



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE March 24, 2005

Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released an audit report on O'Brien County, Iowa.

The County has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$15,785,125 for the year ended June 30, 2004, which included \$1,024,131 in tax credits from the state. The County forwarded \$11,135,997 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,649,128 of the local tax revenue to finance County operations. Other revenues included charges for service of \$1,604,689, operating grants, contributions and restricted interest of \$3,296,015, capital grants, contributions and restricted interest of \$967,326, local option sales tax of \$347,754, unrestricted investment earnings of \$75,795 and other general revenues of \$84,473.

Expenses for County operations totaled \$9,036,233. Expenses included \$3,056,977 for roads and transportation, \$2,097,860 for public safety and legal services and \$1,432,500 for mental health.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

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**O'BRIEN COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2004**

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**O'Brien County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ronald Drenkow	Board of Supervisors	Jan 2005
Rudolph Riessen	Board of Supervisors	Jan 2005
Dan Struve, Jr.	Board of Supervisors	Jan 2005
Thomas Farnsworth	Board of Supervisors	Jan 2007
Jacob Moermond	Board of Supervisors	Jan 2007
Barbara Rohwer	County Auditor	Jan 2005
Sylia Nikles	County Treasurer	Jan 2007
Kurt Brown	County Recorder	Jan 2007
Michael J. Anderson	County Sheriff	Jan 2005
Bruce A. Green	County Attorney	Jan 2007
Lowell L. Dykstra	County Assessor	Jan 2010

**O'Brien County**



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Independent Auditor's Report

To the Officials of O'Brien County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of O'Brien County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of O'Brien County's management. 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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 O'Brien County at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 13 to the financial statements, during the year ended June 30, 2004, O'Brien County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated January 18, 2005 on our consideration of O'Brien County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 14 and 44 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise O'Brien County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other 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. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 18, 2005

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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O'Brien County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because O'Brien County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the County's financial position and results of operations.

### **2004 FINANCIAL HIGHLIGHTS**

- Governmental fund revenues increased approximately \$1,000,000, or 11.4%, from fiscal 2003 to fiscal 2004. Property and other county tax increased approximately \$428,000, intergovernmental increased approximately \$1,018,000 and charges for service decreased approximately \$397,000.
- Governmental fund expenditures increased approximately \$752,000, or 9%, from fiscal 2003 to fiscal 2004. Roads and transportation expenditures increased by approximately \$573,000, public safety and legal services expenditures increased approximately \$177,000 and capital projects expenditures increased approximately \$115,000.
- The County's net assets increased 28%, or approximately \$1,989,000, from June 30, 2003 to June 30, 2004.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets 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 assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets 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, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

2) Proprietary funds account for the County's Internal Service, Employee Health Insurance Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 surcharge, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis below shows the County's total net assets at June 30, 2004.

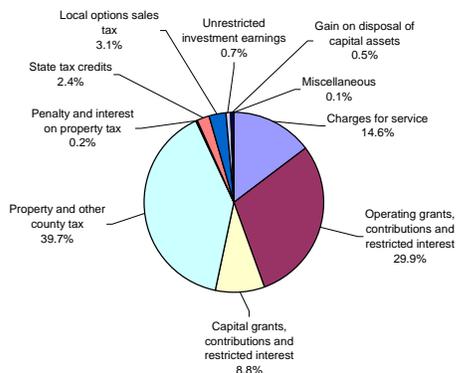
Net Assets of Governmental Activities (Expressed in Thousands)	
	June 30, 2004
Current and other assets	\$ 10,219
Capital assets	6,971
Total assets	<u>17,190</u>
Long-term liabilities	3,311
Other liabilities	4,737
Total liabilities	<u>8,048</u>
Net assets:	
Invested in capital assets, net of related debt	3,836
Restricted	3,183
Unrestricted	<u>2,123</u>
Total net assets	<u>\$ 9,142</u>

Net assets of O'Brien County's governmental activities increased by \$2.0 million, or 28%. The largest portion of the County's net assets is the invested in capital assets (e.g., infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, is approximately \$2.1 million at June 30, 2004.

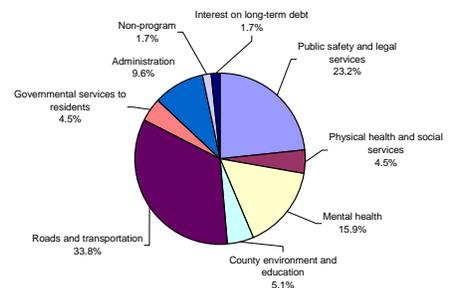
**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,
<b>Revenues:</b>	
Program revenues:	
Charges for service	\$ 1,605
Operating grants, contributions and restricted interest	3,296
Capital grants, contributions and restricted interest	967
General revenues:	
Property and other county tax	4,380
Penalty and interest on property tax	24
State tax credits	265
Local options sales tax	347
Unrestricted investment earnings	75
Gain on disposal of capital assets	59
Miscellaneous	7
Total revenues	11,025
 Program expenses:	
Public safety and legal services	2,098
Physical health and social services	407
Mental health	1,433
County environment and education	460
Roads and transportation	3,057
Governmental services to residents	404
Administration	869
Non-program	157
Interest on long-term debt	151
Total expenses	9,036
 Increase in net assets	1,989
 Net assets beginning of year, as restated	7,153
 Net assets end of year	\$ 9,142

**Revenues by Source**



**Expenses by Program**



The County increased property tax rates for 2004 by an average of 11 percent. This increase raised the County's property tax revenue by approximately \$428,000 in 2004. The taxable valuation for 2004 decreased by approximately \$74 million. This decrease brought the need to increase the budgeted tax rate by 13% for budget year 2005. O'Brien County, however, lowered budgeted tax asking by \$100,000 for fiscal year 2005. Due to the variance in the projected revenue collections to the actual receipts in fiscal 2004 and expenditures in certain areas coming in lower than budgeted, the balances were higher than anticipated, thus lowering the need for tax dollars to be collected.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As O'Brien County completed the year, its governmental funds reported a combined fund balance of \$5.4 million, an increase of approximately \$657,000 above last year's total of \$4.7 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$493,000 and expenditures increased approximately \$92,000. The ending fund balance showed an increase of approximately \$317,000 from the prior year to approximately \$2,122,000. Detail by expenditure category follows:

### Public Safety and Legal Services:

Increases in Law Enforcement were: Overtime pay, changes in ranking of deputies and staff growth caused an increase of approximately \$65,000. Repair and upgrade of radio equipment caused an increase of approximately \$10,000. Repair to office equipment for Contract Law Division increased by approximately \$2,200. Purchased a new vehicle for the Law Enforcement Center to transport prisoners caused an increase of approximately \$18,000. Hospital insurance status changed for one of the contract deputies which caused an increase of approximately \$3,600.

Increase of approximately \$9,200 needed for emergency treatment and foster care of juveniles.

County Attorney's Office had an increase of approximately \$17,000 because of salary changes and purchase of office equipment. Law book access at the Courthouse changed from hard copy to computer access, allowing a decrease of approximately \$3,700.

New equipment and training for ambulance services in the County increased by approximately \$7,800.

Physical Health and Social Services: A decrease of public health staff caused a decrease of approximately \$20,000.

County Environment and Education: CDBG projects were completed in fiscal year 2003, which caused a decrease of approximately \$65,000.

Governmental Services to Residents: The County began to issue driver licenses in fiscal year 2004, which caused an increase of approximately \$33,000.

Administration: The County installed new real estate system computer software and equipment at a cost of approximately \$65,000.

- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,432,000, an increase of 3% over the prior year. Revenues increased approximately \$111,000 over the previous year. The Mental Health Fund balance increased by approximately \$69,000 over the prior year. Revenues increased in the Mental Health Fund because the County was able to receive the maximum amount of community service funds and allowable growth dollars. We also received funds from the State Risk Pool Fund. Expenditures decreased because of the higher participation of funding from the federal government for certain programs.
- Revenues in the Rural Services Fund decreased approximately \$29,000. The County does not receive the State Allocation funds as in the past. This amount was approximately \$78,000 in the previous year. Local option sales tax revenues were approximately \$65,000 less than the previous year. The amount of property tax levied in the Rural Services Fund for 2004 increased by approximately \$114,000 from the prior year. Expenditures increased approximately \$33,000, primarily due to increases in expenditures for uniformed patrol services in the public safety and legal services area and transfers from the Rural Services Fund to the Secondary Roads Fund increased approximately \$41,000. This resulted in a net decrease of approximately \$91,000 in the Rural Services Fund balance at June 30, 2004.
- Secondary Roads Fund expenditures increased by approximately \$645,000 over the prior year, due principally to higher maintenance expenditures in fiscal year 2004 than in fiscal year 2003. That reflects a change in Secondary Roads operations that is quite normal. In fiscal year 2004, expenditures were higher for snow removal labor and materials offsetting lower expenditures for sundry and building maintenance. In higher snow removal years, the County sees higher expenditures due to overtime labor costs. Some expenditures are made at the most economical time in the life cycle of the roadway – for instance PCC pavement patching, slurry leveling and seal coating. Although it would be easier to budget a certain amount each year to do every type of repair, that would not be economically feasible. The repair must be done at a time and in a volume or on a scale that will result in the most favorable price for the County. The County spent \$432,000 more in construction in fiscal year 2003 than in fiscal year 2004. About \$120,000 of that was in day labor costs. Overall, including local construction, the County spent \$214,000 more in fiscal year 2004 than in fiscal 2003. When more time and money is spent on construction, as in fiscal year 2003, there is less time and money to spend on maintenance. Total spent in fiscal year 2003 was \$2,699,015. Total spent in fiscal 2004 was \$3,344,050. Revenues increased approximately \$380,000. Transfers to the Secondary Roads Fund increased \$41,000. There was an increase in Road Use Tax of \$485,879. Reimbursements from other counties decreased by approximately \$79,000. Reimbursements for driveways were also down by approximately \$7,000. Sales tax refunds decreased by approximately \$8,200.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund.
- The Capital Projects Fund was closed during the year ended June 30, 2004. Expenditures during the year included approximately \$44,000 for asbestos removal and to replace steam pipes at the Courthouse.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, O'Brien County amended its budget three times. The first amendment was made in August 2003 and resulted in an increase in budgeted disbursements related to grants received for public safety and legal services and gave authority to spend these grants along with the County's matching funds. The second amendment was made in March 2004. This amendment was made to make changes in the budgeted disbursements in public

safety as the result of increases in staff cost, in public health due to the decrease in public health staff, in mental health as the result of increases in client services, in administration due to computer upgrades and in capital projects as the result of projects that were delayed. The third amendment was made in May 2004 as the result of increases in public safety due to the increase in attorney fees, increase in governmental services to residents as the result of book repairs for vital records and special election costs, increase in capital projects as the result of pipe replacement in the Courthouse and increase in roads and transportation disbursements as the result of increase in snow removal costs and the replacement of gravel stockpiles.

With these amendments, the County did not exceed the budgeted amounts for the year ended June 30, 2004.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2004, O'Brien County had approximately \$7.0 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,229,000, or 21 percent, over last year.

Capital Assets of Governmental Activities at Year-End (Expressed in Thousands)	
	June 30, 2004
Buildings and improvements	\$ 3,353
Equipment and vehicles	2,435
Infrastructure	1,183
<b>Total</b>	<b>\$ 6,971</b>
This year's major additions included (in thousands):	
One motorgrader, two trucks and other Secondary Roads equipment	\$ 387
Two cars and one van for the Sheriff's department	63
Mower for Conservation Department	13
UPS power unit	11
<b>Total</b>	<b>\$ 474</b>

The County had depreciation expense of \$423,083 in fiscal year 2004 and total accumulated depreciation of \$3,543,514 at June 30, 2004. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

## **Long-Term Debt**

At June 30, 2004, O'Brien County had \$3,135,000 in general obligation bonds outstanding, compared to approximately \$3,285,000 at June 30, 2003.

The County continues to carry a general obligation bond rating of Aaa assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. O'Brien County's outstanding general obligation debt is significantly below its constitutional debt limit of \$36 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

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

O'Brien County considered the current revenues received along with the historical revenues versus expenditures when setting the levy rates for fiscal year 2005. A major factor in estimating many of the revenues from the State of Iowa was the current financial condition of the State and the history of the Iowa legislature cutting funding for counties.

The County fee structure is based on state law. Therefore, any increases in revenues in this area would need to be legislated. It is O'Brien County's position to charge the highest rate allowable by law to recoup the actual cost of the programs.

O'Brien County has a tendency to underestimate revenues, resulting in higher than anticipated ending fund balances. We do budget for the recommended, but not currently legislated, 25% ending fund balances. This percentage is based on total expenditures in the respective fund for the year.

If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of fiscal year 2005.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of O'Brien 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 O'Brien County Auditor's Office, O'Brien County Courthouse, 155 South Hayes, Primghar, Iowa 51045.

## **Basic Financial Statements**

**Exhibit A**

O'Brien County  
Statement of Net Assets  
June 30, 2004

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 4,658,433
Receivables:	
Property tax:	
Delinquent	1,690
Succeeding year	4,190,000
Interest and penalty on property tax	2,138
Accounts	31,173
Accrued interest	6,771
Due from other governments	476,793
Inventories	803,574
Prepaid expenses	48,114
Capital assets (net of accumulated depreciation)	6,971,083
	<u>17,189,769</u>
<b>Total assets</b>	<u>17,189,769</u>
<b>Liabilities</b>	
Accounts payable	369,932
Accrued interest payable	11,979
Salaries and benefits payable	30,050
Due to other governments	135,466
Deferred revenue:	
Succeeding year property tax	4,190,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	160,000
Compensated absences	175,760
Portion due or payable after one year:	
General obligation bonds	2,975,000
	<u>8,048,187</u>
<b>Total liabilities</b>	<u>8,048,187</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	3,836,083
Restricted for:	
Supplemental levy purposes	68,163
Mental health purposes	121,757
Secondary roads purposes	2,463,998
Drainage purposes	55,710
Internal service purposes	26,761
Other purposes	445,663
Unrestricted	2,123,447
	<u>9,141,582</u>
<b>Total net assets</b>	<u>\$ 9,141,582</u>

See notes to financial statements.

O'Brien County  
 Statement of Activities  
 Year ended June 30, 2004

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions / Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 2,097,860	897,417	43,674	-	(1,156,769)
Physical health and social services	406,614	12,371	156,630	-	(237,613)
Mental health	1,432,500	69,052	871,306	-	(492,142)
County environment and education	460,076	113,950	10,125	-	(336,001)
Roads and transportation	3,056,977	87,001	2,214,280	967,326	211,630
Governmental services to residents	404,011	282,319	-	-	(121,692)
Administration	869,413	14,111	-	-	(855,302)
Non-program	157,446	128,468	-	-	(28,978)
Interest on long-term debt	151,336	-	-	-	(151,336)
<b>Total</b>	<b>\$ 9,036,233</b>	<b>1,604,689</b>	<b>3,296,015</b>	<b>967,326</b>	<b>(3,168,203)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					4,099,183
Debt service					284,224
Penalty and interest on property tax					24,871
State tax credits					265,721
Local option sales tax					347,754
Unrestricted investment earnings					75,795
Gain on disposal of capital assets					59,595
Miscellaneous					7
<b>Total general revenues</b>					<b>5,157,150</b>
Change in net assets					1,988,947
Net assets beginning of year, as restated					7,152,635
Net assets end of year					<b>\$ 9,141,582</b>

See notes to financial statements.

O'Brien County  
Balance Sheet  
Governmental Funds

June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 1,983,421	294,466	136,063	1,653,994
Receivables:				
Property tax:				
Delinquent	1,020	250	298	-
Succeeding year	2,164,000	531,000	1,211,000	-
Interest and penalty on property tax	2,138	-	-	-
Accounts	5,751	10,888	-	5,488
Accrued interest	5,961	-	-	-
Due from other governments	143,488	6,866	59,391	252,710
Inventories	-	-	-	803,574
Prepaid expenses	27,654	-	3,285	17,175
<b>Total assets</b>	<b>\$ 4,333,433</b>	<b>843,470</b>	<b>1,410,037</b>	<b>2,732,941</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 27,067	61,907	2,584	200,489
Salaries and benefits payable	9,961	-	867	19,222
Due to other governments	5,406	128,806	-	1,254
Deferred revenue:				
Succeeding year property tax	2,164,000	531,000	1,211,000	-
Other	5,486	9,545	274	81,544
Total liabilities	<u>2,211,920</u>	<u>731,258</u>	<u>1,214,725</u>	<u>302,509</u>
Fund balances:				
Reserved for:				
Supplemental levy purposes	67,958	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	2,053,555	-	-	-
Special revenue funds	-	112,212	195,312	2,430,432
Total fund balances	<u>2,121,513</u>	<u>112,212</u>	<u>195,312</u>	<u>2,430,432</u>
<b>Total liabilities and fund balances</b>	<b>\$ 4,333,433</b>	<b>843,470</b>	<b>1,410,037</b>	<b>2,732,941</b>

See notes to financial statements.

Debt Service	Nonmajor Special Revenue	Total
8,522	486,489	4,562,955
122	-	1,690
284,000	-	4,190,000
-	-	2,138
-	-	22,127
-	688	6,649
142	14,196	476,793
-	-	803,574
-	-	48,114
<b>292,786</b>	<b>501,373</b>	<b>10,114,040</b>

-	-	292,047
-	-	30,050
-	-	135,466
284,000	-	4,190,000
111	14,196	111,156
<b>284,111</b>	<b>14,196</b>	<b>4,758,719</b>

-	-	67,958
8,675	-	8,675
-	-	2,053,555
-	487,177	3,225,133
<b>8,675</b>	<b>487,177</b>	<b>5,355,321</b>
<b>292,786</b>	<b>501,373</b>	<b>10,114,040</b>

**O'Brien County**

O'Brien County

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

June 30, 2004

**Total governmental fund balances (page 19)** \$ 5,355,321

***Amounts reported for governmental activities in the Statement of Net Assets are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$10,514,597 and the accumulated depreciation is \$3,543,514. 6,971,083

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 111,156

The Internal Service Fund is used by management to charge the costs of partial 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 Assets. 26,761

Long-term liabilities, including bonds payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (3,322,739)

**Net assets of governmental activities (page 16)** \$ 9,141,582

See notes to financial statements.

O'Brien County

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

Year ended June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 2,188,039	536,453	1,671,836	-
Interest and penalty on property tax	28,979	-	-	-
Intergovernmental	1,102,850	965,216	126,401	2,202,489
Licenses and permits	1,925	-	-	565
Charges for service	401,532	-	-	24,575
Use of money and property	115,151	-	-	516
Miscellaneous	32,051	248	10	54,712
Total revenues	<u>3,870,527</u>	<u>1,501,917</u>	<u>1,798,247</u>	<u>2,282,857</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	1,579,211	-	397,208	-
Physical health and social services	401,973	-	-	-
Mental health	-	1,432,499	-	-
County environment and education	307,701	-	149,821	-
Roads and transportation	-	-	-	2,869,960
Governmental services to residents	371,656	-	1,629	-
Administration	816,791	-	-	-
Non-program	5,728	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	474,090
Total expenditures	<u>3,483,060</u>	<u>1,432,499</u>	<u>548,658</u>	<u>3,344,050</u>
Excess (deficiency) of revenues over (under) expenditures	<u>387,467</u>	<u>69,418</u>	<u>1,249,589</u>	<u>(1,061,193)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	3,600	-	-	-
Operating transfers in	56,186	-	-	1,340,774
Operating transfers out	(130,000)	-	(1,340,774)	-
Total other financing sources (uses)	<u>(70,214)</u>	<u>-</u>	<u>(1,340,774)</u>	<u>1,340,774</u>
Net change in fund balances	317,253	69,418	(91,185)	279,581
Fund balances beginning of year, as restated (note 13)	<u>1,804,260</u>	<u>42,794</u>	<u>286,497</u>	<u>2,150,851</u>
Fund balances end of year	<u>\$ 2,121,513</u>	<u>112,212</u>	<u>195,312</u>	<u>2,430,432</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
284,327	-	-	4,680,655
-	-	-	28,979
17,598	-	59,765	4,474,319
-	-	-	2,490
-	-	3,600	429,707
-	-	7,272	122,939
-	-	5,801	92,822
301,925	-	76,438	9,831,911
-	-	12,441	1,988,860
-	-	-	401,973
-	-	-	1,432,499
-	-	-	457,522
-	-	-	2,869,960
-	-	12,164	385,449
-	-	-	816,791
-	-	-	5,728
301,999	-	-	301,999
-	43,933	-	518,023
301,999	43,933	24,605	9,178,804
(74)	(43,933)	51,833	653,107
-	-	-	3,600
-	100,000	30,000	1,526,960
-	(56,186)	-	(1,526,960)
-	43,814	30,000	3,600
(74)	(119)	81,833	656,707
8,749	119	405,344	4,698,614
8,675	-	487,177	5,355,321

O'Brien County

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

Year ended June 30, 2004

**Net change in fund balances - Total governmental funds (page 23)** \$ 656,707

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

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

Expenditures for capital assets	\$ 691,601	
Capital assets contributed by the Iowa Department of Transportation	904,205	
Depreciation expense	<u>(423,083)</u>	1,172,723

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources.

55,995

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

Property tax	(7,933)	
Other	<u>109,621</u>	101,688

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

150,000

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

Compensated absences	(21,484)	
Interest on long-term debt	<u>664</u>	(20,820)

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

(127,346)

**Change in net assets of governmental activities (page 17)**

\$ 1,988,947

See notes to financial statements.

O'Brien County  
 Statement of Net Assets  
 Proprietary Fund  
 June 30, 2004

	<u>Internal Service - Employee Health Insurance</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 95,478
Receivables:	
Accounts	9,046
Accrued interest	<u>122</u>
<b>Total assets</b>	104,646
<b>Liabilities</b>	
Accounts payable	<u>77,885</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 26,761</u></u>

See notes to financial statements.

O'Brien County  
Statement of Revenues, Expenses and Changes  
in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2004

		<u>Internal Service - Employee Health Insurance</u>
Operating revenues:		
Reimbursements from operating funds		\$ 506,117
Stop loss insurance reimbursements		81,471
Reimbursements from others		<u>19,889</u>
Total operating revenues		607,477
Operating expenses:		
Health claims and administrative services	\$ 734,751	
Workers' compensation insurance	731	
Miscellaneous	<u>2,177</u>	<u>737,659</u>
Operating loss		(130,182)
Non-operating revenues:		
Interest income		<u>2,836</u>
Net loss		(127,346)
Net assets beginning of year		<u>154,107</u>
Net assets end of year		<u><u>\$ 26,761</u></u>

See notes to financial statements.

O'Brien County  
 Statement of Cash Flows  
 Proprietary Fund  
 Year ended June 30, 2004

	<u>Internal Service - Employee Health Insurance</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 506,117
Cash received from stop loss insurance reimbursements	72,815
Cash received from others	19,499
Cash paid for health claims and to administrative provider	(748,133)
Cash paid for workers' compensation insurance	(731)
Cash paid for miscellaneous	(2,177)
Net cash used for operating activities	<u>(152,610)</u>
Cash flows from investing activities:	
Interest on investments	<u>2,714</u>
Net decrease in cash and cash equivalents	(149,896)
Cash and cash equivalents beginning of year	<u>245,374</u>
Cash and cash equivalents end of year	<u>\$ 95,478</u>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>	
Operating loss	\$ (130,182)
Adjustments to reconcile operating loss to net cash used for operating activities:	
(Increase) in accounts receivable	(9,046)
(Decrease) in accounts payable	(13,382)
Net cash used for operating activities	<u>\$ (152,610)</u>

See notes to financial statements.

O'Brien County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2004

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 890,770
Other County officials	11,955
Receivables:	
Property tax:	
Delinquent	5,759
Succeeding year	11,136,000
Accounts	17,526
Accrued interest	792
Special assessments	365,074
Due from other funds	1,515
Due from other governments	12,953
<b>Total assets</b>	<u>12,442,344</u>

**Liabilities**

Salaries and benefits payable	32
Due to other funds	1,515
Due to other governments	12,417,642
Trusts payable	7,075
Compensated absences	16,080
<b>Total liabilities</b>	<u>12,442,344</u>

<b>Net assets</b>	<u><u>\$ -</u></u>
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See notes to financial statements.

O'Brien County

Notes to Financial Statements

June 30, 2004

**(1) Summary of Significant Accounting Policies**

O'Brien 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, O'Brien 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 O'Brien County (the primary government) and eleven drainage districts. These component units 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 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 O'Brien 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 O'Brien County Auditor's Office.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The

County Board of Supervisors are members of or appoint representatives to the following boards and commissions: O'Brien County Assessor's Conference Board, O'Brien County Emergency Management Services Commission and Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations: Northwest Iowa Multi-county Regional Juvenile Detention Center, Northwest Iowa Area Solid Waste Agency, Synergy Center and Iowa Great Lakes Drug Task Force. In addition the County is involved in the following jointly governed organizations: Northwest Iowa Planning and Development Commission, Northwest Iowa Alcohol and Drug Treatment Center, Regional Transit Authority, Domestic Violence, Private Industries Council, Seasons Mental Health Center, Third Judicial District Department of Correctional Services, Upper Des Moines Opportunity, Inc., Iowa County Engineers Association Service Bureau, Regional Transit Authority/RIDES, Inc. and O'Brien County Economic Development Corporation.

B. Basis of Presentation

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

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* 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 assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have 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 and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

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

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

Additionally, the County reports the following funds:

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

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.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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 is charges to customers for sales and services. Operating expenses for the Internal Service Fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

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.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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 government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 65,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Equipment	2 - 20
Vehicles	3 - 10

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time 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 reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and 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 Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Unrestricted Net Assets – The unrestricted net assets of the Internal Service Fund are designated for future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

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

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2004 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.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,619,224 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Agency: County Recorder's Electronic Transaction Fees	Agency: County Offices	<u>\$ 1,515</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Capital Projects	\$ 56,186
Special Revenue: Secondary Roads	Special Revenue: Rural Services	1,340,774
Special Revenue: Conservation Land Acquisition	General	30,000
Capital Projects	General	<u>100,000</u>
Total		<u>\$ 1,526,960</u>

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year (as restated, note 13)	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress, road network	\$ -	1,105,942	-	1,105,942
Capital assets being depreciated:				
Buildings	3,920,505	-	-	3,920,505
Improvements other than buildings	30,697	-	-	30,697
Equipment and vehicles	5,070,176	473,842	(163,582)	5,380,436
Infrastructure, road network	-	77,017	-	77,017
Total capital assets being depreciated	9,021,378	550,859	(163,582)	9,408,655
Less accumulated depreciation for:				
Buildings	516,359	75,993	-	592,352
Improvements other than buildings	5,526	613	-	6,139
Equipment and vehicles	2,757,128	346,424	(158,582)	2,944,970
Infrastructure, road network	-	53	-	53
Total accumulated depreciation	3,279,013	423,083	(158,582)	3,543,514
Total capital assets being depreciated, net	5,742,365	127,776	(5,000)	5,865,141
Governmental activities capital assets, net	\$ 5,742,365	1,233,718	(5,000)	6,971,083

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 123,118
County environment and education	10,468
Roads and transportation	283,331
Governmental services to residents	6,166
Total depreciation expense - governmental activities	\$ 423,083

**(6) Due to Other Governments**

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 5,406</u>
Special Revenue:		
Mental Health	Services	128,806
Secondary Roads	Services	<u>1,254</u>
		<u>130,060</u>
	Total for governmental funds	<u><u>\$ 135,466</u></u>
Agency:		
County Assessor	Collections	\$ 359,000
Schools		6,555,555
Community Colleges		295,402
Corporations		3,958,434
Townships		111,901
City Special Assessments		368,511
Auto License, Use Tax and Driver's License		283,538
E911 Surcharges		298,689
All other		<u>186,612</u>
	Total for agency funds	<u><u>\$ 12,417,642</u></u>

**(7) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	<u>General Obligation Bonds</u>	<u>Compen- sated Absences</u>	<u>Total</u>
Balance beginning of year, as restated (note 13)	\$ 3,285,000	154,276	3,439,276
Increases	-	171,645	171,645
Decreases	150,000	150,161	300,161
Balance end of year	<u>\$ 3,135,000</u>	<u>175,760</u>	<u>3,310,760</u>
Due within one year	<u>\$ 160,000</u>	<u>175,760</u>	<u>335,760</u>

### General Obligation Bonds Payable

A summary of the County's June 30, 2004 general obligation bonded indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2005	5.300%	\$ 160,000	143,748	303,748
2006	5.300	170,000	135,271	305,271
2007	4.300	175,000	126,258	301,258
2008	4.350	185,000	118,734	303,734
2009	4.350	195,000	110,686	305,686
2010-2014	4.375-4.550	1,130,000	416,166	1,546,166
2015-2018	4.650-4.650	1,120,000	132,816	1,252,816
Total		\$ 3,135,000	1,183,679	4,318,679

#### **(8) 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.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$189,102, \$185,308 and \$172,603, respectively, equal to the required contributions for each year.

#### **(9) Risk Management**

O'Brien County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Employee Health Insurance Plan**

The Internal Service, Employee Health Insurance Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$20,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Health Insurance Fund. The County's contribution for the year ended June 30, 2004 was \$506,117.

Amounts payable from the Employee Health Insurance Fund at June 30, 2004 total \$77,885, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$26,761 at June 30, 2004 and is reported as a designation of the Internal Service, Employee Health Insurance Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates 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 beginning of year	\$ 91,267
Incurred claims (including claims incurred but not reported at June 30, 2004)	721,369
Payment on claims during the fiscal year	<u>734,751</u>
Unpaid claims end of year	<u>\$ 77,885</u>

**(11) Related Party Transactions**

The County had business transactions between the County and County officials totaling \$69,707 during the year ended June 30, 2004.

**(12) Contingent Liability**

The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Northwest Iowa Area Solid Waste Agency in accordance with Chapter 111.6(8) of the Iowa Administrative Code. The County's financial assurance obligation is \$237,000.

**(13) Accounting Change and Restatements**

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor governmental funds are presented in total in one column.

The government-wide financial statements report the County’s governmental activities. Beginning net assets for governmental activities has been restated to include capital assets, the Internal Service Fund and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting, as follows:

	<u>Amount</u>
Net assets June 30, 2003, as previously reported	\$ 4,667,713
GASB Interpretation 6 adjustments	<u>30,901</u>
Net assets July 1, 2003, as restated for governmental funds	4,698,614
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$3,279,013	5,742,365
Internal Service Fund	154,107
Accrued interest payable	(12,643)
Long-term liabilities	(3,439,276)
Deferral of long-term assets	<u>9,468</u>
Net assets July 1, 2003, as restated	<u>\$ 7,152,635</u>

**O'Brien County**

**Required Supplementary Information**

O'Brien 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, 2004

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 4,702,927	-
Interest and penalty on property tax	29,236	-
Intergovernmental	4,420,829	-
Licenses and permits	2,560	-
Charges for service	483,596	-
Use of money and property	124,143	900
Miscellaneous	97,936	-
Total receipts	<u>9,861,227</u>	<u>900</u>
Disbursements:		
Public safety and legal services	1,990,607	-
Physical health and social services	406,227	-
Mental health	1,416,605	-
County environment and education	459,119	-
Roads and transportation	2,851,413	-
Governmental services to residents	390,167	-
Administration	821,323	-
Non-program	5,728	-
Debt service	301,999	-
Capital projects	384,249	-
Total disbursements	<u>9,027,437</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	833,790	900
Other financing sources, net	<u>3,600</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	837,390	900
Balance beginning of year	<u>3,725,565</u>	<u>54,730</u>
Balance end of year	<u>\$ 4,562,955</u>	<u>55,630</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
4,702,927	4,677,774	4,735,727	(32,800)
29,236	10,700	13,100	16,136
4,420,829	3,649,216	4,176,827	244,002
2,560	27,825	27,425	(24,865)
483,596	541,035	318,068	165,528
123,243	134,350	115,653	7,590
97,936	49,740	67,208	30,728
<u>9,860,327</u>	<u>9,090,640</u>	<u>9,454,008</u>	<u>406,319</u>
1,990,607	2,041,909	2,081,756	91,149
406,227	463,256	447,834	41,607
1,416,605	1,387,052	1,417,052	447
459,119	578,561	495,381	36,262
2,851,413	2,704,435	2,854,435	3,022
390,167	390,929	402,067	11,900
821,323	826,332	865,223	43,900
5,728	5,500	5,800	72
301,999	302,009	302,009	10
384,249	940,096	894,255	510,006
<u>9,027,437</u>	<u>9,640,079</u>	<u>9,765,812</u>	<u>738,375</u>
832,890	(549,439)	(311,804)	1,144,694
3,600	2,500	9,599	(5,999)
836,490	(546,939)	(302,205)	1,138,695
3,670,835	2,358,158	3,668,647	2,188
<u>4,507,325</u>	<u>1,811,219</u>	<u>3,366,442</u>	<u>1,140,883</u>

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O'Brien County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,861,227	(29,316)	9,831,911
Expenditures	9,027,437	151,367	9,178,804
Net	833,790	(180,683)	653,107
Other financing sources, net	3,600	-	3,600
Beginning fund balances, as restated	3,725,565	973,049	4,698,614
Ending fund balances	\$ 4,562,955	792,366	5,355,321

See accompanying independent auditor's report.

O'Brien County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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 and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$125,733. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

**O'Brien County**

**Other Supplementary Information**

O'Brien County  
Combining Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2004

	Resource			
	Enhancement and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Law Enforcement Block Grant
<b>Assets</b>				
Cash and pooled investments	\$ 95,438	15,403	22,767	14
Accrued interest receivable	130	40	23	-
Due from other governments	-	-	14,196	-
<b>Total assets</b>	<b>\$ 95,568</b>	<b>15,443</b>	<b>36,986</b>	<b>14</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Deferred revenue	\$ -	-	14,196	-
Fund equity:				
Unreserved fund balances	95,568	15,443	22,790	14
<b>Total liabilities and fund equity</b>	<b>\$ 95,568</b>	<b>15,443</b>	<b>36,986</b>	<b>14</b>

See accompanying independent auditor's report.

Federal Drug Reimburse- ment	Ambulance Replacement	Housing Rehab	Title XIX Set Aside - 10%	Special Environment	Drainage Districts	Conservation Land Acquisition	Total
2,022	114,931	9,176	5,120	30,649	55,630	135,339	486,489
-	166	9	-	44	80	196	688
-	-	-	-	-	-	-	14,196
2,022	115,097	9,185	5,120	30,693	55,710	135,535	501,373
-	-	-	-	-	-	-	14,196
2,022	115,097	9,185	5,120	30,693	55,710	135,535	487,177
2,022	115,097	9,185	5,120	30,693	55,710	135,535	501,373

O'Brien County

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Special Revenue Funds

Year ended June 30, 2004

	Resource Enhancement and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee
Revenues:			
Intergovernmental	\$ 10,125	-	22,689
Charges for service	-	3,600	-
Use of money and property	1,240	409	101
Miscellaneous	-	-	-
Total revenues	<u>11,365</u>	<u>4,009</u>	<u>22,790</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Governmental services to residents	-	12,164	-
Total expenditures	<u>-</u>	<u>12,164</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	11,365	(8,155)	22,790
Other financing sources:			
Operating transfers in	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	11,365	(8,155)	22,790
Fund balances beginning of year	<u>84,203</u>	<u>23,598</u>	<u>-</u>
Fund balances end of year	<u>\$ 95,568</u>	<u>15,443</u>	<u>22,790</u>

See accompanying independent auditor's report.

Law Enforcement Block Grant	Federal Drug Reimburse- ment	Ambulance Replacement	Housing Rehab	Title XIX Set Aside - 10%	Special Environment	Drainage Districts	Conservation Land Acquisition	Total
5,441	3,823	17,500	-	187	-	-	-	59,765
-	-	-	-	-	-	-	-	3,600
14	-	1,933	86	-	576	980	1,933	7,272
-	-	-	3,301	-	2,500	-	-	5,801
5,455	3,823	19,433	3,387	187	3,076	980	1,933	76,438
5,441	7,000	-	-	-	-	-	-	12,441
-	-	-	-	-	-	-	-	12,164
5,441	7,000	-	-	-	-	-	-	24,605
14	(3,177)	19,433	3,387	187	3,076	980	1,933	51,833
-	-	-	-	-	-	-	30,000	30,000
14	(3,177)	19,433	3,387	187	3,076	980	31,933	81,833
-	5,199	95,664	5,798	4,933	27,617	54,730	103,602	405,344
14	2,022	115,097	9,185	5,120	30,693	55,710	135,535	487,177

O'Brien County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2004

		County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$	-	1,847	136,250	99,220
Other County officials		11,955	-	-	-
Receivables:					
Property tax:					
Delinquent		-	57	111	3,052
Succeeding year		-	121,000	235,000	6,450,000
Accounts		858	-	102	-
Accrued interest		-	-	-	-
Special assessments		-	-	-	-
Due from other funds		-	-	-	-
Due from other governments		-	62	121	3,283
<b>Total assets</b>	<b>\$</b>	<b>12,813</b>	<b>122,966</b>	<b>371,584</b>	<b>6,555,555</b>
<b>Liabilities</b>					
Salaries and benefits payable	\$	-	-	-	-
Due to other funds		1,515	-	-	-
Due to other governments		10,979	122,966	359,000	6,555,555
Trusts payable		319	-	-	-
Compensated absences		-	-	12,584	-
<b>Total liabilities</b>	<b>\$</b>	<b>12,813</b>	<b>122,966</b>	<b>371,584</b>	<b>6,555,555</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License, Use Tax and Driver's License	E911 Surcharges	Other	Total
5,124	24,933	1,847	3,437	283,538	281,331	53,243	890,770
-	-	-	-	-	-	-	11,955
133	2,377	28	-	-	-	1	5,759
290,000	3,928,000	110,000	-	-	-	2,000	11,136,000
-	-	-	-	-	16,566	-	17,526
-	-	-	-	-	792	-	792
-	-	-	365,074	-	-	-	365,074
-	-	-	-	-	-	1,515	1,515
145	3,124	26	-	-	-	6,192	12,953
<b>295,402</b>	<b>3,958,434</b>	<b>111,901</b>	<b>368,511</b>	<b>283,538</b>	<b>298,689</b>	<b>62,951</b>	<b>12,442,344</b>
-	-	-	-	-	-	32	32
-	-	-	-	-	-	-	1,515
295,402	3,958,434	111,901	368,511	283,538	298,689	52,667	12,417,642
-	-	-	-	-	-	6,756	7,075
-	-	-	-	-	-	3,496	16,080
<b>295,402</b>	<b>3,958,434</b>	<b>111,901</b>	<b>368,511</b>	<b>283,538</b>	<b>298,689</b>	<b>62,951</b>	<b>12,442,344</b>

O'Brien County  
 Combining Schedule of Changes in Fiduciary Assets and Liabilities  
 Agency Funds

Year ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 41,572	142,329	327,410	7,790,440
Additions:				
Property and other county tax	-	112,593	220,763	6,010,644
E911 surcharge	-	-	-	-
State tax credits	-	8,443	14,940	458,173
Office fees and collections	904,457	-	-	-
Electronic transaction fee	-	-	-	-
Auto licenses, driver's licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	24,212	-	-	-
Miscellaneous	-	-	3,173	-
Total additions	928,669	121,036	238,876	6,468,817
Deductions:				
Agency remittances:				
To other funds	849,315	-	-	-
To other governments	85,146	140,399	194,702	7,703,702
Trusts paid out	22,967	-	-	-
Total deductions	957,428	140,399	194,702	7,703,702
Balances end of year	\$ 12,813	122,966	371,584	6,555,555

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License, Use Tax and Driver's License	E911 Surcharges	Other	Total
399,402	4,011,150	121,287	403,663	271,896	271,803	105,527	13,886,479
267,662	3,661,128	102,571	-	-	-	2,226	10,377,587
-	-	-	-	-	88,427	-	88,427
23,384	246,918	6,273	136	-	-	143	758,410
-	-	-	-	-	-	-	904,457
-	-	-	-	-	-	1,515	1,515
-	-	-	-	3,239,747	-	-	3,239,747
-	-	-	89,719	-	-	-	89,719
-	-	-	-	-	-	4,079	28,291
-	-	-	-	-	7,217	73,517	83,907
291,046	3,908,046	108,844	89,855	3,239,747	95,644	81,480	15,572,060
-	-	-	-	125,637	-	-	974,952
395,046	3,960,762	118,230	125,007	3,102,468	68,758	77,731	15,971,951
-	-	-	-	-	-	46,325	69,292
395,046	3,960,762	118,230	125,007	3,228,105	68,758	124,056	17,016,195
295,402	3,958,434	111,901	368,511	283,538	298,689	62,951	12,442,344

**Schedule 5**

## O'Brien County

Schedule of Revenues By Source and Expenditures By Function -  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other county tax	\$ 4,680,655	4,252,755	4,130,925	4,052,563
Interest and penalty on property tax	28,979	27,467	27,495	24,313
Intergovernmental	4,474,319	3,456,156	4,044,170	3,536,435
Licenses and permits	2,490	2,130	2,653	1,998
Charges for service	429,707	826,538	317,334	291,309
Use of money and property	122,939	159,671	216,667	391,111
Fines, forfeitures and defaults	-	-	19,220	7,500
Miscellaneous	92,822	104,351	79,408	70,897
Total	\$ 9,831,911	8,829,068	8,837,872	8,376,126
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,988,860	1,811,584	1,735,215	1,554,780
Physical health and social services	401,973	460,947	442,874	430,469
Mental health	1,432,499	1,513,629	1,511,855	1,378,308
County environment and education	457,522	479,319	737,798	533,057
Roads and transportation	2,869,960	2,297,184	2,606,244	2,649,320
Governmental services to residents	385,449	340,608	320,057	294,771
Administration	816,791	810,551	706,773	716,634
Non-program	5,728	5,010	8,063	4,426
Debt service	301,999	304,684	307,104	303,922
Capital projects	518,023	403,049	861,249	656,641
Total	\$ 9,178,804	8,426,565	9,237,232	8,522,328

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Officials of O'Brien County:

We have audited the financial statements of O'Brien County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated January 18, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether O'Brien County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 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. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered O'Brien County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect O'Brien County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

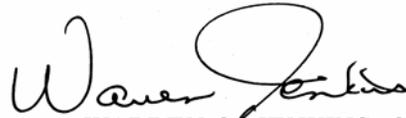
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe any of the reportable conditions described above are material weaknesses. Prior year reportable conditions have been resolved except for items (A) and (B).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of O'Brien County and other parties to whom O'Brien County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 18, 2005

O'Brien County

Schedule of Findings

Year ended June 30, 2004

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**REPORTABLE CONDITIONS:**

- (A) Segregation of Duties – During our review of internal control, existing procedures are evaluated in order to determine 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. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared.	Recorder, Sheriff and Treasurer
(2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting of cash.	Recorder
(3) Bank reconciliations are not reviewed periodically by an independent person for propriety.	Recorder

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating 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 initials or signature of the reviewer and the date of the review.

Response –

Treasurer – I have periodically listed checks, and checked deposits. I just didn't keep copies of stuff, and I should have. Will try to do that in the future. We rarely have any cash in the mail. The Treasurer usually opens the mail and distributes into the proper department for processing.

O'Brien County  
Schedule of Findings  
Year ended June 30, 2004

Recorder – We will try to comply as best we can with our limited staff.

Sheriff – We will attempt to comply to the best of our ability.

Conclusion – Responses accepted.

- (B) Information Systems – The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- password privacy and confidentiality.
- requiring computer terminals to be logged off before being left unattended for an extended period of time.
- ensuring only software licensed to the County is installed on computers.
- personal use of computer equipment and software.
- requiring personnel who share the same computer terminal to log-on and log-off prior to other personnel entering transactions on the same terminal.

Also, the County does not have a written disaster recovery plan.

Recommendation – The County should develop written policies addressing the above items in order to improve the County's control over computer based systems. In addition, a written disaster recovery plan should be developed.

Response – We will get this done.

Conclusion – Response accepted.

- (C) Public Health Nurse Receivables – Monthly accounts receivable reconciliations did not include the date collections were received.

Recommendation – Monthly accounts receivable reconciliations should include the date collections were received.

Response – Recommendation will be complied with.

Conclusion – Response accepted.

O'Brien County

Schedule of Findings

Year ended June 30, 2004

**Other Findings Related to Required Statutory Reporting:**

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- (2) Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.
- (3) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Jim Norton, Conservation Board Member, owner of Hartley Farm and Home Center, Inc.	Supplies, building materials and parts	\$ 5,895
Ron Drenkow, Board of Supervisors, sons own Ron Drenkow Motors, Inc.	Three vehicles, per bid Parts	63,107 280
Bruce Devereaux, Deputy Sheriff	Office equipment	75
Allen Schucknect, Deputy Sheriff, owner of Primghar Tree Service	Courthouse ground expense	350

In the opinion of the O'Brien County Attorney, the transactions with Hartley Farm and Home Center, Inc. do not represent a conflict of interest.

The transactions in the amount of \$63,107 with Ron Drenkow Motors, Inc. do not represent a conflict of interest as these transactions were competitively bid in accordance with Chapter 331.342(4) of the Code of Iowa. In the opinion of the O'Brien County Attorney, the other transactions with Ron Drenkow Motors, Inc. do not represent a conflict of interest.

In accordance with Chapter 331.342(10) of the Code of Iowa, the remaining transactions do not appear to represent conflicts of interest since the cumulative amount for each individual was less than \$1,500 during the fiscal year.

O'Brien County

Schedule of Findings

Year ended June 30, 2004

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (9) 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).
- (10) Cancellation of Outstanding Warrants – There are outstanding warrants in the General Fund, the Mental Health Fund and the Secondary Roads Fund which have not been cancelled after one year as required by Chapter 331.554(7) of the Code of Iowa.

Recommendation – Outstanding warrants over one year old should be cancelled as required by Chapter 331.554(7) of the Code of Iowa.

Response – We will get this taken care of.

Conclusion – Response accepted.

- (11) 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, 2004 for the County Extension Office did not exceed the amount budgeted.

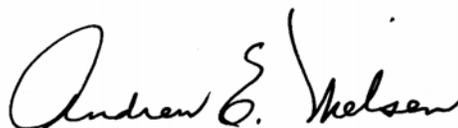
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O'Brien County

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager  
James L. Blekfeld, CPA, Senior Auditor  
Natalie J. Storm, CPA, Staff Auditor  
Cheryl R. McNaught, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State