

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

JUNE 30, 2004

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Osceola County

Officials

Name	Title	Term Expires
Daryl Streng	Board of Supervisors	December 31, 2004
Byron Lopau	Board of Supervisors	December 31, 2004
Darwin Beltman	Board of Supervisors	December 31, 2006
Derrick Petersen	Board of Supervisors	December 31, 2006
William Imhoff	Board of Supervisors	December 31, 2006
Barbara Echter	County Auditor	December 31, 2004
Linda Carter	County Treasurer	December 31, 2006
Arlene Kuehl	County Recorder	December 31, 2006
Edward Harskamp	County Sheriff	December 31, 2004
Robert Hansen	County Attorney	December 31, 2006
Sharon Wolter	County Assessor	December 31, 2009
Thomas Snyder	County Engineer	Appointed (Indefinite)
Ronald Spengler	County Conservation Director	Appointed (Indefinite)

Independent Auditor's Report

To the Officials of Osceola County:

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the component unit of Osceola 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 Osceola 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 financial position of the governmental activities, each major fund, the aggregate remaining fund information and the component unit of Osceola 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 14 to the financial statements, during the year ended June 30, 2004, Osceola 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 November 19, 2004 on our consideration of Osceola County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. 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 4 through 11 and 47 through 50 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 Osceola 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 year ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 11 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.

Siebrecht Spitler & De Noble PC
Certified Public Accountants

November 19, 2004

Management Discussion and Analysis

Osceola 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 Osceola County is implementing new GASB 34 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

- The County's governmental fund revenues for fiscal year 2004 were \$4,832,672 compared to \$4,701,944 in fiscal year 2003; an increase of \$130,728 or 3%. Property taxes and other county tax for fiscal year 2004 were \$2,157,197 compared to \$2,119,252 in fiscal year 2003; an increase of \$37,945 or 2%. Intergovernmental revenues increased by \$78,721 in fiscal year 2004.
- The County's governmental fund expenditures for fiscal 2004 were \$4,522,304 compared to \$5,187,074 in fiscal year 2003; a decrease of \$664,770 or 13%. Capital projects decreased by \$751,869, while roads and transportation increased by \$89,979.
- The County's net assets for fiscal year 2004 were \$7,981,966 compared to \$6,433,658 in fiscal year 2003; an increase of \$1,548,308 or 24%.
- The discretely presented component unit – Public Safety Commission's net assets for fiscal year 2004 were \$425,733 compared to \$481,632 in fiscal year 2003; a decrease of \$55,899 or 12%.

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 Osceola 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 Osceola County's operations in more detail than the governmental-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Osceola County acts solely as an agent or custodian for the benefit of those outside of the government.

- 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 Funds and the individual Agency Funds. In addition, financial statement and budgetary comparison information is presented for the Public Safety Commission.

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 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 flow. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flow 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 & legal services, physical health & social services, mental health, county environment & education, roads & transportation, governmental services to residents, administration, interest on long-term debt and small capital projects. Property tax and state & federal grants finance most of these activities. The County has no business type activities.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also the legally separate Public Safety Commission for which the County is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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 in and out of these funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. 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. Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

- 2) Proprietary funds account for the County's Internal Service, Employee Health Deductibles 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 flow.

- 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, Emergency Management Services and the County Assessor's Funds, to name a few.

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

Component Unit

As discussed earlier, the Public Safety Commission is a component unit of the County. The Public Safety Commission does not issue separate financial statements, so basic financial statement information is included in the County's other supplementary information (schedules). This information is 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 information provides a detailed, short-term view of the governmental operations and the basic services it provides. This information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Public Safety Commission's programs.

Some of the financial highlights for fiscal year 2004 for the Public Safety Commission include:

- The Public Safety Commission's revenues for fiscal year 2004 were \$806,837 compared to \$800,919 in fiscal year 2003; an increase of \$5,918 or 1%.
- The Public Safety Commission's expenditures for fiscal 2004 were \$854,000 compared to \$848,030 in fiscal year 2003; an increase of \$5,970 or 1%.
- The Public Safety Commission did not exceed its budgeted disbursements for fiscal year 2004 and did not need to amend its budget during fiscal year 2004.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental activities and the component unit.

Osceola County Net Assets June 30, 2004

	<u>Governmental Activities</u>	<u>Public Safety Commission</u>
Current and Other Assets	\$ 5,731,191	\$ 237,904
Capital Assets	<u>4,622,725</u>	<u>257,012</u>
Total Assets	<u>10,353,916</u>	<u>494,916</u>
Long-term Debt Outstanding	55,816	52,052
Other Liabilities	<u>2,316,134</u>	<u>17,131</u>
Total Liabilities	<u>2,371,950</u>	<u>69,183</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	4,622,725	257,012
Restricted	2,348,334	0
Unrestricted	<u>1,010,907</u>	<u>168,721</u>
Total Net Assets	<u>\$ 7,981,966</u>	<u>\$ 425,733</u>

Net assets of Osceola County's governmental activities increased from fiscal year 2003 by \$1,548,308 and the Public Safety Commission's net assets decreased from fiscal year 2003 by \$55,899. The largest portion of Osceola County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements.

Changes in Net Assets:
(Year Ended June 30, 2004)

	<u>Governmental Activities</u>	<u>Public Safety Commission</u>
Revenues:		
Program Revenues:		
Charges for Service	\$ 332,418	\$ 790,355
Operating Grants, Contributions and Restricted Interest	2,027,543	6,612
Capital Grants, Contributions and Restricted Interest	853,371	18,000
General Revenues:		
Property Tax Levied for:		
General Purposes	1,970,243	0
Unified Law	187,188	0
Penalty and Interest on Property Tax	9,253	0
State Tax Credits	144,897	0
Grants and Contributions Not Restricted to Specific Purposes	45,329	8,185
Unrestricted Investment Earnings	61,534	0
Rents	21,431	0
Drainage Assessments	8,913	0
Miscellaneous	5,786	1
Total Revenues	<u>5,667,906</u>	<u>823,153</u>
Program Expenses:		
Public Safety and Legal Services	782,938	0
Physical Health and Social Services	133,473	0
Mental Health	481,889	0
County Environment and Education	260,939	0
Roads and Transportation	1,596,677	0
Governmental Services to Residents	173,303	0
Administration	570,876	0
Interest on Long-term Debt	7,023	0
Capital Projects	104,472	0
Public Safety Commission	0	877,060
Total Expenses	<u>4,111,590</u>	<u>877,060</u>
Special Item:		
Employee Health Deductibles Plan Termination	(8,008)	8,008
Increase (Decrease) in Net Assets	1,548,308	(55,899)
Net Assets Beginning of Year, As Restated	<u>6,433,658</u>	<u>481,632</u>
Net Assets End of Year	<u>\$ 7,981,966</u>	<u>\$ 425,733</u>

The beginning balance on the statement of activities was restated due to the implementation of GASB34 to include capital assets and the changes in assets and liabilities resulting from the conversion to the accrual basis of accounting.

- Revenues for governmental activities were \$5,667,906, while expenses amounted to \$4,111,590. In a difficult budgeting year, Osceola County officials worked hard on holding down expenses.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Major Fund Highlights

Osceola County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

As Osceola County completed fiscal year 2004, its governmental funds reported a combined fund balance of \$3,286,906. This is in comparison to fiscal year 2003, which was \$2,976,538. This is a \$310,368 increase over last year or 11%. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

General Fund

The General Fund showed an increase in fund balance of \$220,136, which is a resulting increase of 24%. This increase is consistent with the fiscal year 2003 increase. All departments were asked to be conservative with expenditures in their respective budgets.

Mental Health Fund

The County has continued to look for ways to effectively manage the cost of mental health services. For the year, revenues totaled \$394,395, an increase of 15% from the prior year due to an increase in the property tax levy and expenditures totaled \$481,889, a decrease of 2% from the prior year. The Mental Health Fund balance at year end decreased by \$87,494 from the prior year.

Rural Services Fund

The Rural Services Fund showed a decrease in fund balance of \$97,051 in fiscal year 2004. The June 30, 2004 fund balance is \$183,717. The weed commissioner and county library funding is paid out of Rural Services. Also, money is transferred to the Secondary Roads Fund.

Secondary Roads Fund

The Secondary Roads Fund showed a beginning balance of \$1,142,486 and an ending balance of \$1,403,902; an increase of \$261,416 or 23%. Revenues increased due to changes in the allocation to counties for road use tax during the fiscal year. Expenditures decreased during the fiscal year due to fewer roadway construction projects going on.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except blended component units, Internal Service Funds and Agency Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, Osceola County amended its budget two times. The first amendment was approved on

1/27/04. This amendment increased Public Safety & Legal Services, Department 61-Juvenile Probation, due to increase in client services; Government Services to Residents, Department 2-Elections, due to a special school election and Department 3-Treasurer, due to a part-time employee going full-time; and Administration, Department 99-Miscellaneous, due to a home health grant and a premium increase in tort liability insurance. The second amendment was made 3/30/04. This amendment increased Public Safety & Legal Services, Department 61- Juvenile Probation, due to an additional increase in client services.

Capital Assets and Debt Administration

Capital Assets

Osceola County concluded fiscal year 2004 with \$4,622,725 in governmental activities and \$257,012 in the Public Safety Commission invested in a broad range of capital assets. GASB34 required the addition of infrastructure assets and required depreciation on capital assets. The capital assets reported last year have been modified as per the County's "Capital Asset Policy".

Capital Assets at Year End June 30, 2004:

	Governmental Activities	Public Safety Commission
	<u> </u>	<u> </u>
Land	\$ 1,102,565	\$ 0
Buildings and Improvements	466,768	0
Machinery, Equipment and Vehicles	2,484,720	257,012
Infrastructure	<u>568,672</u>	<u>0</u>
Net Capital Assets	<u>\$ 4,622,725</u>	<u>\$ 257,012</u>

This year's major additions for the County's governmental activities included \$399,829 in land donations for conservation purposes, \$389,702 in infrastructure contributed by the Iowa Department of Transportation and \$416,862 in secondary road equipment purchases.

This year's major additions for the Public Safety Commission included an \$18,000 donated motorcycle and \$21,332 for a patrol car.

The County's governmental activities had depreciation expense of \$222,665 in fiscal year 2004 and total accumulated depreciation of \$2,264,857 on June 30, 2004. The Public Safety Commission had depreciation expense of \$35,652 in fiscal year 2004 and total accumulated depreciation of \$140,023 on June 30, 2004.

Long-Term Debt

At June 30, 2004, the County had \$55,816 in compensated absences payable and the Public Safety Commission had \$52,052 in compensated absences payable. During fiscal year 2004, the County paid \$8,000 on a building purchase from the State of Iowa and paid off a land loan of \$61,388. 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

Osceola County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and the fees for various County activities. Factors include the economy, decline in state funding and decrease in property valuations for fiscal year 2005. Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2003-2004.

These indicators were taken into account when adopting the budget for fiscal year 2005. Total disbursements in the 2005 operating budget are \$4,765,636, compared to \$4,777,246 for fiscal year 2004; a decrease of 1%. Property and other county tax asking in the fiscal year 2005 budget is \$2,056,777, compared to \$2,159,432 in fiscal year 2004; a decrease of \$102,655. Countywide valuations (with utilities) for fiscal year 2005 are \$279,345,368, compared to \$325,074,098 in fiscal year 2004; a decrease of \$45,728,730. Rural valuations (with utilities) for fiscal year 2005 is \$216,627,422, compared to \$258,531,504 in fiscal year 2004; a decrease of \$41,904,082. Due to the decrease in valuations, budget cuts were necessary. Contributions to organizations were reduced or eliminated, employee salaries were frozen and departments were asked to seek other avenues to increase revenues for the county. Also, Osceola County does not know how much will be received in state credits until the end of the fiscal year.

Iowa code limits the General Fund levy rate to \$3.50 per \$1,000 of taxable value. Osceola County is at the maximum levy rate; therefore, the County is levying \$1.00 in the General Supplemental Fund for fiscal year 2005. The General Supplemental Fund is used for FICA, IPERS, health insurance, elections, tort liability and juvenile probations.

The Rural Basic levy rate for fiscal year 2005 was \$2.55612 per \$1,000 of taxable value. This compares to \$2.14181 per \$1,000 of taxable value for fiscal year 2004. Osceola County does not levy in Rural Basic supplemental.

In fiscal year 2005, Osceola County will be issuing \$2,845,000 in urban renewal revenue capital loan notes and receiving approximately an \$85,000 rail grant to help provide funding for a developer to construct an ethanol plant. The budget figures discussed previously will have to be amended for these ethanol plant transactions.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Osceola County's finances 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 Osceola County Auditor's office, 300 7th Street, Sibley, IA.

Osceola County
Basic Financial Statements

Osceola County

Statement of Net Assets
June 30, 2004

	Primary Government	Component Unit
	<u>Governmental Activities</u>	<u>Public Safety Commission</u>
Assets		
Cash and Pooled Investments	\$ 3,083,012	\$ 222,416
Receivables:		
Property Tax:		
Delinquent	874	0
Succeeding Year	2,057,170	0
Interest and Penalty on Property Tax	3,307	0
Accounts	1,222	0
Accrued Interest	11,219	0
Due from Agency Funds	96,908	154
Due from Component Unit/Primary Government	7,342	11,834
Due from Other Governments	176,152	3,500
Inventories	281,575	0
Prepaid Insurance	4,625	0
Prepaid Expenses	7,785	0
Capital Assets (Net of Accumulated Depreciation)	4,622,725	257,012
	<hr/>	<hr/>
Total Assets	10,353,916	494,916
	<hr/>	<hr/>
Liabilities		
Accounts Payable	200,759	6,420
Salaries and Benefits Payable	25,212	407
Compensated Absences	0	2,962
Due to Component Unit/Primary Government	11,834	7,342
Due to Other Governments	21,159	0
Deferred Revenue:		
Succeeding Year Property Tax	2,057,170	0
Long-Term Liabilities:		
Portion Due or Payable Within One Year:		
Compensated Absences	55,816	52,052
	<hr/>	<hr/>
Total Liabilities	2,371,950	69,183
	<hr/>	<hr/>

Exhibit A (Continued)

Osceola County

Statement of Net Assets
June 30, 2004

	Primary Government	Component Unit
	<u>Governmental Activities</u>	<u>Public Safety Commission</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	4,622,725	257,012
Restricted for:		
Supplemental Levy Purposes	180,365	0
Resource Enhancement and Protection Purposes	57,324	0
Mental Health Purposes	298,103	0
Rural Services Purposes	183,781	0
Secondary Roads Purposes	1,379,356	0
Other Purposes	249,405	0
Unrestricted	<u>1,010,907</u>	<u>168,721</u>
 Total Net Assets	 <u><u>\$ 7,981,966</u></u>	 <u><u>\$ 425,733</u></u>

See notes to financial statements.

Osceola County

Statement of Activities
Year Ended June 30, 2004

	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental Activities:				
Public Safety & Legal Services	\$ 782,938	155,075	15,169	0
Physical Health and Social Services	133,473	618	4,770	0
Mental Health	481,889	2,146	295,160	0
County Environment and Education	260,939	599	17,772	463,669
Roads and Transportation	1,596,677	17,317	1,694,563	389,702
Governmental Services to Residents	173,303	151,551	109	0
Administration	570,876	5,112	0	0
Interest on Long-Term Debt	7,023	0	0	0
Capital Projects	104,472	0	0	0
Total Primary Government	\$ 4,111,590	332,418	2,027,543	853,371
Component Unit:				
Public Safety Commission	\$ 887,060	790,355	6,612	18,000

General Revenues:

- Property and Other County Tax Levied for:
 - General Purposes
 - Unified Law
- Penalty and Interest on Property Tax
- State Tax Credits
- Grants and Contributions Not Restricted to Specific Purpose
- Unrestricted Investment Earnings
- Rents
- Drainage Assessments
- Miscellaneous

Special Item:

- Employee Health Deductibles Plan Termination

Total General Revenues and Special Item

Change in Net Assets

Net Assets Beginning of Year, as Restated (Note 14)

Net Assets End of Year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets	
Primary Government Governmental Activities	Component Unit Public Safety Commission
(612,694)	0
(128,085)	0
(184,583)	0
221,101	0
504,905	0
(21,643)	0
(565,764)	0
(7,023)	0
(104,472)	0
(898,258)	0
0	(72,093)
1,970,243	0
187,188	0
9,253	0
144,897	0
45,329	8,185
61,534	0
21,431	0
8,913	0
5,786	1
(8,008)	8,008
2,446,566	16,194
1,548,308	(55,899)
6,433,658	481,632
\$ 7,981,966	\$ 425,733

Osceola County

Balance Sheet
Governmental Funds
June 30, 2004

	Special Revenue				Nonmajor	Total
	General	Mental Health	Rural Services	Secondary Roads	Special Revenue	
Assets						
Cash and Pooled Investments	\$ 1,153,599	333,137	184,041	1,171,450	231,519	3,073,746
Receivables:						
Property Tax:						
Delinquent	681	106	64	0	23	874
Succeeding Year	1,170,812	181,831	517,582	0	186,945	2,057,170
Interest and Penalty on Property Tax	3,307	0	0	0	0	3,307
Accounts	1,182	30	0	10	0	1,222
Accrued Interest	11,089	0	0	0	126	11,215
Due from Agency Funds	96,908	0	0	0	0	96,908
Due from Component Unit	7,342	0	0	0	0	7,342
Due from Other Governments	11,812	3,230	0	146,914	14,196	176,152
Inventories	0	0	0	281,575	0	281,575
Prepaid Insurance	4,625	0	0	0	0	4,625
Prepaid Expenditures	0	0	0	417	7,368	7,785
Total Assets	\$ 2,461,357	518,334	701,687	1,600,366	440,177	5,721,921
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable	\$ 8,620	27,372	324	163,181	0	199,497
Salaries and Benefits Payable	4,481	0	0	20,731	0	25,212
Due to Component Unit	0	0	0	0	3,826	3,826

Due to Other Governments	9,781	11,027	0	351	0	21,159
Deferred Revenue:						
Succeeding Year Property Tax	1,170,812	181,831	517,582	0	186,945	2,057,170
Other	101,561	106	64	12,201	14,219	128,151
Total Liabilities	<u>1,295,255</u>	<u>220,336</u>	<u>517,970</u>	<u>196,464</u>	<u>204,990</u>	<u>2,435,015</u>
Fund Balances:						
Reserved for:						
Supplemental Levy Purposes	181,569	0	0	0	0	181,569
Resource Enhancement and Protection	57,324	0	0	0	0	57,324
Unreserved:						
Undesignated, Reported In:						
General Fund	724,897	0	0	0	0	724,897
Special Revenue Funds	0	297,998	183,717	1,403,902	235,187	2,120,804
Designated For:						
Jail Infrastructure	202,312	0	0	0	0	202,312
Total Fund Balances	<u>1,166,102</u>	<u>297,998</u>	<u>183,717</u>	<u>1,403,902</u>	<u>235,187</u>	<u>3,286,906</u>
Total Liabilities and Fund Balances	<u>\$ 2,461,357</u>	<u>518,334</u>	<u>701,687</u>	<u>1,600,366</u>	<u>440,177</u>	<u>5,721,921</u>

See notes to financial statements.

Osceola County

Reconciliation of the Balance Sheet –
 Governmental Funds to the Statement of Net Assets
 June 30, 2004

Total Governmental Fund Balances (page 18)	\$ 3,286,906
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$6,887,582 and the accumulated depreciation is \$2,264,857.	4,622,725
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	128,151
Long-term liabilities, which include compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(55,816)</u>
Net Assets of Governmental Activities (page 14)	<u><u>\$ 7,981,966</u></u>

Osceola County

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2004

	Special Revenue				Nonmajor	Total
	General	Mental Health	Rural Services	Secondary Roads	Special Revenue	
Revenues:						
Property and Other County Tax	\$ 1,361,050	90,737	518,230	0	187,180	2,157,197
Interest and Penalty on Property Tax	10,054	0	0	0	0	10,054
Intergovernmental	207,229	301,513	33,363	1,682,362	86,008	2,310,475
Licenses and Permits	253	0	0	5,770	0	6,023
Charges for Service	201,940	0	0	51	24,607	226,598
Use of Money and Property	69,042	0	0	4,324	10,935	84,301
Miscellaneous	6,734	2,145	0	11,466	17,679	38,024
Total Revenues	1,856,302	394,395	551,593	1,703,973	326,409	4,832,672
Expenditures:						
Operating:						
Public Safety and Legal Services	582,182	0	0	0	200,387	782,569
Physical Health and Social Services	130,769	0	0	0	0	130,769
Mental Health	0	481,889	0	0	0	481,889
County Environment and Education	207,050	0	42,924	0	0	249,974
Roads and Transportation	0	0	0	1,913,113	0	1,913,113
Governmental Services to Residents	151,508	0	0	0	0	151,508
Administration	521,869	0	0	0	37,653	559,522
Debt Service	0	0	0	0	68,411	68,411
Capital Projects	0	0	0	177,952	6,597	184,549
Total Expenditures	1,593,378	481,889	42,924	2,091,065	313,048	4,522,304

Excess (Deficiency) of Revenues Over (Under) Expenditures	262,924	(87,494)	508,669	(387,092)	13,361	310,368
Other Financing Sources (Uses):						
Operating Transfers In	0	0	0	648,508	0	648,508
Operating Transfers Out	(42,788)	0	(605,720)	0	0	(648,508)
Total Other Financing Sources (Uses)	(42,788)	0	(605,720)	648,508	0	0
Net Change in Fund Balances	220,136	(87,494)	(97,051)	261,416	13,361	310,368
Fund Balances Beginning of Year, as Restated (Note 14)	945,966	385,492	280,768	1,142,486	221,826	2,976,538
Fund Balances End of Year	\$ 1,166,102	297,998	183,717	1,403,902	235,187	3,286,906

See notes to financial statements.

Osceola 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 21) \$ 310,368

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	\$ 598,842	
Capital assets contributed by the Iowa Department of Transportation	389,702	
Capital assets contributed by private individuals	399,829	
Depreciation Expense	<u>(222,665)</u>	1,165,708

In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds do not report any amounts as there were no proceeds received on the disposition of the capital assets. (31,428)

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. The resulting timing difference is as follows:

Property Tax	235	
Other	<u>45,467</u>	45,702

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. 69,388

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		(3,205)
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The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds and the Public Safety Commission. The change in net assets of the Internal Service Fund is reported with governmental activities. (8,225)

Change in Net Assets of Governmental Activities (page 16) \$ 1,548,308

See notes to financial statements.

Osceola County

Statement of Net Assets
 Proprietary Fund
 June 30, 2004

	Internal Service - Employee Health Deductibles
Assets	
Cash and Cash Equivalents	\$ 9,266
Accrued Interest	4
Total Assets	9,270
Liabilities	
Accounts Payable	1,262
Due to Component Unit	8,008
Total Liabilities	9,270
Net Assets	\$ 0

See notes to financial statements.

Osceola County

Statement of Revenues, Expenses and Changes
in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2004

		<u>Internal Service - Employee Health Deductibles</u>
Operating Revenues:		
Reimbursements from Public Safety Commission		\$ 13,460
Operating Expenses:		
Medical Claims	\$ 7,361	
Administrative Fees	3,023	
Health Insurance Portability and Accountability Act Costs:		
Personnel	283	
Administrative	3,091	
	<u>3,091</u>	<u>13,758</u>
Operating Loss		(298)
Non-Operating Revenues:		
Interest Income		<u>81</u>
Net Loss Before Special Item		(217)
Special Item:		
Employee Health Deductibles Plan Termination		<u>(8,008)</u>
Net Loss After Special Item		(8,225)
Net Assets Beginning of Year		<u>8,225</u>
Net Assets End of Year		<u><u>\$ 0</u></u>

See notes to financial statements.

Osceola County
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2004

	Internal Service - Employee Health Deductibles
Cash Flows from Operating Activities:	
Cash Received from Public Safety Commission	\$ 517
Cash Paid to Suppliers for Services/Charges	(2,723)
Cash Paid for Medical Claims	(7,950)
Cash Paid for HIPAA Personnel Costs	(283)
Cash Paid for HIPAA Administrative Costs	(3,099)
Net Cash Used by Operating Activities	(13,538)
 Cash Flows from Investing Activities:	
Interest on Investments	100
Short Term Loan to Flex Spending Fund	500
Short Term Loan Repayment from Flex Spending Fund	(500)
Net Cash Provided by Investing Activities	100
Net Decrease in Cash and Cash Equivalents	(13,438)
Cash and Cash Equivalents Beginning of Year	22,704
Cash and Cash Equivalents End of Year	\$ 9,266
 Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (298)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
(Decrease) in Accounts Payable	(297)
(Decrease) in Deferred Revenue	(12,943)
Net Cash Used by Operating Activities	\$ (13,538)

See notes to financial statements.

Osceola County

Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

Assets

Cash and Pooled Investments:

County Treasurer	\$ 538,846
Other County Officials	10,165

Receivables:

Property Tax:

Delinquent	3,950
Succeeding Year	5,395,969

Accounts	103,719
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Accrued Interest	42
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Special Assessments	47,609
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Due from Other Governments	5,616
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Prepaid Expenses	2,500
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Total Assets	<u>6,108,416</u>
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Liabilities

Accounts Payable	1,715
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Due to Primary Government	96,908
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Due to Component Unit	154
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Due to Other Governments	5,963,094
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Trusts Payable	43,813
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Compensated Absences	2,732
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Total Liabilities	<u>6,108,416</u>
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Net Assets	<u><u>\$ 0</u></u>
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See notes to financial statements.

Osceola County

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Osceola 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, Osceola 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. Criteria also can include an organization's fiscal dependency on the County or if it would be significantly misleading to exclude an organization because of its relationship with the County.

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

Fifty-one 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 Osceola 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 Osceola County Auditor's office.

Discretely Presented Component Unit – The Public Safety Commission is presented in a separate column to emphasize that it is legally separate from the County, but is financially accountable to the County, or whose relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. The Public Safety Commission helps to provide law enforcement for Osceola County. Osceola County approves the Public Safety Commission's tax rates and levies a tax on behalf of the Commission. Osceola County collected and expended \$199,230 (\$199,393 on the cash basis) to the Public Safety Commission for the Unified Law Levy for the fiscal year. Osceola County's expenditure for its contribution for contract law enforcement to the Public Safety Commission was \$234,844 for the fiscal year. Osceola County also shows a special item of \$8,008 in the Statement of Activities and a liability of \$8,008 in the Statement of Net Assets – Proprietary Fund to the Public Safety Commission to close out the Employee Health Deductibles Fund. In addition, the County provided the Public Safety Commission with bookkeeping and payroll services. The financial statements for the Public Safety Commission are presented in this audit report as a discretely presented component unit.

Jointly Governed Organizations – The County also 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: Osceola County Assessor's Conference Board, Osceola County Emergency Management Commission, Osceola County Joint E911 Service Board, the Northwest Iowa Area Solid Waste Agency, the Hazardous Material Response Commission (Region III) and the Northwest Iowa Contracting Consortium. 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 an Agency Fund of the County, except for the Northwest Iowa Area Solid Waste Agency, the Hazardous Material Response Commission (Region III) and the Northwest Iowa Contracting Consortium, which are not included at all in the County's financial statements. During the year ended June 30, 2004, the County did not contribute any money to the County Assessor, E911, the Hazardous Material Response Commission and the Northwest Iowa Contracting Consortium; while the County expended \$524 to the Northwest Iowa Area Solid Waste Agency for disposal fees and \$30,000 in support for the Emergency Management Services.

Joint Venture – The County is a participant with the cities in Osceola County in a joint venture to manage the Osceola County Economic Development Commission, a Chapter 28E Organization. The Commission is governed by a six-member board composed of one representative from each governmental entity. The purpose of the Commission is to develop new economic opportunities in Osceola County. The County has an ongoing financial responsibility to provide funding to the Commission for the Commission's continued existence. The amount of money expended by the County for the Commission amounted to \$42,614 in support for the fiscal year. Financial information on the Commission is not included with the County's financial

statements. Financial statements for the Commission may be obtained from the Commission's office in the Osceola County Courthouse in Sibley, Iowa.

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 unit. 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, if any.

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 that do not meet 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 that are 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.

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.

Separate financial statements for the discretely present component unit – Public Safety Commission are included as part of the other supplementary information in the schedules.

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. The separate financial statements for the discretely present component unit – Public Safety Commission in the schedules are also 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 and Public Safety Commission consider 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), charges for services, interest and certain miscellaneous revenues associated with the current fiscal year 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 and the Public Safety Commission.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt (except for the short-term portion of the building purchase from the State of Iowa), claims and judgments and compensated absences (except for the compensated absences on employees that have resigned, retired or employment has terminated for another reason) 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, when applicable.

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 Public Safety Commission also follows this policy.

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

The County, as well as the Public Safety Commission, maintains its financial records on the cash basis. The financial statements of the County, including the Public Safety Commission, 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, including Public Safety Commission interest earnings per an agreement between the County and the Commission, is recorded in the General Fund, unless otherwise provided by law or agreement. 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 and warrants of a drainage district 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.

Due from Component Unit/Primary Government, Due from Agency Funds and Due to Component Unit/Primary Government – During the course of its normal operations, the County has numerous transactions between the County's governmental funds, agency funds and the Public Safety Commission. To the

extent that certain transactions between the County’s governmental funds, agency funds and the Public Safety Commission had not been paid or received as of June 30, 2004, balances of amounts receivable or payable have been recorded.

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. Also, included in this account is the amount owed to the State of Iowa for a building purchase (see Note 7).

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 or sold rather than when purchased.

Prepaid Expenses/Expenditures and Prepaid Insurance – Prepaid expenses/expenditures and prepaid insurance represent insurance coverage and other expenses/expenditures, for other than inventory, that will benefit a future fiscal year. Prepayments are recorded as expenses/expenditures when utilized rather than when paid for.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, drainage systems and similar items which are immovable and of value only to the government), are reported in the governmental activities and component unit – Public Safety Commission columns in the government-wide Statement of Net Assets. Only costs related to infrastructure assets that are finished on or after July 1, 2004 are reported. Infrastructure assets finished on or before June 30, 2003 are not reported. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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 and Public Safety Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, Buildings and Improvements	5,000
Machinery, Equipment and Vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings and Improvements	25 – 50
Land Improvements	10 – 50
Infrastructure	10 – 65
Machinery and Equipment	3 – 20
Vehicles	5 – 15

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

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

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 and the Public Safety Commission 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 and Public Safety Commission employees accumulate a limited amount of earned but unused vacation hours and compensatory time for subsequent use or for payment upon termination, death, or retirement. Sick pay is also accumulated on a limited basis by employees for subsequent use, but is not paid upon termination, death, or retirement. A liability for the cost of vacation and compensatory time termination accumulations is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for the cost of vacation and compensatory time termination accumulations is reported in governmental fund financial statements and the separate financial statements for the discretely presented component unit – Public Safety Commission in the schedules only for employees that have resigned, retired or employment has terminated for another reason. 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 of the County will be paid primarily by the General 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, discretely presented component unit – Public Safety Commission or proprietary fund Statement of Net Assets.

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

Fund	Purpose
General Fund	Specified for jail infrastructure improvements.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted for any function and appropriated for any department.

(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’s investments are categorized to give an indication of the level of risk assumed by the County at year end. The County’s investments are all Category 1, which means the investments are insured or registered or the securities are held by the County or its agent in the County’s name.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, which due to the

immaterial nature of the County's investments, is deemed to be equal to the amount of principal outstanding on the GNMAs.

The County's investments at June 30, 2004 are as follows:

Type	Pool/Number	Maturity Date	Fair Value
GNMA	8226	February 15, 2006	\$ 1,641
GNMA	188472CD	November 15, 2016	4,246
			<u>\$ 5,887</u>

In addition, the County had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$782,217 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

The Public Safety Commission's deposits and investments are commingled with County funds held by the County Treasurer and satisfy all the same requirements as the County's deposits and investments.

(3) Due from Component Unit/Primary Government, Due from Agency Funds and Due to Component Unit/Primary Government

The detail of receivables and payables between the County's governmental funds (primary government) and the discretely presented component unit – Public Safety Commission for transactions at June 30, 2004 is as follows:

Receivable Fund/Component Unit	Payable Fund/Component Unit	Amount
General	Public Safety Commission	<u>\$ 7,342</u>
Public Safety Commission	Special Revenue:	
	Unified Law Levy	\$ 3,826
	Internal Service:	
	Employee Health Deductibles	<u>8,008</u>
Total		<u>\$ 11,834</u>

The detail of receivables and payables between the County's agency funds and the County's governmental funds and the Public Safety Commission for transactions at June 30, 2004 is as follows:

Receivable Fund/Component Unit	Payable Fund	Amount
General	Agency:	
	County Offices	\$ 91,626
	Auto License and Use Tax	5,101
	Flex Spending	<u>181</u>
Total		<u>\$ 96,908</u>
Public Safety Commission	Agency:	
	County Offices	<u>\$ 154</u>

These balances result from the need to properly record revenues in the General Fund instead of the Public Safety Commission; the time lag between the dates unified law levy proceeds are received, the transactions are recorded in the accounting system and the resulting payments are made to the Public Safety Commission; the amount owed to the Public Safety Commission to terminate the employee health deductibles plan; and the time lag between the dates money is collected in agency funds, the collections are recorded in the accounting system and the resulting payments are made to the County's appropriate governmental fund or the Public Safety Commission.

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General	\$ 42,788
	Special Revenue: Rural Services	<u>605,720</u>
Total		<u>\$ 648,508</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 14)	Increases	Decreases	Balance End of Year
County Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 702,736	399,829	0	1,102,565
Capital Assets Being Depreciated:				
Buildings and Improvements	785,492	0	0	785,492
Machinery, Equipment and Vehicles	4,173,341	416,862 (	162,360)	4,427,843
Infrastructure	0	571,682	0	571,682
Total Capital Assets Being Depreciated	4,958,833	988,544 (	162,360)	5,785,017
Less Accumulated Depreciation For:				
Buildings and Improvements	302,343	16,381	0	318,724
Machinery, Equipment and Vehicles	1,870,780	203,274 (	130,931)	1,943,123
Infrastructure	0	3,010	0	3,010
Total Accumulated Depreciation	2,173,123	222,665 (	130,931)	2,264,857
Total Capital Assets Being Depreciated, Net	2,785,710	765,879 (	31,429)	3,520,160
Governmental Activities Capital Assets, Net	\$ 3,488,446	1,165,708 (	31,429)	4,622,725

Depreciation expense was charged to the following functions:

Governmental Activities:	
Physical Health and Social Services	\$ 2,704
County Environment and Education	9,955
Roads and Transportation	170,352
Governmental Services to Residents	21,534
Administration	18,120
Total Depreciation Expense – Governmental Activities	<u>\$ 222,665</u>

	Balance Beginning of Year (As Restated, Note 14)	Increases	Decreases	Balance End of Year
Discretely Presented Component Unit – Public Safety Commission:				
Capital Assets Depreciated:				
Machinery, Equipment and Vehicles	\$ 375,703	39,332 (	18,000)	397,035
Less Accumulated Depreciation For: Machinery, Equipment and Vehicles	104,371	35,652	0	140,023
Public Safety Commission Capital Assets, Net	\$ 271,332	3,680 (	18,000)	257,012

(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. The Agency Fund collections also include accruals of property tax for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 1,781
	Building Purchase	8,000
		<u>9,781</u>
Special Revenue:		
Mental Health	Services	11,027
Secondary Roads	Services	351
		<u>11,378</u>
Total for Governmental Funds		<u>\$ 21,159</u>
Agency:		
County Offices	Collections	\$ 1,529
Agricultural Extension Education		79,614
County Assessor		131,340
County Assessor – Special Appraisers		118,293
Schools		3,898,271
Community Colleges		159,974
Corporations		1,144,016
Townships		114,049

Auto License and Use Tax	142,241
Special Assessments	47,609
E911 Surcharge	85,151
Emergency Management	39,195
All Other	1,812
	<hr/>
Total for Agency Funds	<u><u>\$ 5,963,094</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>County</u>	<u>Compensated Absences</u>	<u>Building Purchase From the State</u>	<u>Land Loan</u>	<u>Total</u>
Balance Beginning of Year	\$ 52,611	8,000	61,388	121,999
Additions	59,931	0	0	59,931
Reductions	56,726	8,000	61,388	126,114
Balance End of Year	<u>\$ 55,816</u>	<u>0</u>	<u>0</u>	<u>55,816</u>
Due Within One Year	<u>\$ 55,816</u>	<u>0</u>	<u>0</u>	<u>55,816</u>

<u>Component Unit-Public Safety Commission</u>	<u>Compensated Absences</u>
Balance Beginning of Year	\$ 51,312
Additions	59,280
Reductions	58,540
Balance End of Year	<u>\$ 52,052</u>
Due Within One Year	<u>\$ 52,052</u>

Building Purchase from the State of Iowa

During the fiscal year ended June 30, 2002, the County purchased a maintenance shed building from the State of Iowa for \$32,000. The County paid \$16,000 toward this in prior fiscal years and \$8,000 toward this in fiscal year ended June 30, 2004. All \$24,000 in payments have been paid from the County Government Assistance Fund. The remaining \$8,000 balance was paid in July 2005. The final \$8,000 payment was paid from the General Fund and is being reported as a current liability as part of "Due to Other Governments". This purchase agreement carries an interest rate of 0%.

Land Loan Payable

On December 18, 2002, the Osceola County Conservation Board entered into an agreement with the Iowa Natural Heritage Foundation to purchase some land from the Foundation for \$170,545. Of the purchase price, \$19,157 was prepaid to the Foundation during fiscal year ending June 30, 2002. The remaining \$151,388 was borrowed from the Iowa Natural Heritage Foundation. The County paid \$90,000 toward this loan (all principal, no interest) during the fiscal year ended June 30, 2003.

The remaining \$61,388 on this loan was satisfied during the fiscal year ended June 30, 2004. In addition to the \$61,388 in principal, the County paid \$2,584 to the Foundation for the Foundation's costs and expenses in respect to this land purchase and \$7,023 in interest (the interest rate varied; equal to the interest charged by Wells Fargo Bank Iowa, N. A. to the Foundation). Payment of these amounts was assisted by receiving \$63,840 in Wildlife Habitat Stamp Grant funds and \$4,858 in land rent, all of which went directly to the Foundation. All of these transactions are accounted for through the Conservation Land Acquisition Trust Fund.

(8) Pension and Retirement Benefits

The County and Public Safety Commission contribute 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 and Public Safety Commission are 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/Public Safety Commission 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/Public Safety Commission 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 \$75,975, \$73,268 and \$72,328, respectively, equal to the required contributions for each year.

(9) Risk Management

Osceola 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. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks did not exceed commercial insurance coverage during the fiscal year. Settled claims resulting from these risks also did not exceed commercial insurance coverage in any of the past three fiscal years.

(10) Employee Health Deductibles Plan

The Osceola County Employee Health Deductibles Fund is currently being used to account for the partial self funding of the County's health insurance benefit plan for law enforcement employees (which includes both County and Public Safety Commission paid employees) and HIPAA related costs. The plan was funded by County and Public Safety Commission contributions and was administered through a service agreement with Wellmark Blue Cross and Blue Shield of Iowa for the first half of the fiscal year and since that time with Nadine Petersen. The County assumes liability for claims against the insurance deductible of up to

\$400 or \$650 under a single person policy and \$800 or \$1,300 for a family policy (depending on the deductible selected) and the County covers the liability for claims that are covered by a 20% copay to bring the copay to a 10% level. Claims in excess of the deductibles are covered by insurance. The County's and Public Safety Commission's expenditures for insurance premiums for health insurance coverage for employees is accounted for in the appropriate fund, not this Internal Service Fund.

Payments of service fees and plan contributions to the Osceola County Employee Health Deductibles Fund are recorded as expenditures from the operating funds. Under the administrative services agreements, payments of service fees and claims processed were paid to Wellmark Blue Cross and Blue Shield of Iowa and Nadine Petersen from the Osceola County Employee Health Deductibles Fund. The County records the plan assets and related liabilities of the Osceola County Employee Health Deductibles Fund as an Internal Service Fund. The County's and Public Safety Commission's contributions to the fund for the year ended June 30, 2004 were \$0 and \$13,460 on the accrual basis (cash basis was \$517 for the Public Safety Commission), respectively.

Amounts payable from the Employee Health Deductibles Fund at June 30, 2004 total \$9,270, which includes \$300 for known administration expenses, \$962 for reported but not paid claims and \$8,008 due to the Public Safety Commission to close out the balance in this fund. There is no liability to the County beyond the deductible and copay coverage as previously noted. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims as of July 1, 2003 (Does not include \$8 in administrative expenses payable)	\$ 1,551
Incurred claims:	
Provision for current-year events where the County has retained risk of loss	7,361
Payments:	
Claims attributable to current-year and prior years' events where the County has retained risk of loss	<u>(7,950)</u>
Unpaid claims as of June 30, 2004 (Does not include \$300 in administrative expense payable and the \$8,008 payable to the Public Safety Commission to close out this fund)	<u>\$ 962</u>

The actual amount of claims paid during the current plan year, but incurred during a prior plan year, is not disclosed, as this information was not determined in an actuarial report; therefore, this information is unavailable.

As of July 1, 2004, the Employee Health Deductibles Plan was eliminated. The Fund will only remain open in fiscal year ending June 30, 2005 until all claims can be finalized for fiscal year ending June 30, 2004 and the remaining balance of \$8,008 is disbursed to the Public Safety Commission. The distribution of the remaining \$8,008 is reported in the financial statements as a special item.

(11) Intergovernmental Agreement

The County has entered into an agreement with the Northwest Iowa Area Solid Waste Agency, in accordance with Chapter 28E of the Code of Iowa, for disposal of solid waste from within the County. The County did not have to make any payments under this agreement for the fiscal year ended June 30, 2004, except for \$524 in fees to dispose of some shingles and tires.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County by resolution has approved to act as a "Local Government Guarantee" in order to provide a financial assurance mechanism instrument for the Agency. The closure and postclosure costs to the Agency have been estimated at \$1,874,500 as of June 30, 2003 and the portion of the liability that has been recognized by the Agency as of June 30, 2003 is \$836,315. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2003, deposits of \$746,880 are held for these purposes. No estimate has been made as to the effect of any future assessments to the County.

(12) Commitments

The County has an agreement with the City of Sioux City, Iowa for the provision of hazardous materials response services. The agreement is in effect until June 30, 2008, unless terminated for cause earlier. The County is committed to pay or reimburse the City of Sioux City for all costs incurred by the City to staff and equip a HAZMAT team to respond to hazardous condition emergencies in the County. The County is also responsible for an annual base charge. The annual base charges for fiscal years ending June 30, 2005-2008 are \$5,252 per year for a total of \$21,008. The payments for these charges are scheduled to be paid through the General Fund or the Osceola County Emergency Management Services. The fiscal year ended June 30, 2004 charge of \$5,252 was paid for through the General Fund.

Between May and June 2004, the County formally approved the necessary paperwork for funding to help provide for construction of an ethanol plant. The County approved the issuance of \$2,845,000 in urban renewal revenue capital loan notes for this project. The urban renewal revenue capital loan notes were issued during fiscal year ended June 30, 2005.

(13) Subsequent Events

Events that have occurred subsequent to June 30, 2004 include the following:

- a. On July 27, 2004, the County sold property to the State of Iowa for \$33,600. The County is receiving \$9,600 for the land and \$24,000 to move a building from the premises.
- b. On August 16, 2004, the County received the proceeds from the issuance of the urban renewal revenue capital loan notes disclosed as a commitment (Note 12). On August 24, 2004, the County paid \$2,340,000 of the loan proceeds to the developer of the ethanol plant.
- c. On October 5, 2004, the County approved a gravel processing contract for 100,000 tons of gravel at \$1.10/ton (\$110,000). The gravel is to be crushed as needed by the County.

(14) 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 during 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 during 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 funds are presented in total in one column.

The government-wide financial statements report the County’s governmental activities and the discretely presented component unit – Public Safety Commission. 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. Beginning net assets for the discretely presented component unit – Public Safety Commission has been restated to include capital assets and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities and the Public Safety Commission are summarized as follows:

	<u>Amount</u>
Governmental Activities:	
Net Assets June 30, 2003, As Previously Reported	\$ 2,957,845
GASB Interpretation 6 Adjustments	<u>18,693</u>
Net Assets July 1, 2003, As Restated for Governmental Funds	2,976,538
 GASB 34 Adjustments:	
Capital Assets of \$5,661,569, Net of Accumulated Depreciation of \$2,173,123	3,488,446
Internal Service Fund	8,225
Long-term Liabilities	(121,999)
Deferral of Long-term Assets	<u>82,448</u>
 Net Assets July 1, 2003, As Restated	 <u>\$ 6,433,658</u>

	<u>Amount</u>
Discretely Presented Component Unit –	
Public Safety Commission:	
Net Assets June 30, 2003, As Previously Reported	\$ 251,191
GASB Interpretation 6 Adjustments	<u>8,583</u>
Net Assets July 1, 2003, As Restated for Public Safety Commission	259,774
GASB 34 Adjustments:	
Capital Assets of \$375,703, Net of Accumulated Depreciation of \$104,371	271,332
Long-term Liabilities	(51,312)
Deferral of Long-term Assets	<u>1,838</u>
Net Assets July 1, 2003, As Restated	<u><u>\$ 481,632</u></u>

Osceola County

Required Supplementary Information

Osceola 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

	Governmental		Net	Budgeted Amounts		Final to Net Variance
	Fund Types	Less Funds not Required to be Budgeted		Original	Final	
	Actual					
Receipts:						
Property and Other County Tax	\$ 2,157,323	0	2,157,323	2,159,432	2,159,432	(2,109)
Interest and Penalty on Property Tax	10,128	0	10,128	4,000	4,000	6,128
Intergovernmental	2,238,801	0	2,238,801	2,174,482	2,174,482	64,319
Licenses and Permits	6,093	0	6,093	5,400	5,400	693
Charges for Service	225,086	0	225,086	148,330	148,330	76,756
Use of Money and Property	80,906	1,003	79,903	111,043	111,043	(31,140)
Miscellaneous	40,264	8,913	31,351	1,085	9,585	21,766
Total Receipts	4,758,601	9,916	4,748,685	4,603,772	4,612,272	136,413
Disbursements						
Public Safety and Legal Services	783,774	0	783,774	815,007	827,507	(43,733)
Physical Health and Social Services	133,715	0	133,715	165,420	165,420	(31,705)
Mental Health	477,061	0	477,061	537,000	537,000	(59,939)
County Environment and Education	249,499	0	249,499	270,308	270,308	(20,809)
Roads and Transportation	1,849,572	0	1,849,572	1,850,000	1,850,000	(428)
Governmental Services to Residents	152,276	0	152,276	157,826	164,526	(12,250)
Administration	559,037	0	559,037	609,718	619,618	(60,581)
Capital Projects	179,405	3,789	175,616	342,867	342,867	(167,251)
Total Disbursements	4,384,339	3,789	4,380,550	4,748,146	4,777,246	(396,696)

Excess (Deficiency) of Receipts Over (Under) Disbursements	374,262	6,127	368,135	(144,374)	(164,974)	533,109
Balances Beginning of Year	2,699,484	128,712	2,570,772	1,939,687	1,939,687	631,085
Balances End of Year	\$ 3,073,746	134,839	2,938,907	1,795,313	1,774,713	1,164,194

See accompanying independent auditor's report.

Osceola County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 4,758,601	74,071	4,832,672
Expenditures	4,384,339	137,965	4,522,304
Net	374,262	(63,894)	310,368
Beginning Fund Balances	2,699,484	277,054	2,976,538
Ending Fund Balances	\$ 3,073,746	213,160	3,286,906

See accompanying independent auditor's report.

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund (if any) and Capital Projects Funds (if any). Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$29,100. 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, for Emergency Management Services by the County Emergency Management Commission and for the Public Safety Commission by the Public Safety Commission Board. These budgets may also be amended during the year utilizing similar statutorily prescribed procedures.

Osceola County
Other Supplementary Information

Osceola County

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2004

	County Recorder's Records Management	Unified Law Levy	County Government Assistance	Sheriff's Asset Forfeiture
Assets				
Cash and Pooled Investments	\$ 13,379	3,826	17,626	9,904
Receivables:				
Property Tax:				
Delinquent	0	23	0	0
Succeeding Year	0	186,945	0	0
Accrued Interest	16	0	0	0
Due from Other Governments	0	0	0	0
Prepaid Expenditures	0	0	7,368	0
Total Assets	\$ 13,395	190,794	24,994	9,904
Liabilities and Fund Equity				
Liabilities:				
Due to Component Unit	\$ 0	3,826	0	0
Deferred Revenue:				
Succeeding Year Property Tax	0	186,945	0	0
Other	0	23	0	0
Total Liabilities	0	190,794	0	0
Fund Equity:				
Fund Balances:				
Unreserved	13,395	0	24,994	9,904
Total Liabilities and Fund Equity	\$ 13,395	190,794	24,994	9,904

See accompanying independent auditor's report.

County Recorder's Transaction Fee	Drainage Districts	Conservation Land Acquisition Trust	Total
22,724	134,839	29,221	231,519
0	0	0	23
0	0	0	186,945
12	83	15	126
14,196	0	0	14,196
0	0	0	7,368
<u>36,932</u>	<u>134,922</u>	<u>29,236</u>	<u>440,177</u>
0	0	0	3,826
0	0	0	186,945
14,196	0	0	14,219
<u>14,196</u>	<u>0</u>	<u>0</u>	<u>204,990</u>
<u>22,736</u>	<u>134,922</u>	<u>29,236</u>	<u>235,187</u>
<u>36,932</u>	<u>134,922</u>	<u>29,236</u>	<u>440,177</u>

Osceola County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2004

	County Recorder's Records Management	Unified Law Levy	County Government Assistance	Sheriff's Asset Forfeiture
Revenues:				
Property and Other County Tax	\$ 0	187,180	0	0
Intergovernmental	0	12,050	0	5,409
Charges for Service	1,918	0	0	0
Uses of Money and Property	62	0	0	0
Miscellaneous	0	0	0	0
Total Revenues	1,980	199,230	0	5,409
Expenditures:				
Operating:				
Public Safety and Legal Services	0	199,230	0	1,157
Administration	0	0	37,653	0
Debt Service	0	0	0	0
Capital Projects	0	0	0	0
Total Expenditures	0	199,230	37,653	1,157
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,980	0	(37,653)	4,252
Fund Balances Beginning of Year	11,415	0	62,647	5,652
Fund Balance End of Year	\$ 13,395	0	24,994	9,904

See accompanying independent auditor's report.

County Recorder's Transaction Fee	Drainage Districts	Conservation Land Acquisition Trust	Total
0	0	0	187,180
0	0	68,549	86,008
22,689	0	0	24,607
47	991	9,835	10,935
0	8,913	8,766	17,679
22,736	9,904	87,150	326,409
0	0	0	200,387
0	0	0	37,653
0	0	68,411	68,411
0	3,740	2,857	6,597
0	3,740	71,268	313,048
22,736	6,164	15,882	13,361
0	128,758	13,354	221,826
22,736	134,922	29,236	235,187

Osceola County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers
Assets				
Cash and Pooled Investments:				
County Treasurer	\$ 0	1,515	54,111	110,296
Other County Officials	9,666	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	45	46	5
Succeeding Year	0	78,054	78,868	7,992
Accounts	91,661	0	504	0
Accrued Interest	2	0	0	0
Special Assessments	0	0	0	0
Due from Other Governments	149	0	0	0
Prepaid Expenses	2,500	0	0	0
Total Assets	\$ 103,978	79,614	133,529	118,293
Liabilities				
Accounts Payable	\$ 0	0	0	0
Due to Primary Government	91,626	0	0	0
Due to Component Unit	154	0	0	0
Due to Other Governments	1,529	79,614	131,340	118,293
Trusts Payable	10,669	0	0	0
Compensated Absences	0	0	2,189	0
Total Liabilities	\$ 103,978	79,614	133,529	118,293

Schedule 3

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Special Assessments
70,533	3,520	6,166	2,223	147,342	0
0	0	0	0	0	0
1,999	92	1,744	18	0	0
3,825,739	156,362	1,136,106	111,808	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	47,609
0	0	0	0	0	0
0	0	0	0	0	0
3,898,271	159,974	1,144,016	114,049	147,342	47,609
0	0	0	0	0	0
0	0	0	0	5,101	0
0	0	0	0	0	0
3,898,271	159,974	1,144,016	114,049	142,241	47,609
0	0	0	0	0	0
0	0	0	0	0	0
3,898,271	159,974	1,144,016	114,049	147,342	47,609

Osceola County

Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2004

	E911 Surcharge	Emergency Management Services	Other	Total
Assets				
Cash and Pooled Investments:				
County Treasurer	\$ 74,999	34,544	33,597	538,846
Other County Officials	0	0	499	10,165
Receivables:				
Property Tax:				
Delinquent	0	0	1	3,950
Succeeding Year	0	0	1,040	5,395,969
Accounts	11,554	0	0	103,719
Accrued Interest	40	0	0	42
Special Assessments	0	0	0	47,609
Due from Other Governments	0	5,467	0	5,616
Prepaid Expenses	0	0	0	2,500
Total Assets	\$ 86,593	40,011	35,137	6,108,416
Liabilities				
Accounts Payable	\$ 1,442	273	0	1,715
Due to Primary Government	0	0	181	96,908
Due to Component Unit	0	0	0	154
Due to Other Governments	85,151	39,195	1,812	5,963,094
Trusts Payable	0	0	33,144	43,813
Compensated Absences	0	543	0	2,732
Total Liabilities	\$ 86,593	40,011	35,137	6,108,416

See accompanying independent auditor's report.

Osceola County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers
Assets and Liabilities				
Balances Beginning of Year	\$ 75,694	88,354	153,260	118,808
Additions:				
Property and Other County Tax	0	77,741	78,536	7,957
State Tax Credits	0	5,951	6,222	625
Other State Tax Replacements	0	76	79	8
State/Federal Pass-Thru Revenues and Federal Grants	12,872	0	38	0
Remittances from Osceola County	234,844	0	0	0
Contributions from Other Intergovernmental Units	22,680	0	0	0
State Grants and Entitlements and Payments in Lieu of Taxes	0	19	20	2
E911 Surcharge	0	0	0	0
Office Fees and Collections	350,060	0	399	0
Electronic Transaction Fee	0	0	0	0
Drivers License Fees	0	0	0	0
Auto Licenses, Use Tax and Postage Assessments	0	0	0	0
Trusts	44,399	0	0	0
Miscellaneous	5,921	0	504	0
Total Additions	670,776	83,787	85,798	8,592
Deductions:				
Agency Remittances:				
To Other Funds/Component Unit	457,398	0	0	0
To Other Governments	151,364	92,527	105,529	9,107
Trusts Paid Out	33,730	0	0	0
Total Deductions	642,492	92,527	105,529	9,107
Balances End of Year	\$ 103,978	79,614	133,529	118,293

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Special Assessments
4,297,659	205,242	1,132,156	112,550	121,372	51,675
3,627,857	155,626	1,132,084	111,466	0	0
277,082	13,788	92,605	6,917	0	0
3,537	175	2,282	64	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
879	45	0	25	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	14,040	0
0	0	0	0	1,514,861	0
0	0	0	0	0	4,330
0	0	0	0	0	0
0	0	0	0	0	0
3,909,355	169,634	1,226,971	118,472	1,528,901	4,330
0	0	0	0	58,008	0
4,308,743	214,902	1,215,111	116,973	1,444,923	8,396
0	0	0	0	0	0
4,308,743	214,902	1,215,111	116,973	1,502,931	8,396
3,898,271	159,974	1,144,016	114,049	147,342	47,609

Osceola County

Combining Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2004

	E911 Surcharge	Emergency Management Services	Other	Total
Assets and Liabilities				
Balances Beginning of Year	\$ 63,884	39,281	22,971	6,482,906
Additions:				
Property and Other County Tax	0	0	1,979	5,193,246
State Tax Credits	0	0	83	403,273
Other State Tax Replacements	0	0	1	6,222
State/Federal Pass-Thru Revenues and Federal Grants	0	26,745	0	39,655
Remittances from Osceola County	0	30,000	500	265,344
Contributions from Other Intergovernmental Units	0	1,000	0	23,680
State Grants and Entitlements and Payments in Lieu of Taxes	0	0	0	990
E911 Surcharge	45,495	0	0	45,495
Office Fees and Collections	10	0	0	350,469
Electronic Transaction Fee	0	0	9,591	9,591
Drivers License Fees	0	0	0	14,040
Auto Licenses, Use Tax and Postage	0	0	0	1,514,861
Assessments	0	0	0	4,330
Trusts	0	0	84,279	128,678
Miscellaneous	361	1,600	0	8,386
Total Additions	45,866	59,345	96,433	8,008,260
Deductions:				
Agency Remittances:				
To Other Funds/Component Unit	0	0	500	515,906
To Other Governments	23,157	58,615	11,170	7,760,517
Trusts Paid Out	0	0	72,597	106,327
Total Deductions	23,157	58,615	84,267	8,382,750
Balances End of Year	\$ 86,593	40,011	35,137	6,108,416

See accompanying independent auditor's report.

Osceola County

Balance Sheet
 Component Unit – Public Safety Commission
 June 30, 2004

Assets	
Cash and Pooled Investments	\$ 222,416
Due from Agency Funds	154
Due from Primary Government	11,834
Due from Other Governments	3,500
	237,904
Total Assets	\$ 237,904
 Liabilities and Fund Balances	
Liabilities:	
Accounts Payable	\$ 6,420
Salaries and Benefits Payable	407
Compensated Absences	2,962
Due to Primary Government	7,342
Deferred Revenue:	
Other	8,162
Total Liabilities	25,293
Fund Balances:	
Unreserved:	
Undesignated	212,611
	212,611
Total Liabilities and Fund Balances	\$ 237,904

See accompanying independent auditor's report.

Osceola County

Reconciliation of the Balance Sheet
to the Statement of Net Assets
Component Unit – Public Safety Commission
June 30, 2004

Total Component Unit Fund Balance (page 62)	\$	212,611
 <i>Amounts reported for the component unit in the Statement of Net Assets are different because:</i>		
Capital assets used in the component unit are not current financial resources and, therefore, are not reported in the Balance Sheet. The cost of assets is \$397,035 and the accumulated depreciation is \$140,023.		257,012
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the Balance Sheet.		8,162
Long-term liabilities, which include compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the Balance Sheet.		(52,052)
		<hr style="border-top: 1px solid black;"/>
Net Assets of Component Unit (page 14)	\$	<u><u>425,733</u></u>

See accompanying independent auditor's report.

Osceola County

Schedule of Revenues, Expenditures and
Changes in Fund Balances
Component Unit – Public Safety Commission
Year Ended June 30, 2004

Revenues:	
Intergovernmental:	\$ 781,815
Charges for Service	22,173
Miscellaneous	2,849
Total Revenues	<u>806,837</u>
Expenditures:	
Operating:	
Uniformed Patrol Services	515,636
Law Enforcement Communications	184,783
Administration	137,625
Data Processing Services	3,042
Tort Liability and Safety of the Workplace	12,914
Total Expenditures	<u>854,000</u>
Deficiency of Revenues Under Expenditures	(47,163)
Fund Balances Beginning of Year	<u>259,774</u>
Fund Balance End of Year	<u><u>\$ 212,611</u></u>

See accompanying independent auditor's report.

Osceola County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Component Unit – Public Safety Commission
Year Ended June 30, 2004

Net Change in Fund Balances – Total Component Unit (page 64) \$ (47,163)

Amounts reported for the component unit in the Statement of Activities are different because:

The component unit reports capital outlays as expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances while the component unit in the Statement of Activities reports 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	\$ 21,332	
Capital assets contributed by private individuals	18,000	
Depreciation Expense	<u>(35,652)</u>	3,680

In the Statement of Activities, the loss on the disposition of a capital asset is reported whereas in the Statement of Revenues, Expenditures and Changes in Fund Balances there is no amount reported as there weren't any proceeds received on the disposition of the capital asset.

(18,000)

Because some revenues will not be collected for several months after the Public Safety Commission's year end, they are not considered available revenues and are deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. The resulting timing difference is as follows:

Other		6,324
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the component unit, as follows:

Compensated absences	<u>(740)</u>	
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Change in Net Assets of Component Unit (page 16) \$ (55,899)

See accompanying independent auditor's report.

Osceola County

Budgetary Comparison Schedule of
 Receipts, Disbursements and Changes in Balances—
 Budget and Actual (Cash Basis) & Budget to GAAP Reconciliation
 Component Unit – Public Safety Commission
 Year Ended June 30, 2004

Budget to Actual Comparison:

	Actual	Budgeted Amounts	Final to Net Variance
Receipts:			
County Contribution	\$ 234,844	234,844	0
City Contribution	332,944	332,823	121
Unified Law Levy	199,393	200,000	(607)
Other Receipts	44,723	33,370	11,353
Total Receipts	811,904	801,037	10,867
Disbursements:			
Uniformed Patrol Services	503,575	477,100	26,475
Law Enforcement Communications	179,070	174,600	4,470
Administration	136,798	163,784	(26,986)
Other	15,956	25,000	(9,044)
Total Disbursements	835,399	840,484	(5,085)
Deficiency of Receipts Under Disbursements	(23,495)	(39,447)	15,952
Balances Beginning of Year	245,911	206,400	39,511
Balances End of Year	\$ 222,416	166,953	55,463

Note: Although the budget document presents disbursements by category, the legal level of control is at the aggregated total of all disbursements, not by category.

Reconciliation:

	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 811,904	(5,067)	806,837
Expenditures	835,399	18,601	854,000
Net	(23,495)	(23,668)	(47,163)
Beginning Fund Balances	245,911	13,863	259,774
Ending Fund Balances	\$ 222,416	(9,805)	212,611

See accompanying independent auditor's report.

Osceola County

Schedule of Revenues By Source and Expenditures By Function –
All Governmental Funds
For the Last Two Years

	Modified Accrual Basis	
	2004	2003
Revenues:		
Property and Other County Tax	\$ 2,157,197	2,119,252
Interest and Penalty on Property Tax	10,054	9,823
Intergovernmental	2,310,475	2,231,754
Licenses and Permits	6,023	6,167
Charges for Service	226,598	191,636
Use of Money and Property	84,301	99,577
Miscellaneous	38,024	43,735
Total	\$ 4,832,672	4,701,944
Expenditures:		
Operating:		
Public Safety and Legal Services	\$ 782,569	780,412
Physical Health and Social Services	130,769	136,127
Mental Health	481,889	488,561
County Environment and Education	249,974	250,575
Roads and Transportation	1,913,113	1,823,134
Governmental Services to Residents	151,508	136,365
Administration	559,522	635,482
Debt Service	68,411	0
Capital Projects	184,549	936,418
Total	\$ 4,522,304	5,187,074

See accompanying independent auditor's report.

Osceola County

Schedule of Revenues By Source and Expenditures By Program
 Component Unit – Public Safety Commission
 For the Last Two Years

	Modified Accrual Basis	
	2004	2003
Revenues:		
Intergovernmental	\$ 781,815	776,257
Charges for Service	22,173	23,948
Miscellaneous	2,849	714
	<hr/>	
Total	\$ 806,837	800,919
<hr/>		
Expenditures:		
Operating:		
Uniformed Patrol Services	\$ 515,636	505,115
Law Enforcement Communications	184,783	178,910
Administration	137,625	144,945
Data Processing Services	3,042	0
Tort Liability and Safety of the Workplace	12,914	19,060
	<hr/>	
Total	\$ 854,000	848,030
<hr/>		

See accompanying independent auditor's report.

Osceola County

**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting
and
Schedule of Findings**

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

To the Officials of Osceola County:

We have audited the financial statements of Osceola County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 19, 2004. 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 Osceola County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance 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 except for items 04-1, 10, 11 and 12.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Osceola 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 Osceola 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 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, of the reportable conditions described above, we believe items

04-A, B, D, E, F, I, L and M are material weaknesses. Prior year reportable conditions have been resolved except for items 04-A, B, C, D, E, F, G, H and I.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Osceola County, Iowa, and other parties to whom Osceola 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 Osceola 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.

Siebrecht Spitler & De Noble PC
Certified Public Accountants

November 19, 2004

Osceola County
Schedule of Findings
Year Ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- 04-A Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas, including those related to all Federal programs, for which no compensating control exists:
1. All cash receipts should be handled by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The list should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records by an independent person.
 2. Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.
 3. A person in the office who has no responsibility for custody of investments should periodically inspect investments, verify County ownership of investments and reconcile documents to the investment records. In addition, reconciliations of delinquencies, abatement of taxes and monthly auto license and use tax reports should be done by independent people.
 4. Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve payment.
 5. Supplies and capital assets ordered should be received by someone other than the person who initiated the order.
 6. Dual signatures should be required on all checks.
 7. Authorization of transactions, handling of source documents and custody of assets should be segregated. Billings for services, the recordkeeping of accounts receivable and the handling of cash receipts should also be segregated.
 8. Reconciliations and investigations of unusual reconciling items in the accounting records should be reviewed and approved by a person who is not responsible for receipts and disbursements.

Osceola County
Schedule of Findings
Year Ended June 30, 2004

9. Payroll records, including comp time, vacation and sick leave earned and accumulated, should be maintained or reviewed by an independent person. Timesheets should be prepared by all personnel and the timesheets should be approved by an independent person before issuing payment for the payroll period.

10. All checks issued should be analyzed by an independent person to verify that the numerical sequence is accurate and all checks are accounted for. This should apply to both computer generated and handwritten checks.

11. Complete, detailed personnel records should be maintained outside the payroll section. The personnel records should periodically be compared to the actual payroll by an independent person.

Recommendations – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official or person in-charge should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official or person in-charge should utilize current personnel in their office or from another office 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. These recommendations do apply to the Emergency Management, E911, County Assessor, County Extension and the Public Safety Commission also.

Response – We will encourage each department to utilize existing personnel in each office to help in achieving additional segregation of duties. We will implement as economically practicable (we will segregate within staff size limitations).

Conclusion – Response accepted. However, it is important that you do thoroughly review your procedures and attempt to implement these recommendations.

04-B

Capital Assets – The capital assets records are now being maintained by the Auditor’s Office. During our audit, we came across capital assets that needed to be added to and deleted from the capital assets subsidiary records. There is no periodic inspection of capital assets formally being performed by an independent person. Capital assets are not marked for identification purposes.

Recommendation – Each County office should be responsible for assisting the Auditor’s Office, on a monthly basis, with accumulating the necessary information in order to keep the capital assets records current. On a yearly basis, an authorized independent person should be responsible for verifying the existence of the capital assets under each office’s control. Any capital assets disposed of or sold should be adequately documented. Capital assets should be marked for identification purposes to assist in the existence and accountability functions.

Response – We are working on improving our system for recording capital assets. We will try to develop a system that will implement all the components of this recommendation after that.

Conclusion – Response accepted. It is important that this issue be addressed and continued to be developed. Also, this does apply to the Public Safety Commission, County Assessor, Emergency Management and E911.

Osceola County
Schedule of Findings
Year Ended June 30, 2004

04-C Written Disaster Recovery Plan – The County does not have a written disaster recovery plan completely in operation. Some manual records should be duplicated and the copy stored at an off-site location.

Recommendation – A written disaster plan should be adopted and written confirmations obtained from suppliers for quick replacements. Manual records should be evaluated for needed protection and stored at an off-site location. This does apply to the Public Safety Commission, the County Assessor, Emergency Management and E911.

Response – We will have the E911/Emergency Management director work on developing and implementing a disaster recovery plan. We will have each office consider the need for off-site storage of sensitive materials.

Conclusion – Response accepted. Please do attempt to address this issue.

04-D Accounting Procedures Manual – The County does not have an accounting procedures manual for all aspects of the County's accounting systems.

Recommendation – An accounting procedures manual should be prepared and implemented for all aspects of the County's accounting systems.

Response – We will attempt to work on preparation of an accounting procedures manual for all aspects.

Conclusion – Response accepted. Please do attempt to have each appropriate office work on this.

04-E Information Systems – During our review of internal control, the existing control activities in the computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the computer based systems were noted:

There are no written policies for:

- daily off-site storage for backup tapes (the County and Public Safety Commission only store weekly backup tapes off-site; there is no off-site storage for the Sheriff's and Conservation's Offices).
- backup tapes of personal computer data that is not on the mainframe systems for the Assessor's, Engineer's and Attorney's Offices and E911/Emergency Management.
- requiring password changes because software does not require the user to change log-ins/passwords periodically. There are no passwords even required for E911/Emergency Management and the Conservation Office. The County Extension and Public Safety also do not change passwords.
- requiring password length to be set at a minimum of at least six characters.
- maintaining a security awareness program. Programs should be scanned against the anti-virus software before being loaded on the system. Downloaded files from bulletin boards and the Internet should be scanned before uncompressing or opening the files.
- automatic log-off provisions when left unattended for a period of time. Upon log-off, the user should have to again enter a password to re-access information.

Osceola County
Schedule of Findings
Year Ended June 30, 2004

Recommendation – Written policies should be developed addressing the above items in order to improve the control over computer based systems. This recommendation does apply to the Emergency Management, E911, County Assessor, County Extension and the Public Safety Commission also.

Response – We will attempt to implement these computer related policies.

Conclusion – Response accepted. Please attempt to implement these recommendations.

04-F Job Rotations – Financial personnel’s duties are not always rotated for a period of time each fiscal year.

Recommendation – The County should consider the need for financial personnel to annually take a minimum amount of vacation time and each person’s duties should be done by another employee when a person is on vacation. This does apply to the Emergency Management, E911, County Assessor, County Extension and the Public Safety Commission also.

Response – We will attempt to have each office implement.

Conclusion – Response accepted. Please do attempt to implement this recommendation.

04-G Compensated Absences Carryover – One office allowed compensated absences to be carried over in excess of the time allowed by the County personnel policy. At June 30, 2004 the excess carryover amounted to \$848 in the Secondary Roads Fund.

Recommendation – Compensated absences should only be allowed to be carried over in accordance with the union agreement or personnel policy unless approval is given by the controlling Board.

Response – We will address this issue. We will have this monitored more closely in the future.

Conclusion – Response accepted. An office should receive Board approval before allowing excess carryover.

04-H Cellular Phone Policy – Both the County and the Public Safety Commission do not have a standard policy regarding limitations on use of cellular phones.

Recommendation – The County and the Public Safety Commission should strongly consider adopting a policy that sets parameters for use of cellular phones.

Response – We will have each of the controlling Boards work on adopting a policy.

Conclusion – Response accepted. Please do attempt to implement this recommendation.

Osceola County
Schedule of Findings
Year Ended June 30, 2004

- 04-I Collection Procedures – The County does not have any written policies or procedures on collecting delinquent accounts receivable.
- Recommendation – The County needs to develop written policies and procedures regarding collection of delinquent accounts receivable.
- Response – We will attempt to develop policies and procedures for collection of receivables.
- Conclusion – Response accepted. Please consider this recommendation.
-
- 04-J Lease Agreements – The County has entered into several arrangements to lease land to interested individuals. Some of the lease arrangements are not evidenced by a formal written document, but rather by just a verbal agreement.
- Recommendation – A formal, written lease agreement should be legally prepared and signed by the County and each tenant for all land lease arrangements.
- Response – We will get each of the land lease agreements in writing.
- Conclusion – Response accepted.
-
- 04-K Written Job Description – For legal purposes, a written job description should possibly be in place for the custodian.
- Recommendation – For the benefit of the County and the custodian, the County should consider establishing a written job description for the custodian, delineating specific duties, reporting relationships and constraints. Please have the County Attorney address this.
- Response – We will consult with the County Attorney on this.
- Conclusion – Response accepted.
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- 04-L Vehicle Usage/Fuel Test – When using County or Public Safety Commission cardrol cards for fueling, the vehicle's identification and the mileage at the time of fueling are not noted on the cardrol receipt. Vehicle mileage should be compared to fuel consumption on a regular basis.
- Recommendation – When using County or Public Safety Commission cardrol cards for fueling, the vehicle's identification and the mileage at the time of fueling should be noted on the cardrol card receipt. Mileage logs should be kept on each vehicle and tested against the fuel charged to each vehicle to verify reasonableness.
- Response – We will have the appropriate departments and the Public Safety Commission address this.
- Conclusion – Response accepted.

Osceola County
Schedule of Findings
Year Ended June 30, 2004

04-M Credit Cards – We noted a disbursement to pay for \$286 in hotel charges on a credit card statement that did not have any supporting documentation/invoices attached. The only support for some credit card charges is a copy of a credit card slip, there was no additional supporting documentation/invoice.

Recommendation – All credit card charges, including employee meal charges, should be supported by an actual receipt/invoice that supports the charge in detail.

Response – We will stress to employees the need to obtain and keep receipts on all credit card charges.

Conclusion – Response accepted.

Osceola County
 Schedule of Findings
 Year Ended June 30, 2004

Other Findings Related to Required Statutory Reporting:

04-1 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, except for deposits at the Melvin Savings Bank for the Sheriff’s Office. The maximum authorized amount of \$150,000 was exceeded in December 2003 and May 2004. The resolution naming official depositories did not include the flex spending account held by the Assessor at the Sibley State Bank until December 23, 2003.

Recommendation – A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Board. A new resolution needs to be adopted before any new accounts are opened that are not covered by the existing depository resolution.

Response – We will comply with the approved depository resolution in the future. We will update the depository resolution as needed.

Conclusion – Response accepted.

04-2 Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amount budgeted in any function. Disbursements did not exceed the amount appropriated in any department.

04-3 Questionable Expenditures – No reportable expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

04-4 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted. However, please see “Finding Related to the Financial Statements: 04-M” for a possibly related comment.

04-5 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Rick Echter, Husband of Barbara Echter – County Auditor, Owner of Echter’s Greenhouses	Lawn products and plants	\$ 655
Wes Grunow, County Custodian, Owner of Grunow Custom Woodworking	Desk, shelving and supplies	\$ 2,105

Osceola County
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Year Ended June 30, 2004

Nadine Petersen, Wife of Derrick Petersen – County Supervisor Partial Health Funding Claim Administrator	Administration fees	\$ 1,800
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In accordance with Chapter 331.342 (10) of the Code of Iowa, the transactions with Echter's Greenhouses do not appear to represent conflicts of interest since the total was less than \$1,500 during the fiscal year.

The transaction with Grunow Custom Woodworking and Nadine Petersen appear to represent conflicts of interest since total transactions were more than \$1,500 during the fiscal year and were not entered into through competitive bidding.

Recommendation – The County should comply with the Iowa Code regarding business transactions between the County and County officials and employees. The County should consult with the County Attorney to determine the disposition of this matter.

Response – We will discuss this compliance issue with the County Attorney.

Conclusion – Response accepted.

04-6 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to ensure that coverage is adequate for current operations.

04-7 Board Minutes – No transactions were found that we believe should have been approved in the Board of Supervisors minutes but were not.

04-8 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

04-9 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). However, the County's "Certification of County Conservation Purposes Support By County Property Taxes" report was inaccurately prepared.

Recommendation – The County's "Certification of County Conservation Purposes Support By County Property Taxes" report should be corrected and refiled.

Osceola County
Schedule of Findings
Year Ended June 30, 2004

Response – We will refile the report.

Conclusion – Response accepted.

04-10

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 the County's Exhibits.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

The County Extension needs to review the findings related to the general purpose financial statements for reportable conditions that could improve the Extension's internal control also.

Personnel of the County Extension Office are not covered by a surety bond.

Recommendation – Surety bond coverage levels on personnel of the County Extension need to be determined by the Extension Council and then surety bond coverage needs to be contracted for in accordance with the desired amounts. Personnel should be covered by a surety bond.

Response – We will have the Extension Council readdress this issue.

Conclusion – Response accepted. We do recommend that personnel are covered by a surety bond at least in some minimal level.

04-11

Outstanding Checks – The Sheriff's Office has some outstanding checks that are over a year old.

Recommendation – Chapter 331.554 (7) of the Code of Iowa provides that if a check is outstanding for more than one year, it should be cancelled and credited to the funds from which it was drawn.

Response – We will cancel the appropriate checks.

Conclusion – Response accepted. Please do cancel the appropriate checks.

04-12

Mental Health Fund Vehicle/Copier – The vehicle that was purchased in the past with Mental Health Fund money was not always made available to the Central Point Coordinator for her usage. The copier that was purchased in the past with Mental Health Fund money is no longer in the Mental Health office and is used primarily by other offices.

Osceola County
Schedule of Findings
Year Ended June 30, 2004

Recommendation – A written policy needs to be developed for the Mental Health Fund vehicle that allows the Central Point Coordinator the first opportunity to use this vehicle at all times or the vehicle should be sold to the General Fund in order to allow all departments the opportunity to get first chance at using this vehicle. The copier should be sold to the General Fund in order to correlate with its primary function at this time and for the foreseeable future.

Response – We will address this recommendation.

Conclusion – Response accepted. Please implement this recommendation.

04-13 Tax Sale Certificates – The County is not destroying tax sale certificates and all associated tax sale records after ten years have elapsed.

Recommendation – The County should comply with Chapter 331.552(34) of the Code of Iowa and destroy all tax sale certificates and all associated tax sale records after ten years have elapsed from the end of the fiscal year in which the certificate was redeemed/cancelled.

Response – We will implement this recommendation.

Conclusion – Response accepted.

04-14 County Treasurer's Report – The County Treasurer's December 31, 2003 semi annual report of receipts, disbursements and ending cash balances, including checks outstanding at December 31, 2003, did not properly title and report the Recorder's two new funds as separate funds.

Recommendation – The County Treasurer's report of receipts, disbursements and ending cash balances, including the checks outstanding against each fund, needs to be published listing each separate fund in accordance with Chapter 349.16(3) of the Code of Iowa.

Response – There was a computer programming error. This was corrected on the June 30, 2004 published report.

Conclusion – Response accepted.

04-15 Veteran's Affairs Claims – The Veteran's Affairs claims that would have been approved by the Veteran's Affairs Board at the November 2003 meeting were never formally approved as there was no meeting that month. These claims were not approved at the December 2003 meeting either.

Recommendation – If a meeting is not held a particular month, the Veteran's Affairs Board should still formally approve the claims at its next meeting. Any concerns/comments regarding those claims that were already paid should be included as part of the minutes.

Osceola County
Schedule of Findings
Year Ended June 30, 2004

Response – The Veteran’s Affairs Board will implement your recommendation.

Conclusion – Response accepted.

04-16 Emergency Management and E911 Service Board Budgets – The notices of the public hearings on the original budgets for the Emergency Management Agency and the E911 Service Board were not published not less than ten days nor more than twenty days before the hearings. Each notice was only published eight days before the hearing dates.

Recommendation – The notice of the public hearing on each budget should be published in accordance with the Iowa Department of Management’s regulations. The publication should not be less than ten nor more than twenty days before the date of each hearing.

Response – We will comply with the regulations in the future.

Conclusion – Response accepted.

04-17 County Assessor’s Budget – Disbursements during the year ended June 30, 2004 exceeded the amount budgeted in the Special Appraisers Fund of the County Assessor’s budget.

Recommendation – The County Assessor’s budget should have been amended before disbursements were allowed to exceed the budget in the Special Appraisers Fund.

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

Conclusion – Response accepted.

04-18 Public Safety Commission – Some of the claims are being paid before approval has been granted by the Public Safety Commission Board. The Board has never approved that certain claims can be paid before approval.

Donations received for purchasing a drug dog and the down payment on the drug dog are being accounted for through the Sheriff’s Office Fund only. This activity is not being recorded in the Public Safety Commission’s accounting records and budget procedures and related claims are not being approved in the Board minutes.

Recommendations – The Board needs to formally approve in the minutes what claims, if any, can be approved before authorization is granted. The Public Safety Commission should consult with legal counsel about this before making a final decision.

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All activity related to the drug dog purchase should be included in the Public Safety Commission's accounting records and budget procedures. The claims for the drug dog and related disbursements need to be approved by the Board in the minutes.

Response – We will consider your recommendations.

Conclusion – Response accepted. Consideration should be given to implementing the recommendations.

Osceola County

Staff

This audit was performed by:

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