:	
Delinquent	10,124
Succeeding year	5,716,000
Interest and penalty on property tax	98,720
Accounts	214,641
Accrued interest	15,584
Due from other governments	474,126
Inventories	310,018
Loans receivable (note 4)	129,766
Capital assets, net of accumulated depreciation (note 5)	<u>32,526,509</u>
 Total assets	 <u>51,708,964</u>
Liabilities	
Accounts payable	550,441
Salaries and benefits payable	127,111
Due to other governments (note 6)	136,704
Accrued interest payable	460
Claims payable	36,812
Incurred but not reported health claims	160,000
Unearned revenue	109,345
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Intermediary relending program loan	7,385
Compensated absences	214,046
Portion due or payable after one year:	
Intermediary relending program loan	103,005
Net OPEB liability	<u>231,000</u>
 Total liabilities	 <u>1,676,309</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	<u>5,716,000</u>

MAHASKA COUNTY
STATEMENT OF NET POSITION
June 30, 2014

	<u>Governmental Activities</u>
Net Position	
Net investment in capital assets	\$ 32,526,509
Restricted for:	
Supplemental levy purposes	1,037,680
Cemetery levy purposes	12,659
Rural services purposes	554,525
Secondary roads purposes	1,512,787
Mental health purposes	1,237,550
Conservation purposes	744,997
Other purposes	689,535
Unrestricted	<u>6,000,413</u>
Total net position	<u>\$ 44,316,655</u>

See notes to financial statements.

MAHASKA COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

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	\$ 3,079,933	\$ 198,369	\$ 267,452	\$ -	\$ (2,614,112)
Physical health and social services	708,770	483	155,436	-	(552,851)
Mental health	1,190,276	2,352	230,809	-	(957,115)
County environment and education	680,555	103,738	59,324	7,119	(510,374)
Roads and transportation	7,064,064	559,630	3,386,599	1,425,657	(1,692,178)
Government services to residents	559,941	380,939	129	-	(178,873)
Administration	1,202,343	46,911	-	-	(1,155,432)
Non-program	840,419	-	-	-	(840,419)
Interest on long-term debt	1,150	-	-	-	(1,150)
Total	\$ 15,327,451	\$ 1,292,422	\$ 4,099,749	\$ 1,432,776	(8,502,504)
General Revenues:					
Property and other county tax levied for:					
General purposes					6,976,619
Penalty and interest on property tax					53,934
State tax credits					316,771
Local option sales and services tax					839,168
Unrestricted investment earnings					44,277
Miscellaneous					557,857
Total general revenues					8,788,626
Change in net position					286,122
Net position beginning of year					44,030,533
Net position end of year					\$ 44,316,655

See notes to financial statements.

MAHASKA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Special Revenue		Nonmajor	Total
		Rural Services	Secondary Roads		
Assets					
Cash and pooled investments	\$ 6,383,157	\$ 601,852	\$ 1,474,910	\$ 2,012,003	\$ 10,471,922
Investments held by fiscal agent	2,408	-	-	-	2,408
Receivables:					
Property tax:					
Delinquent	6,871	3,253	-	-	10,124
Succeeding year	3,443,000	2,273,000	-	-	5,716,000
Interest and penalty on property tax					
Accounts	98,720	-	-	-	98,720
Accrued interest	69,506	150	31,165	62,317	163,138
Due from other governments	12,483	-	-	3,101	15,584
Inventories	112,359	-	225,063	136,704	474,126
Loans receivable (note 4)	-	-	310,018	-	310,018
	-	-	-	129,766	129,766
Total assets	\$ 10,128,504	\$ 2,878,255	\$ 2,041,156	\$ 2,343,891	\$ 17,391,806

MAHASKA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue				
	General	Rural Services	Secondary Roads	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 97,592	\$ 925	\$ 309,393	\$ 141,042	\$ 548,952
Salaries and benefits payable	67,395	5,003	50,126	4,587	127,111
Due to other governments (note 6)	-	-	-	136,704	136,704
Total liabilities	<u>164,987</u>	<u>5,928</u>	<u>359,519</u>	<u>282,333</u>	<u>812,767</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,443,000	2,273,000	-	-	5,716,000
Other	105,067	3,167	-	129,766	238,000
Total deferred inflows of resources	<u>3,548,067</u>	<u>2,276,167</u>	<u>-</u>	<u>129,766</u>	<u>5,954,000</u>
Fund balances:					
Nonspendable:					
Inventories	-	-	310,018	-	310,018
Restricted for:					
Supplemental levy purposes	1,097,531	-	-	-	1,097,531
Cemetery levy purposes	12,651	-	-	-	12,651
Rural services purposes	-	596,160	-	-	596,160
Secondary roads purposes	-	-	1,371,619	-	1,371,619
Mental health purposes	-	-	-	1,258,392	1,258,392
Courthouse security	123,428	-	-	-	123,428
Conservation purposes	593,857	-	-	151,140	744,997
Other purposes	24,931	-	-	522,260	547,191
Assigned for:					
Technology	35,000	-	-	-	35,000
Courthouse capital improvements	200,000	-	-	-	200,000
Future conservation nature center	140,000	-	-	-	140,000
Public safety purposes	992,377	-	-	-	992,377
Unassigned	3,195,675	-	-	-	3,195,675
Total fund balances	<u>6,415,450</u>	<u>596,160</u>	<u>1,681,637</u>	<u>1,931,792</u>	<u>10,625,039</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,128,504</u>	<u>\$ 2,878,255</u>	<u>\$ 2,041,156</u>	<u>\$ 2,343,891</u>	<u>\$ 17,391,806</u>

See notes to financial statements.

MAHASKA COUNTY

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

June 30, 2014

Total fund balances of governmental funds	\$ 10,625,039
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 \$62,826,992 and the accumulated depreciation is \$30,300,483.	32,526,509
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	238,000
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.	1,483,003
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(460)
Long-term liabilities, including loans payable, compensated absences payable, and net OPEB liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.	<u>(555,436)</u>
Net position of governmental activities	<u>\$ 44,316,655</u>

See notes to financial statements.

MAHASKA COUNTY

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

	General	Special Revenue		Nonmajor	Total
		Rural Services	Secondary Roads		
Revenues:					
Property and other County tax	\$ 3,698,526	\$ 2,259,968	\$ -	\$ 1,859,268	\$ 7,817,762
Interest and penalty on property tax	49,992	-	-	-	49,992
Intergovernmental	568,383	129,237	3,472,936	419,487	4,590,043
Licenses and permits	1,901	13,050	6,970	-	21,921
Charges for service	570,384	590	-	3,768	574,742
Use of money and property	182,947	-	-	11,936	194,883
Miscellaneous	590,510	416	547,362	2,887	1,141,175
Total revenues	5,662,643	2,403,261	4,027,268	2,297,346	14,390,518
Expenditures:					
Operating:					
Public safety and legal services	2,847,765	258,576	-	582	3,106,923
Physical health and social services	620,366	105,822	-	-	726,188
Mental health	-	-	-	1,196,001	1,196,001
County environment and education	482,225	182,086	-	1,000	665,311
Roads and transportation	-	3,095	5,927,707	-	5,930,802
Government services to residents	568,396	-	-	5,374	573,770
Administration	1,081,438	7,522	-	-	1,088,960
Non-program	1,252	-	-	839,167	840,419
Debt service	-	-	-	8,490	8,490
Total expenditures	5,601,442	557,101	5,927,707	2,050,614	14,136,864
Excess (deficiency) of revenues over (under) expenditures	61,201	1,846,160	(1,900,439)	246,732	253,654
Other financing sources (uses):					
Sale of capital assets	-	-	5,420	-	5,420
Interfund transfers in (note 3)	-	-	1,964,191	-	1,964,191
Interfund transfers out (note 3)	(169,050)	(1,795,141)	-	-	(1,964,191)
Total other financing sources (uses)	(169,050)	(1,795,141)	1,969,611	-	5,420

MAHASKA COUNTY

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

	General	Special Revenue		Nonmajor	Total
		Rural Services	Secondary Roads		
Net change in fund balances	\$ (107,849)	\$ 51,019	\$ 69,172	\$ 246,732	\$ 259,074
Fund balances beginning of year	6,523,299	545,141	1,612,465	1,685,060	10,365,965
Fund balances end of year	<u>\$ 6,415,450</u>	<u>\$ 596,160</u>	<u>\$ 1,681,637</u>	<u>\$ 1,931,792</u>	<u>\$ 10,625,039</u>

See notes to financial statements.

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, 2014

Net change in fund balances - total governmental funds \$ 259,074

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, contributed capital assets and depreciation expense in the
current year are as follows:

Capital outlay expenditures	\$ 446,686	
Capital assets contributed by the Iowa Department of Transportation	1,407,836	
Depreciation expense	<u>(1,766,263)</u>	88,259

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
recognized as deferred inflows of resources in the governmental funds,
as follows:

Property tax	(1,976)	
Loan payments	(125,372)	
Other	<u>(64,574)</u>	(191,922)

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. 7,310

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	(9,276)	
Net OPEB liability	(26,000)	
Interest on long-term debt	<u>30</u>	(35,246)

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. 158,647

Change in net position of governmental activities \$ 286,122

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 1,739,146
Accounts receivable	<u>51,503</u>
Total assets	<u>1,790,649</u>
Liabilities	
Accounts payable	1,489
Claims payable	36,812
Incurred but not reported claims	160,000
Unearned revenue	<u>109,345</u>
Total liabilities	<u>307,646</u>
Fund Net Position	
Unrestricted	<u><u>\$ 1,483,003</u></u>

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Charges to County operating funds and others	\$ 1,531,382
Stop-loss reimbursements	<u>62,943</u>
Total operating revenues	<u>1,594,325</u>
Operating expenses:	
Medical claims	1,138,265
Insurance premiums	267,683
Administrative fees	14,831
Miscellaneous	<u>16,620</u>
Total operating expenses	<u>1,437,399</u>
Operating income	156,926
Non-operating revenues:	
Interest on investments	<u>1,721</u>
Net income	158,647
Fund net position beginning of year	<u>1,324,356</u>
Fund net position end of year	<u>\$ 1,483,003</u>

See notes to financial statements.

MAHASKA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2014

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from charges to operating funds and others	\$ 1,532,794
Cash received from stop-loss reimbursements	17,927
Cash payments to suppliers for services	<u>(1,408,316)</u>
Net cash provided by operating activities	<u>142,405</u>
Cash flows from investing activities:	
Interest on investments	<u>1,721</u>
Net increase in cash and cash equivalents	144,126
Cash and cash equivalents beginning of year	<u>1,595,020</u>
Cash and cash equivalents end of year	<u>\$ 1,739,146</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 156,926
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in accounts receivable	(45,016)
Decrease in prepaid expenses	25,611
Increase in accounts payable	33,472
(Decrease) in incurred but not reported health claims	(30,000)
Increase in unearned revenue	<u>1,412</u>
Net cash provided by operating activities	<u>\$ 142,405</u>

See notes to financial statements.

MAHASKA COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2014

Assets	
Cash and pooled investments:	
County Treasurer	\$ 1,393,593
Other County officials	124,584
Receivables:	
Property tax:	
Delinquent	49,994
Succeeding year	22,462,000
Accounts	19,003
Accrued interest	2,848
Due from other governments	<u>57,437</u>
Total assets	<u>\$ 24,109,459</u>
Liabilities	
Accounts payable	\$ 77,484
Salaries and benefits payable	19,588
Due to other governments (note 6)	23,891,225
Trusts payable	60,010
Compensated absences	<u>61,152</u>
Total liabilities	<u>\$ 24,109,459</u>

See notes to financial statements.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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, 2014.

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, 2014

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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to 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 main 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 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.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

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 year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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, in that order.

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, Deferred Inflows of Resources 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 investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax receivable is recognized in the governmental 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.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, 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 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 one year.

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

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
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.

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.

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, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available.

Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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.

E. Budgets and Budgetary Accounting

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

During the year ended June 30, 2014, disbursements did not exceed the amount budgeted in any County function. Disbursements in the medical examiner and libraries departments exceeded the amounts appropriated prior to the amendment of the appropriations.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2. Cash and Pooled Investments

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

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

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, 2014, the carrying amount and fair value of the remaining balance was \$2,408. The County's investment with the Foundation is invested in money market securities and bank certificates of deposit.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 169,050
	Special Revenue: Rural Services	<u>1,795,141</u>
		<u>\$ 1,964,191</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, 2014

Note 4. Loans Receivable

The County has \$619,202 available to use for revolving loans for economic development within the County, of which \$129,766 was loaned at June 30, 2014. 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, 2014 there were three outstanding loans. All payments are current.

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

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

South Central Diesel – 4% interest loan payable in monthly installments of \$316.48, including 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	Sterling Properties	South Central Diesel	Less: Amount Representing Interest	Total
2015	\$ 4,620	\$ 12,293	\$ 3,798	\$ (5,472)	\$ 15,239
2016	4,620	12,293	3,798	(4,802)	15,909
2017	4,620	12,293	3,798	(4,097)	16,614
2018	4,620	12,293	3,798	(3,363)	17,348
2019	4,620	12,293	3,798	(2,596)	18,115
2020-2024	23,098	4,097	13,838	(6,337)	34,696
2025-2027	12,702	-	-	(857)	11,845
	<u>\$ 58,900</u>	<u>\$ 65,562</u>	<u>\$ 32,828</u>	<u>\$ (27,524)</u>	<u>\$ 129,766</u>

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 952,594	\$ 25,000	\$ -	\$ 977,594
Capital assets being depreciated:				
Buildings	7,980,247	-	11,700	7,968,547
Improvements other than buildings	236,665	-	-	236,665
Machinery and equipment	7,142,269	421,686	188,509	7,375,446
Infrastructure	44,860,904	1,407,836	-	46,268,740
Total capital assets being depreciated	<u>60,220,085</u>	<u>1,829,522</u>	<u>200,209</u>	<u>61,849,398</u>
Less accumulated depreciation for:				
Buildings	4,692,087	163,300	11,700	4,843,687
Improvements other than buildings	11,242	5,620	-	16,862
Machinery and equipment	5,682,074	332,214	188,509	5,825,779
Infrastructure	18,349,026	1,265,129	-	19,614,155
Total accumulated depreciation	<u>28,734,429</u>	<u>1,766,263</u>	<u>200,209</u>	<u>30,300,483</u>
Total capital assets being depreciated, net	<u>31,485,656</u>	<u>63,259</u>	<u>-</u>	<u>31,548,915</u>
Governmental activities capital assets, net	<u>\$ 32,438,250</u>	<u>\$ 88,259</u>	<u>\$ -</u>	<u>\$ 32,526,509</u>

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	55,363
Physical health and social services		4,497
County environment and education		45,583
Roads and transportation		1,524,790
Government services to residents		2,662
Administration		<u>133,368</u>
Total depreciation expense - governmental activities	\$	<u><u>1,766,263</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 at June 30, 2014 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Local Option Sales and Services Tax Revenue Fund	Collections	\$ <u><u>136,704</u></u>
Agency:		
County Assessor	Collections	\$ 382,355
County Hospital		1,820,284
Schools		13,786,821
Area Schools		895,043
Corporations		5,294,609
Stephens Memorial Animal Shelter		487,853
Auto License and Use Tax		534,141
All Other		<u>690,119</u>
Total for agency funds		\$ <u><u>23,891,225</u></u>

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 7. Long-Term Liabilities

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

	Intermediary Relending Program Loan	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 117,700	\$ 204,770	\$ 205,000	\$ 527,470
Increases	-	214,046	26,000	240,046
Decreases	7,310	204,770	-	212,080
Balance end of year	<u>\$ 110,390</u>	<u>\$ 214,046</u>	<u>\$ 231,000</u>	<u>\$ 555,436</u>
Due within one year	<u>\$ 7,385</u>	<u>\$ 214,046</u>	<u>\$ -</u>	<u>\$ 221,431</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 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, 2014 intermediary relending program loan indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
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	7,685	804	8,489
2020-2024	39,594	2,852	42,446
2025-2028	33,124	832	33,956
	<u>\$ 110,390</u>	<u>\$ 8,457</u>	<u>\$ 118,847</u>

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 8. Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, 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 Wellmark. 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, 2014, 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	8,000
Adjustment to annual required contribution	<u>(8,000)</u>
Annual OPEB cost	54,000
Contributions made	<u>(28,000)</u>
Increase in net OPEB obligation	26,000
Net OPEB obligation beginning of year	<u>205,000</u>
Net OPEB obligation end of year	<u><u>\$ 231,000</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, 2014.

For the year ended June 30, 2014, the County contributed \$28,000 to the medical plan.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 51,000	17.6%	\$ 170,000
2013	54,000	35.2%	205,000
2014	54,000	51.9%	231,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$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 \$4,154,000 and the ratio of the UAAL to covered payroll was 12.7%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, 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 Report as of June 30, 2012.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of 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, 2014, 2013 and 2012 were \$425,596, \$407,458 and \$376,343, 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 estimated for the fiscal 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, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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, 2014 were \$341,372.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 10. Risk Management (continued)

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, 2014, the Pool maintained a surplus over the reserves and IBNR claims.

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, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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 was administered through a service agreement with First Administrators through October 2013. The plan then transitioned to Wellmark as plan administrator. The agreement 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 or Wellmark 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, 2014 was \$1,304,821.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 11. Employee Health Insurance Plan (continued)

Amounts payable from the Employee Group Health Fund at June 30, 2014 total \$196,812 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 \$1,483,003 at June 30, 2014 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 indicates that it is probable 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, 2013	\$ 190,000
Incurred claims (including claims incurred but not reported at June 30, 2014)	1,138,265
Payments	<u>(1,131,453)</u>
Unpaid claims at June 30, 2014	<u>\$ 196,812</u>

Note 12. Construction Commitment

The County has entered into a contract totaling \$122,675 for a culvert project. As of June 30, 2014, work on the project had not yet begun.

Note 13. 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, 2014. 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.

Note 14. Subsequent Events

In July 2014, the County approved making a \$100,000 loan from the Special Revenue, Revolving Loan Fund. In January 2015, the County approved another revolving loan of \$100,000. Both loans will be collected by the County over ten years and include interest at 2.5%.

Note 15. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government’s proportionate share of the employee pension plan.

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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, 2014

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 7,818,634	\$ 8,138,222	\$ 8,138,222	\$ (319,588)
Interest and penalty on property tax	49,758	25,700	25,700	24,058
Intergovernmental	4,719,357	3,900,688	4,502,868	216,489
Licenses and permits	21,996	15,075	17,975	4,021
Charges for service	577,481	569,625	578,145	(664)
Use of money and property	186,699	241,495	242,995	(56,296)
Miscellaneous	1,158,922	579,025	1,011,254	147,668
Total receipts	<u>14,532,847</u>	<u>13,469,830</u>	<u>14,517,159</u>	<u>15,688</u>
DISBURSEMENTS:				
Public safety and legal services	3,094,296	3,176,845	3,242,848	148,552
Physical health and social services	736,181	856,528	876,528	140,347
Mental health	1,207,098	1,334,433	1,594,433	387,335
County environment and education	664,435	813,601	814,381	149,946
Roads and transportation	5,849,892	5,345,000	5,935,761	85,869
Government services to residents	568,603	651,349	651,349	82,746
Administration	1,078,482	1,371,995	1,373,773	295,291
Non-program	841,540	975,000	975,000	133,460
Debt service	8,490	8,490	8,490	-
Capital projects	-	200,000	200,000	200,000
Total disbursements	<u>14,049,017</u>	<u>14,733,241</u>	<u>15,672,563</u>	<u>1,623,546</u>
Excess (deficiency) of receipts over (under) disbursements	483,830	(1,263,411)	(1,155,404)	1,639,234
Other financing sources, net	<u>5,420</u>	-	-	<u>5,420</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	489,250	(1,263,411)	(1,155,404)	1,644,654
Balance beginning of year	<u>9,985,080</u>	<u>8,996,767</u>	<u>8,996,767</u>	<u>988,313</u>
Balance end of year	<u>\$ 10,474,330</u>	<u>\$ 7,733,356</u>	<u>\$ 7,841,363</u>	<u>\$ 2,632,967</u>

See accompanying independent auditor's report.

MAHASKA COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,532,847	\$ (142,329)	\$ 14,390,518
Expenditures	14,049,017	87,847	14,136,864
Net	483,830	(230,176)	253,654
Other financing sources, net	5,420	-	5,420
Beginning fund balances	9,985,080	380,885	10,365,965
Ending fund balances	<u>\$ 10,474,330</u>	<u>\$ 150,709</u>	<u>\$ 10,625,039</u>

See accompanying independent auditor's report.

MAHASKA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2014

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 \$939,322. 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, 2014, disbursements did not exceed the amount budgeted in any County function. Disbursements in the medical examiner and libraries departments exceeded the amounts appropriated prior to the amendment of the appropriations.

MAHASKA COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2014

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%
2014	July 1, 2012	-	526	526	0.0%	4,154	12.7%

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

See accompanying independent auditor's report.

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Supplementary Information

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

	Special Revenue		
	Mental Health	County Recorder's Records Management	Resource Enhancement and Protection
Assets			
Cash and pooled investments	\$ 1,342,608	\$ 22,021	\$ 150,417
Receivables:			
Accounts	61,413	904	-
Accrued interest	-	129	723
Due from other governments	-	-	-
Loans receivable	-	-	-
Total assets	\$ 1,404,021	\$ 23,054	\$ 151,140
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 141,042	\$ -	-
Salaries and benefits payable	4,587	-	-
Due to other governments	-	-	-
Total liabilities	145,629	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Other	-	-	-
Fund balances:			
Restricted for:			
Mental health purposes	1,258,392	-	-
Conservation purposes	-	-	151,140
Other purposes	-	23,054	-
Total fund balances	1,258,392	23,054	151,140
Total liabilities, deferred inflows of resources and fund balances			
	\$ 1,404,021	\$ 23,054	\$ 151,140

See accompanying independent auditor's report.

<u>Revolving Loan</u>	<u>Local Option Sales and Services Tax Revenue</u>	<u>County Sheriff's Forfeiture</u>	<u>Total</u>
\$ 487,187	\$ -	\$ 9,770	\$ 2,012,003
-	-	-	62,317
2,249	-	-	3,101
-	136,704	-	136,704
129,766	-	-	129,766
<u>\$ 619,202</u>	<u>\$ 136,704</u>	<u>\$ 9,770</u>	<u>\$ 2,343,891</u>
\$ -	\$ -	\$ -	141,042
-	-	-	4,587
-	136,704	-	136,704
-	136,704	-	282,333
129,766	-	-	129,766
-	-	-	1,258,392
-	-	-	151,140
489,436	-	9,770	522,260
489,436	-	9,770	1,931,792
<u>\$ 619,202</u>	<u>\$ 136,704</u>	<u>\$ 9,770</u>	<u>\$ 2,343,891</u>

MAHASKA COUNTY

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

	Special Revenue		
	Mental Health	County Recorder's Records Management	Resource Enhancement and Protection
Revenues:			
Property and other County tax	\$ 1,020,101	\$ -	\$ -
Intergovernmental	277,197	-	16,944
Charges for service	-	3,768	-
Use of money and property	-	129	723
Miscellaneous	2,352	-	-
Total revenues	<u>1,299,650</u>	<u>3,897</u>	<u>17,667</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Mental health	1,196,001	-	-
County environment and education	-	-	-
Government services to residents	-	5,367	-
Non-program	-	-	-
Debt service	-	-	-
Total expenditures	<u>1,196,001</u>	<u>5,367</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	103,649	(1,470)	17,667
Fund balances beginning of year	<u>1,154,743</u>	<u>24,524</u>	<u>133,473</u>
Fund balances end of year	<u>\$ 1,258,392</u>	<u>\$ 23,054</u>	<u>\$ 151,140</u>

See accompanying independent auditor's report.

Revolving Loan	Local Option Sales and Services Tax Revenue	County Sheriff's Forfeiture	Total
\$ -	\$ 839,167	\$ -	\$ 1,859,268
125,346	-	-	419,487
-	-	-	3,768
11,084	-	-	11,936
7	-	528	2,887
<u>136,437</u>	<u>839,167</u>	<u>528</u>	<u>2,297,346</u>
-	-	582	582
-	-	-	1,196,001
1,000	-	-	1,000
7	-	-	5,374
-	839,167	-	839,167
8,490	-	-	8,490
<u>9,497</u>	<u>839,167</u>	<u>582</u>	<u>2,050,614</u>
126,940	-	(54)	246,732
<u>362,496</u>	<u>-</u>	<u>9,824</u>	<u>1,685,060</u>
<u>\$ 489,436</u>	<u>\$ -</u>	<u>\$ 9,770</u>	<u>\$ 1,931,792</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2014

	County Offices			
	County Auditor	County Recorder	County Sheriff	County Assessor
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	34,421
Other County officials	13,459	53,369	57,756	-
Receivables:				
Property tax:				
Delinquent	-	-	-	723
Succeeding year	-	-	-	362,000
Accounts	-	173	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 13,459	\$ 53,542	\$ 57,756	\$ 397,144
LIABILITIES				
Accounts payable	\$ -	\$ 29,218	\$ 11,368	\$ 10,814
Salaries and benefits payable	-	-	-	2,603
Due to other governments	-	24,324	-	382,355
Trusts payable	13,459	-	46,388	-
Compensated absences	-	-	-	1,372
Total liabilities	\$ 13,459	\$ 53,542	\$ 57,756	\$ 397,144

<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>
\$ 1,860	\$ 17,694	\$ 126,125	\$ 7,258	\$ 3,560	\$ 45,347	\$ -
-	-	-	-	-	-	-
411	3,590	27,696	1,785	521	15,262	-
206,000	1,799,000	13,633,000	886,000	338,000	5,234,000	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 208,271</u>	<u>\$ 1,820,284</u>	<u>\$ 13,786,821</u>	<u>\$ 895,043</u>	<u>\$ 342,081</u>	<u>\$ 5,294,609</u>	<u>\$ 1,000</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
208,271	1,820,284	13,786,821	895,043	342,081	5,294,609	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 208,271</u>	<u>\$ 1,820,284</u>	<u>\$ 13,786,821</u>	<u>\$ 895,043</u>	<u>\$ 342,081</u>	<u>\$ 5,294,609</u>	<u>\$ 1,000</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2014

	Brucellosis and Tuberculosis Eradication	City Special Assessments	Emergency Management Services	Stephens Memorial Animal Shelter
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 30	\$ 2,537	\$ 40,839	\$ 500,848
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	6	-	-	-
Succeeding year	3,000	-	-	-
Accounts	-	-	703	-
Accrued interest	-	-	-	2,497
Due from other governments	-	-	31,097	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 3,036</u>	<u>\$ 2,537</u>	<u>\$ 72,639</u>	<u>\$ 503,345</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 5,658	\$ 9,138
Salaries and benefits payable	-	-	1,514	2,936
Due to other governments	3,036	2,537	63,135	487,853
Trusts payable	-	-	-	-
Compensated absences	-	-	2,332	3,418
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$ 3,036</u>	<u>\$ 2,537</u>	<u>\$ 72,639</u>	<u>\$ 503,345</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>
\$ 534,141	\$ 30	\$ 78,484	\$ 163	\$ 256	\$ 1,393,593
-	-	-	-	-	124,584
-	-	-	-	-	49,994
-	-	-	-	-	22,462,000
-	2	17,797	-	328	19,003
-	-	351	-	-	2,848
-	-	26,340	-	-	57,437
<u>\$ 534,141</u>	<u>\$ 32</u>	<u>\$ 122,972</u>	<u>\$ 163</u>	<u>\$ 584</u>	<u>\$ 24,109,459</u>
\$ -	\$ -	\$ 11,288	\$ -	\$ -	\$ 77,484
-	-	12,535	-	-	19,588
534,141	32	45,119	-	584	23,891,225
-	-	-	163	-	60,010
-	-	54,030	-	-	61,152
<u>\$ 534,141</u>	<u>\$ 32</u>	<u>\$ 122,972</u>	<u>\$ 163</u>	<u>\$ 584</u>	<u>\$ 24,109,459</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2014

	County Offices			
	County Auditor	County Recorder	County Sheriff	County Assessor
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 13,388	\$ 46,457	\$ 57,304	\$ 317,712
Additions:				
Property and other County tax	-	-	-	363,205
E-911 surcharge	-	-	-	-
E-911 local contributions	-	-	-	-
State tax credits	-	-	-	5,444
Federal grants	-	-	-	-
Office fees and collections	-	323,427	156,296	250
Auto licenses, use tax, drivers licenses, and postage	-	-	-	-
Interest	-	-	-	-
Assessments	-	-	-	-
Trusts	71	-	434,494	-
Miscellaneous	-	-	-	-
Total additions	71	323,427	590,790	368,899
Deductions:				
Agency remittances:				
To other funds	-	122,403	152,006	-
To other governments	-	193,939	5,685	289,467
Trusts paid out	-	-	432,647	-
Total deductions	-	316,342	590,338	289,467
Balances end of year	\$ 13,459	\$ 53,542	\$ 57,756	\$ 397,144

Agricultural Extension Education	County Hospital	Schools	Area Schools	Townships	Corporations	Lynndana Sanitary Sewer District
\$ 193,344	\$ 1,843,295	\$ 13,456,065	\$ 755,696	\$ 335,822	\$ 5,372,894	\$ 1,004
207,532	1,809,176	13,676,098	890,835	343,817	5,121,693	1,234
-	-	-	-	-	-	-
-	-	-	-	-	-	-
8,753	83,264	607,050	34,138	15,522	228,990	64
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
216,285	1,892,440	14,283,148	924,973	359,339	5,350,683	1,298
-	-	-	-	-	-	-
201,358	1,915,451	13,952,392	785,626	353,080	5,428,968	1,302
-	-	-	-	-	-	-
201,358	1,915,451	13,952,392	785,626	353,080	5,428,968	1,302
\$ 208,271	\$ 1,820,284	\$ 13,786,821	\$ 895,043	\$ 342,081	\$ 5,294,609	\$ 1,000

MAHASKA COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2014

	Brucellosis and Tuberculosis Eradication	City Special Assessments	Emergency Management Services	Stephens Memorial Animal Shelter
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 3,037	\$ 5,424	\$ 30,486	\$ 448,167
Additions:				
Property and other County tax	3,162	-	-	-
E-911 surcharge	-	-	-	-
E-911 local contributions	-	-	-	-
State tax credits	144	-	-	-
Federal grants	-	-	63,186	-
Office fees and collections	-	-	-	-
Auto licenses, use tax, drivers licenses, and postage	-	-	-	-
Interest	-	-	-	2,497
Assessments	-	34,509	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	210,610	327,225
Total additions	<u>3,306</u>	<u>34,509</u>	<u>273,796</u>	<u>329,722</u>
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	3,307	37,396	231,643	274,544
Trusts paid out	-	-	-	-
Total deductions	<u>3,307</u>	<u>37,396</u>	<u>231,643</u>	<u>274,544</u>
Balances end of year	<u>\$ 3,036</u>	<u>\$ 2,537</u>	<u>\$ 72,639</u>	<u>\$ 503,345</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>Tax Sale Redemption</u>	<u>Unclaimed Property</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 525,736	\$ 37	\$ 84,194	\$ -	\$ 313	\$ 755	\$ 23,491,130
-	-	-	-	-	-	22,416,752
-	-	181,538	-	-	-	181,538
-	-	425,609	-	-	-	425,609
-	-	-	-	-	-	983,369
-	-	-	-	-	-	63,186
-	-	-	-	-	3,768	483,741
6,206,454	-	-	-	-	-	6,206,454
-	-	351	-	-	2	2,850
-	-	-	-	-	-	34,509
-	-	-	205,831	77	-	640,473
-	138	609	-	-	-	538,582
<u>6,206,454</u>	<u>138</u>	<u>608,107</u>	<u>205,831</u>	<u>77</u>	<u>3,770</u>	<u>31,977,063</u>
249,322	7	-	-	-	-	523,738
5,948,727	136	569,329	-	-	3,941	30,196,291
-	-	-	205,831	227	-	638,705
<u>6,198,049</u>	<u>143</u>	<u>569,329</u>	<u>205,831</u>	<u>227</u>	<u>3,941</u>	<u>31,358,734</u>
<u>\$ 534,141</u>	<u>\$ 32</u>	<u>\$ 122,972</u>	<u>\$ -</u>	<u>\$ 163</u>	<u>\$ 584</u>	<u>\$ 24,109,459</u>

MAHASKA COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2014	2013	2012	2011
Revenues				
Property and other County tax	\$ 7,817,762	\$ 7,772,987	\$ 8,059,028	\$ 8,167,296
Interest and penalty on property tax	49,992	46,419	50,171	63,900
Intergovernmental	4,590,043	5,067,755	6,268,915	5,698,240
Licenses and permits	21,921	16,796	19,293	18,773
Charges for service	574,742	621,241	569,852	517,078
Use of money and property	194,883	193,256	194,154	224,840
Miscellaneous	1,141,175	1,041,077	1,077,497	540,349
Total revenues	\$ 14,390,518	\$ 14,759,531	\$ 16,238,910	\$ 15,230,476
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,106,923	\$ 2,902,974	\$ 2,949,357	\$ 2,821,223
Physical health and social services	726,188	659,600	612,909	656,882
Mental health	1,196,001	1,379,971	3,443,500	2,565,581
County environment and education	665,311	665,090	889,373	631,221
Roads and transportation	5,930,802	5,465,429	5,295,432	5,294,564
Government services to residents	573,770	568,449	558,702	514,300
Administration	1,088,960	1,041,384	1,187,970	1,022,796
Non-program	840,419	868,313	1,043,786	837,843
Debt service	8,490	8,490	8,490	8,490
Capital projects	-	659,688	303,463	943,680
Total expenditures	\$ 14,136,864	\$ 14,219,388	\$ 16,292,982	\$ 15,296,580

See accompanying independent auditor's report.

	2010	2009	2008	2007	2006	2005
\$	7,881,505	\$ 7,814,318	\$ 7,320,629	\$ 6,841,706	\$ 6,950,971	\$ 6,249,202
	68,370	65,469	66,920	69,288	69,879	61,651
	6,283,676	5,158,834	5,517,349	4,646,922	5,368,724	6,489,935
	18,124	20,994	21,247	30,934	22,931	15,963
	551,630	552,451	592,030	554,364	540,405	528,465
	261,671	423,066	462,304	670,026	432,643	251,624
	472,955	663,288	773,378	498,512	441,435	332,090
	<u>\$ 15,537,931</u>	<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>
\$	2,694,373	\$ 2,631,282	\$ 2,545,494	\$ 2,501,567	\$ 2,335,596	\$ 2,237,833
	690,847	731,881	724,414	796,612	767,501	809,841
	2,182,991	2,683,269	2,716,999	2,616,932	2,340,063	2,307,713
	812,289	748,640	729,400	695,074	967,373	572,451
	5,142,227	5,540,940	5,801,883	4,405,418	4,287,635	4,068,474
	511,651	566,964	513,243	510,555	641,544	468,244
	1,058,726	1,264,959	1,076,258	1,008,633	1,068,734	913,191
	912,569	697,285	904,052	826,746	759,880	764,545
	8,490	8,490	8,490	8,490	8,490	-
	1,452,817	-	145,752	2,357,365	1,306,207	534,746
	<u>\$ 15,466,980</u>	<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>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, 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, 2014, and the related notes to financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 20, 2015.

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, 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 a 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 I of the accompanying Schedule of Findings as item I-B-14 to be a material weakness.

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. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-14 and I-C-14 to be significant deficiencies.

Compliance

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, and contracts, 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 that are described in Part II of the accompanying Schedule of Findings.

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

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. 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 report 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.

Hunt + Associates, P.C.

Oskaloosa, Iowa
March 20, 2015

MAHASKA COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2014

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties – 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 should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve vouchers for payment.	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
Year Ended June 30, 2014

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

INTERNAL CONTROL DEFICIENCIES (continued):

I-A-14 Segregation of Duties (continued)

Responses –

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.

I-B-14 Financial Reporting – During the audit, we 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 motor vehicle transactions are properly included in the County’s financial statements in the month they actually occur.

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

Conclusion – Response acknowledged, however, we feel our recommendation should be followed to more accurately report the actual motor vehicle funds each month.

I-C-14 Board of Health Grants – We noted some Mahaska County Board of Health grant checks from the State of Iowa were being sent directly to Mahaska Health Partnership, where the County’s public health services are located and operated. They also handled depositing the checks into their own separate account. Thus, these grants and the related expenditures were not included in the County’s financial statements.

Recommendation – All County funds, including Board of Health grants, should be deposited with the County Treasurer. Then a claim should be issued by the County Auditor to reimburse the appropriate agency for the related expenditures. This would ensure that all of the County’s transactions are properly recorded in the County’s financial records.

Response – These funds will now be deposited with the County Treasurer and a claim will be issued by the County Auditor to reimburse the appropriate agency who spent the funds.

Conclusion – Response accepted.

MAHASKA COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amount budgeted in any County function. Disbursements in the medical examiner and libraries departments exceeded the amounts appropriated prior to the amendment of the appropriations.
- Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.
- Response – Appropriations will be watched more closely by the departments in the future.
- Conclusion – Response accepted.
- II-B-14 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-14 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-14 Business Transactions – No business transactions between the County and County officials or employees were noted.
- II-E-14 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-F-14 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-14 Deposits and Investments – Except as noted in II-K-14, 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.
- II-H-14 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-14 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.
- Disbursements during the year ended June 30, 2014 for the County Extension Office did not exceed the amount budgeted.

MAHASKA COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2014

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

- II-J-14 Treasurer's Semi-annual Report – The County Treasurer's semi-annual report for the six months ended June 30, 2014 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.

- II-K-14 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 were still deposited with the Foundation.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to 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
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Part II: Other Findings Related to Required Statutory Reporting (continued):

II-K-14 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 Chapter 12B and 12C of the Code of Iowa and the County’s investment policy. According to financial reports of the Foundation, at June 30, 2014, the Foundation’s investments included money market securities and bank certificates of deposit. These types of investments are included in the list of allowable investments of public funds specified in Chapter 12B.1-(5) of the Code of Iowa but not allowable pursuant to the County’s investment policy.

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 \$2,408 returned to the County.

Conclusion – Response accepted.

MAHASKA COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2014

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

II-L-14 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 182 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. We are addressing this in our FY 2015 employee handbook.

Conclusion – Response accepted.