

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

JUNE 30, 2005

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Osceola County

Officials

Name	Title	Term Expires
(Before January 2005)		
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 (Appointed)
Thomas Snyder	County Engineer	Indefinite (Appointed)
Ronald Spengler	County Conservation Director	Indefinite (Appointed)
(Beginning January 2005)		
Darwin Beltman	Board of Supervisors	December 31, 2006
Derrick Petersen	Board of Supervisors	December 31, 2006
William Imhoff	Board of Supervisors	December 31, 2006
Daryl Streng	Board of Supervisors	December 31, 2008
Byron Lopau	Board of Supervisors	December 31, 2008
Barbara Echter	County Auditor	December 31, 2008
Linda Carter	County Treasurer	December 31, 2006
Arlene Kuehl	County Recorder	December 31, 2006
Douglas Weber	County Sheriff	December 31, 2008
Robert Hansen	County Attorney	December 31, 2006
Sharon Wolter	County Assessor	December 31, 2009 (Appointed)
Thomas Snyder	County Engineer	Indefinite (Appointed)
Ronald Spengler	County Conservation Director	Indefinite (Appointed)

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, 2005, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2005, 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.

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2005 on our consideration of Osceola County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 48 through 51 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Osceola County's basic financial statements. Siebrecht Spitler & De Noble PC (Siebrecht Spitler & De Noble PC was formally dissolved and De Noble & Company PC is one of the two new companies that were formed directly from this dissolution) previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions 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.

De Noble & Company PC
Certified Public Accounting Firm

November 18, 2005

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, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Osceola County implemented new reporting standards for last fiscal year with significant changes in content and structure. Now much of the information is easily comparable to the prior year.

Fiscal Year 2004/2005 Financial Highlights

- The County's governmental funds revenues for fiscal year 2005 were \$4,811,986 compared to \$4,832,672 in fiscal year 2004, a decrease of \$20,686 or 0.4%. Property taxes and other county tax for fiscal year 2005 were \$2,049,051 compared to \$2,157,197 in fiscal year 2004; a decrease of \$108,146 or 5.0%. Intergovernmental revenues increased by \$29,296, charges for service increased by \$23,803 and use of money and property increased by \$39,516 in fiscal year 2005.
- The County's governmental funds expenditures for fiscal 2005 were \$6,942,509 compared to \$4,522,304 in fiscal year 2004, an increase of \$2,420,205 or 53.5%. County environment and education increased by \$2,434,044, due mainly to expenditures made to Otter Creek Ethanol, LLC as part of an urban renewal plan. The urban renewal plan expenditures were funded through the issuance of \$2,845,000 in urban renewal revenue capital loan notes and an \$85,000 Department of Transportation grant.
- The County's governmental funds fund balances for fiscal year 2005 were \$4,046,623 compared to \$3,286,906 in fiscal year 2004, an increase of \$759,717 or 23.1%.
- The County's government-wide net assets for fiscal year 2005 were \$6,712,539 compared to \$7,988,486 in fiscal year 2004, a decrease of \$1,275,947 or 16.0%.
- The County's governmental activities revenues for fiscal year 2005 were \$5,734,912 compared to \$5,667,906 in fiscal year 2004, an increase of \$67,006 or 1.2%.
- The County's governmental activities expenses for fiscal year 2005 were \$7,010,833 compared to \$4,111,590 in fiscal year 2004, an increase of \$2,899,243 or 70.5%. Public safety and legal services increased by \$69,923 or 8.9%, mental health increased by \$36,699 or 7.6%, county environment and education increased by \$2,432,865 or 932.4%, roads and transportation increased by \$81,215 or 5.1%, interest on long-term debt increased by \$113,751 or 1,619.7% and capital projects increased by \$147,006 or 140.7%. The main reason for the large increase was due to the aforementioned urban renewal plan expenses to Otter Creek Ethanol, LLC.

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 including data on the County's discretely presented component unit, the Public Safety Commission.
- 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 (Agency Funds).
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue 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, Secondary Roads and Urban Renewal District 1 Plan Area Project. 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) A proprietary fund accounts for the County's Internal Service, Employee Health Deductibles Fund, which was completely finalized during fiscal year 2005. An Internal Service Fund is an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for the proprietary fund include a statement of revenues, expenses and changes in fund net assets and a statement of cash flow (the statement of net assets was not necessary as there were no Internal Service Fund assets, liabilities or net assets on June 30, 2005).

- 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, the County Assessor's Funds and all the tax funds necessary to collect and distribute property taxes to schools, cities and all other taxing authorities, 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. The Public Safety Commission adopts its budget on a cash basis.

Some of the financial highlights for fiscal year 2005 for the Public Safety Commission include:

- The discretely presented component unit – Public Safety Commission's government-wide net assets for fiscal year 2005 were \$352,856 compared to \$425,733 in fiscal year 2004, a decrease of \$72,877 or 17.1%. The Public Safety Commission's governmental activities revenues for fiscal year 2005 were \$822,541 compared to \$823,153 in fiscal year 2004, a decrease of \$612 or 0.1%. The Public Safety Commission's governmental activities expenses for fiscal year 2005 were \$895,444 compared to \$877,060 in fiscal year 2004, an increase of \$18,384 or 2.1%.
- The Public Safety Commission's modified accrual basis revenues for fiscal year 2005 were \$822,150 compared to \$806,837 in fiscal year 2004, an increase of \$15,313 or 1.9%.
- The Public Safety Commission's modified accrual basis expenditures for fiscal 2005 were \$878,866 compared to \$854,000 in fiscal year 2004, an increase of \$24,866 or 2.9%.
- The Public Safety Commission's fund balance for fiscal year 2005 was \$165,674 compared to \$212,611 in fiscal year 2004, a decrease of \$46,937 or 22.1%.
- The Public Safety Commission did not exceed its budgeted disbursements for fiscal year 2005. The Public Safety Commission did need to amend its budget once during fiscal year 2005. Budgeted disbursements were increased by \$42,000 in the amendment (unified patrol services was increased by \$22,000 and law enforcement communications was increased by \$20,000). For fiscal year 2005, the Public Safety Commission's actual ending balance was \$32,324 higher than the final budget's anticipated ending balance.

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 from a year ago.

Net Assets

	Governmental Activities		Public Safety Commission	
	June 30,		June 30,	
	2005	2004	2005	2004
Current and Other Assets	\$ 6,714,896	5,731,191	\$ 186,592	237,904
Capital Assets	5,470,252	4,629,245	234,493	257,012
Total Assets	<u>12,185,148</u>	<u>10,360,436</u>	<u>421,085</u>	<u>494,916</u>
Long-term Debt Outstanding	2,905,024	55,816	47,461	52,052
Other Liabilities	<u>2,567,585</u>	<u>2,316,134</u>	<u>20,768</u>	<u>17,131</u>
Total Liabilities	<u>5,472,609</u>	<u>2,371,950</u>	<u>68,229</u>	<u>69,183</u>

Net Assets:

Invested in Capital Assets, Net of Related Debt	5,470,254	4,629,245	234,493	257,012
Restricted	232,034	2,348,334	0	0
Unrestricted	<u>1,010,251</u>	<u>1,010,907</u>	<u>118,363</u>	<u>168,721</u>
Total Net Assets	<u>\$ 6,712,539</u>	<u>7,988,486</u>	<u>\$ 352,856</u>	<u>425,733</u>

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.

The large increase in the County’s current and other assets was due mainly to an increase in cash and pooled investments (\$505,566), succeeding year property tax and tax increment financing receivable (\$327,416) and inventory (\$114,571). The large increase in the County’s long-term debt outstanding was due to the issuance of urban renewal revenue capital loan notes during fiscal year 2005. Net assets of Osceola County’s governmental activities decreased from fiscal year 2004 by \$1,275,947 and the Public Safety Commission’s net assets decreased from fiscal year 2004 by \$72,877. The large decrease in the County’s restricted net assets was due to a majority of the urban renewal revenue capital loan notes proceeds being expensed as a grant to Otter Creek Ethanol, LLC and payment of interest on the notes.

Changes in Net Assets

	Governmental Activities		Public Safety Commission	
	Year Ended		Year Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Revenues:				
Program Revenues:				
Charges for Service	\$ 287,581	332,418	\$ 787,907	790,355
Operating Grants, Contributions and Restricted Interest	2,135,428	2,027,543	9,004	6,612
Capital Grants, Contributions and Restricted Interest	910,480	853,371	0	18,000
General Revenues:				
Property Tax Levied for:				
General Purposes	1,865,615	1,970,243	0	0
Unified Law	186,488	187,188	0	0
Penalty and Interest on Property Tax	9,569	9,253	0	0
State Tax Credits	151,095	144,897	0	0
Grants and Contributions Not Restricted to Specific Purposes	13,279	45,329	25,235	8,185
Unrestricted Investment Earnings	95,501	61,534	0	0
Rents	27,462	21,431	0	0
Drainage Assessments	0	8,913	0	0
Gain on Disposal of Capital Assets	51,419	0	395	0
Miscellaneous	995	5,786	0	1
Total Revenues	<u>5,734,912</u>	<u>5,667,906</u>	<u>822,541</u>	<u>823,153</u>

Program Expenses:				
Public Safety and Legal Services	852,861	782,938	0	0
Physical Health and Social Services	123,747	133,473	0	0
Mental Health	518,588	481,889	0	0
County Environment and Education	2,693,804	260,939	0	0
Roads and Transportation	1,677,892	1,596,677	0	0
Governmental Services to Residents	196,426	173,303	0	0
Administration	575,263	570,876	0	0
Interest on Long-term Debt	120,774	7,023	0	0
Capital Projects	251,478	104,472	0	0
Public Safety Commission	0	0	895,444	877,060
Total Expenses	<u>7,010,833</u>	<u>4,111,590</u>	<u>895,444</u>	<u>877,060</u>
Special Item:				
Employee Health Deductibles Plan Termination	(26)	(8,008)	26	8,008
Increase (Decrease) in Net Assets	(1,275,947)	1,548,308	(72,877)	(55,899)
Net Assets Beginning of Year, As Restated	<u>7,988,486</u>	<u>6,440,178</u>	<u>425,733</u>	<u>481,632</u>
Net Assets End of Year	<u>\$ 6,712,539</u>	<u>7,988,486</u>	<u>\$ 352,856</u>	<u>425,733</u>

The portion of costs financed by users (charges for service) decreased by \$44,837 or 13.5%. The majority of the decrease was in the governmental services to residents function. Operating grants, contributions and restricted interest increased by \$107,885 or 5.3%. The majority of this increase was the receipt of an \$85,000 Iowa Department of Transportation grant (county environment and education function). Capital grants, contributions and restricted interest increased by \$57,109 or 6.7%. The majority of this increase was funding for resurfacing projects (roads and transportation function).

Property and other county taxes levied for general purposes decreased by \$104,628 or 5.3%. The decrease was due to the decline in taxable valuation. Osceola County's fiscal year 2005 taxable valuation was \$273,491,798 compared to fiscal year 2004 taxable valuation of \$318,381,785, this amounts to a decrease of \$44,889,987 or 14%. The decrease was largely due to the Iowa Department of Revenue's productivity formula on agricultural property. Each county has an average productivity value. This value is based on a 5-year average of annual Iowa Crop and Livestock Reporting Service census data. Iowa Code Section 441.21(1)e states "value of agricultural property shall be determined on the basis of productivity and net earnings capacity.....applied uniformly among counties and among classes of property.

Unrestricted investment earnings increased by \$33,967 or 55.2%. This was due mainly to an increase in interest rates. The gain on disposal of capital assets was due mainly to revenue received from the Iowa Department of Transportation for the sale of land and moving of a building.

Program expenses for governmental activities this fiscal year increased by \$2,899,243 or 70.5%. County environment and education increased by \$2,432,865 and interest on long-term debt increased by \$113,751 (both are due mainly to the new District 1 urban renewal plan). All other program expenses combined increased \$352,627 or 9.2%.

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 2005, its governmental funds reported a combined fund balance of \$4,046,623. This is in comparison to fiscal year 2004, which was \$3,286,906. This is a \$759,717 increase over last year or 23.1%. 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 is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The general operating expenses are paid from this fund. The fiscal year 2005 General Fund ending fund balance was \$1,176,167. This is in comparison to last fiscal year when the fund balance was \$1,166,102. This is a \$10,065 increase over last year or 0.9%. For fiscal year 2005, expenditures totaled \$1,695,073 (fiscal year 2004 = \$1,593,378), an increase of \$101,695 or 6.4% from last year and revenues totaled \$1,708,307 (fiscal year 2004 = \$1,856,302), a decrease of \$147,995 or 8.0% from last year.

The revenues were down mainly due to a decrease in property and other county tax collections (due to the aforementioned decrease in taxable valuations). The expenditures increased due to high costs in the following areas: ambulance services, elections administration, general services, data processing services and the purchase of an ambulance.

MENTAL HEALTH FUND: The Mental Health Fund is used to account for property tax and other revenues designated to be used for mental health, mental retardation, and developmental disabilities services. The fiscal year 2005 Mental Health ending fund balance was \$276,121. This is in comparison to last fiscal year when the fund balance was \$297,998. This is a \$21,877 decrease from last year or 7.3%. For fiscal year 2005, expenditures totaled \$524,588 (fiscal year 2004 = \$481,889), an increase over last year of \$42,699 or 8.9%, and revenues totaled \$496,711 (fiscal year 2004 = \$394,395), an increase over last year of \$102,316 or 25.9%.

The revenues were up mainly due to an increase in property and other county tax collections. The levy rate for fiscal year 2005 was 0.69887, while the levy rate last fiscal year was 0.30000. The expenditures increased due to more services needed in the persons with mental retardation area.

RURAL SERVICES FUND: The Rural Service 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, including secondary road services, but excluding services financed by other statutory funds. The fiscal year 2005 Rural Services ending fund balance was \$191,516. This is in comparison to last fiscal year when the fund balance was \$183,717. This is a \$7,799 increase over last year or 4.3%. For fiscal year 2005, expenditures totaled \$36,779 (fiscal year 2004 = \$42,924), a decrease from last year of \$6,145 or 14.3% and revenues totaled \$552,120 (fiscal year 2004 = \$551,593), an increase over last year of \$527. The County transferred \$507,542 from the Rural Services Fund to the Secondary Roads Fund in fiscal year 2005.

SECONDARY ROADS FUND: The Secondary Roads Fund is used to account for secondary road construction and maintenance. The fiscal year 2005 Secondary Roads ending fund balance was \$1,803,145. This is in comparison to last fiscal year when the fund balance was \$1,403,902. This is a

\$399,243 increase over last year or 28.4%. For fiscal year 2005, expenditures totaled \$1,872,750 (fiscal year 2004 = \$2,091,065), a decrease from last year of \$218,315 or 10.4% and revenues totaled \$1,722,042 (fiscal year 2004 = \$1,703,973), an increase over last year of \$18,069 or 1.1%.

The expenditures were down due to lower costs in the following areas: snow & ice control, road clearing and new equipment.

URBAN RENEWAL DISTRICT 1 PLAN AREA PROJECT FUND: The Urban Renewal District 1 Plan Area Project Fund is a new fund for fiscal year 2005 that is being used to account for the costs incurred to aid in the planning, undertaking and carrying out of the District 1 Urban Renewal Project, which includes road improvements, traffic and rail control devices and a grant to Otter Creek Ethanol, LLC. This fund had fiscal year 2005 revenues of \$105,216, expenditures of \$2,438,476, loan note proceeds of \$2,734,164 and an ending fund balance of \$400,904 for fiscal year 2005.

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 five times. The dates of the budget amendments, the amounts increased and the reasoning for the increases were as follows:

<u>Budget Amendment Date</u>	<u>Amounts Increased</u>	<u>Reasoning for Increases</u>
August 17, 2004	Revenues = \$8,500 Expenditures = \$2,879,000 General Long-Term Debt Proceeds = \$2,845,000	Recorder's electronic transactions (\$8,500 revenues and \$34,000 expenditures); urban renewal plan transactions (\$2,845,000 expenditures and debt proceeds)
August 24, 2004	Revenues = \$100,615 Expenditures = \$100,615	Rail grant for urban renewal plant (\$85,000); accrued interest on notes (\$15,615)
October 5, 2004	Revenues = \$2,500 Expenditures = \$12,500	HAVA grant (\$2,500 revenues and expenditures); environmental education costs (\$10,000 expenditure)
November 23, 2004	Revenues = \$35,200 Expenditures = \$40,200	Ambulance grant for salaries and office expenses (\$26,200 revenues and expenditures); RACI grant for daycare (\$9,000 revenues and expenditures); autopsy costs (\$5,000 expenditures)
May 24, 2005	Expenditures = \$25,065	Jail costs (\$10,000); ambulance costs (\$10,000); juvenile costs (\$5,000); forfeiture funds (\$65)

The County ended up exceeding its budgeted revenues by \$192,315, coming in below its budgeted disbursements by \$668,468 and exceeding its other financing sources by \$39,240. The actual ending cash basis balance was \$1,466,721 high than budgeted.

Capital Assets and Debt Administration

Capital Assets

Osceola County concluded fiscal year 2005 with \$7,900,503 in governmental activities and \$377,841 in the Public Safety Commission invested in a broad range of capital assets. The capital assets include public safety/secondary roads equipment, buildings, park activities, roads and bridges. See Note 6 to the financial statements for more information about the County’s capital assets.

Capital Assets at Year End

	Governmental Activities		Public Safety Commission	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Land	\$ 1,102,565	1,102,565	\$ 0	0
Buildings and Improvements	778,677	778,677	0	0
Machinery, Equipment and Vehicles	4,473,598	4,451,666	397,035	377,841
Infrastructure	1,545,663	571,862	0	0
Net Capital Assets	<u>\$ 7,900,503</u>	<u>\$ 6,904,770</u>	<u>\$ 397,035</u>	<u>377,841</u>

This year’s major additions for the County’s governmental activities included \$27,000 for an ambulance, \$81,619 for secondary roads equipment (electronic total station, hydraulic crane, tractor, disk mower and pickup) and \$973,981 in infrastructure (asphalt overlays of \$889,009 and bridge work of \$84,973).

This year’s major additions for the Public Safety Commission included \$7,726 for a copier and \$21,252 for a patrol car.

The County’s governmental activities had depreciation expense of \$231,918 in fiscal year 2005 and total accumulated depreciation of \$2,430,251 on June 30, 2005. The Public Safety Commission had depreciation expense of \$38,594 in fiscal year 2005 and total accumulated depreciation of \$143,348 on June 30, 2005.

Long-Term Debt

At June 30, 2005, the County had \$2,845,000 in urban renewal revenue capital loan notes outstanding (these notes were issued during fiscal year 2005) and \$60,024 in compensated absences payable. The Public Safety Commission had \$47,461 in compensated absences payable. The Constitution of the State of Iowa limits the amount of debt counties can issue to 5 percent of the assessed value of all taxable property within the County’s corporate limits. Osceola County’s outstanding debt is significantly below its constitutional debt limit. Additional information about the County’s long-term debt, including information on the urban renewal revenue capital loan notes provisions, is presented in Note 8 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 2006 budget, tax rates and the fees for various County activities. Factors include the economy, state funding levels and property valuations for fiscal year 2006, and the fact that in fiscal year 2005, contributions to certain organizations were reduced, employees salaries were frozen and departmental appropriations were stringent. Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase.

These indicators were taken into account when adopting the budget for fiscal year 2006. Total disbursements in the 2006 original operating budget are \$5,650,976, compared to \$7,823,016 for fiscal year 2005. Property and other county tax asking in the fiscal year 2006 budget is \$2,175,535, compared to \$2,056,777 in fiscal year 2005. Countywide valuations (with utilities) for fiscal year 2006 are \$287,807,417, compared to \$279,345,368 in fiscal year 2005. Rural valuations (with utilities) for fiscal year 2006 are \$223,928,024, compared to \$216,627,422 in fiscal year 2005.

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 \$1.20 in the General Supplemental Fund for fiscal year 2006. This compares to \$1.00 per \$1,000 of taxable value in the General Supplemental Fund for fiscal year 2005. The General Supplemental Fund is used for FICA, IPERS, health insurance, elections, Emergency Management contribution, tort liability and juvenile probations.

The Rural Basic levy rate for fiscal year 2006 is \$2.55612 per \$1,000 of taxable value, the same levy rate as fiscal year 2005. Osceola County does not levy in Rural Basic Supplemental.

Budgeted disbursements for fiscal year 2006 are lower than fiscal year 2005 budgeted figures due to \$2,930,000 budgeted in fiscal year 2005 for urban renewal plan disbursements. Removal of these disbursements from the fiscal year 2005 budget would reflect that the fiscal year 2006 budgeted disbursements are otherwise higher than fiscal year 2005 figures by \$757,960; mainly increasing in the county environment and education function, roads and transportation function, governmental services to residents function and capital projects function.

The County will need to purchase new voting technology, with most of the expense to be reimbursed with federal HAVA dollars.

The Public Safety Commission's budget for fiscal year 2006 was adopted with revenues at \$852,549, compared to fiscal year 2005 budgeted revenues of \$801,037, and disbursements at \$822,929, compared to fiscal year 2005 budgeted disbursements of \$889,584.

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 and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Osceola County Auditor's office, 300 7th Street, Sibley, Iowa 51249 (phone number: 712-754-2241).

Osceola County
Basic Financial Statements

Osceola County

Statement of Net Assets
June 30, 2005

	Primary Government	Component Unit
	Governmental Activities	Public Safety Commission
Assets		
Cash and Pooled Investments	\$ 3,588,578	\$ 166,193
Receivables:		
Property Tax:		
Delinquent	4,096	0
Succeeding Year	2,174,294	0
Tax Increment Financing:		
Succeeding Year	210,292	0
Interest and Penalty on Property Tax	4,610	0
Accounts	435	0
Accrued Interest	21,161	0
Due from Primary Government	0	3,748
Due from Agency Funds	106,808	7,596
Due from Other Governments	165,696	0
Inventories	396,146	0
Prepaid Insurance	23,645	9,055
Prepaid Expenses	19,135	0
Capital Assets (Net of Accumulated Depreciation)	5,470,252	234,493
Total Assets	12,185,148	421,085
Liabilities		
Accounts Payable	107,642	16,850
Salaries and Benefits Payable	30,029	2,710
Compensated Absences	0	1,208
Due to Component Unit	3,748	0
Due to Other Governments	31,642	0
Accrued Interest Payable	9,938	0
Deferred Revenue:		
Succeeding Year Property Tax	2,174,294	0
Succeeding Year Tax Increment Financing	210,292	0
Long-Term Liabilities:		
Portion Due or Payable Within One Year:		
Compensated Absences	60,024	47,461
Urban Renewal Revenue Capital Loan Notes	190,000	0
Portion Due or Payable After One Year:		
Urban Renewal Revenue Capital Loan Notes	2,655,000	0
Total Liabilities	5,472,609	68,229

Exhibit A (Continued)

Osceola County

Statement of Net Assets
June 30, 2005

	Primary Government Governmental Activities	Component Unit Public Safety Commission
Net Assets		
Invested in Capital Assets, Net of Related Debt	5,470,254	234,493
Restricted for:		
Supplemental Levy Purposes	152,839	0
Resource Enhancement and Protection Purposes	84,327	0
Jail Improvements/Courthouse Security	22,603	0
Mental Health Purposes	270,461	0
Rural Services Purposes	192,417	0
Secondary Roads Purposes	1,764,327	0
Urban Renewal District 1 Plan Area Purposes	(2,453,158)	0
Other Purposes	198,218	0
Unrestricted	1,010,251	118,363
Total Net Assets	\$ 6,712,539	\$ 352,856

See notes to financial statements.

Osceola County

Statement of Activities
Year Ended June 30, 2005

	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental Activities:				
Public Safety & Legal Services	\$ 852,861	147,528	33,946	0
Physical Health and Social Services	123,747	0	3,710	0
Mental Health	518,588	876	300,819	0
County Environment and Education	2,693,804	163	104,145	18,972
Roads and Transportation	1,677,892	13,202	1,692,344	889,008
Governmental Services to Residents	196,426	122,409	464	2,500
Administration	575,263	3,403	0	0
Interest on Long-Term Debt	120,774	0	0	0
Capital Projects	251,478	0	0	0
Total Primary Government	\$ 7,010,833	287,581	2,135,428	910,480
Component Unit:				
Public Safety Commission	\$ 895,444	787,907	9,004	0
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				
Gain on Disposal of Capital Assets				
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 15)				
Net Assets End of Year				

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets	
Primary Government Governmental Activities	Component Unit Public Safety Commission
(671,387)	0
(120,037)	0
(216,893)	0
(2,570,524)	0
916,662	0
(71,053)	0
(571,860)	0
(120,774)	0
(251,478)	0
(3,677,344)	0
0	(98,533)
1,865,615	0
186,488	0
9,569	0
151,095	0
13,279	25,235
95,501	0
27,462	0
51,419	395
995	0
(26)	26
2,401,397	25,656
(1,275,947)	(72,877)
7,988,486	425,733
\$ 6,712,539	\$ 352,856

Osceola County

Balance Sheet
Governmental Funds
June 30, 2005

	Special Revenue						Total
	General	Mental Health	Rural Services	Secondary Roads	Urban Renewal District 1 Plan Area Project	Nonmajor Special Revenue	
Assets							
Cash and Pooled Investments	\$ 1,141,820	321,461	191,473	1,323,134	395,802	214,888	3,588,578
Receivables:							
Property Tax:							
Delinquent	2,456	355	944	0	0	341	4,096
Succeeding Year	1,262,482	182,205	536,008	0	0	193,599	2,174,294
Tax Increment Financing:							
Succeeding Year	0	0	0	0	0	210,292	210,292
Interest and Penalty on Property Tax	4,610	0	0	0	0	0	4,610
Accounts	10	0	0	425	0	0	435
Accrued Interest	20,281	0	0	0	603	277	21,161
Due from Other Governmental Funds	0	6,000	0	0	4,499	0	10,499
Due from Agency Funds	106,808	0	0	0	0	0	106,808
Due from Other Governments	18,566	2,574	0	144,394	0	162	165,696
Inventories	0	0	0	396,146	0	0	396,146
Prepaid Insurance	14,502	0	0	9,143	0	0	23,645
Prepaid Expenditures	15,591	0	0	417	0	3,127	19,135
Total Assets	\$ 2,587,126	512,595	728,425	1,873,659	400,904	622,686	6,725,395
Liabilities and Fund Balances							
Liabilities:							
Accounts Payable	\$ 24,799	24,630	0	46,760	0	11,453	107,642

Salaries and Benefits Payable	6,613	0	0	23,416	0	0	30,029
Due to Other Governmental Funds	6,000	0	0	0	0	4,499	10,499
Due to Component Unit	0	0	0	0	0	3,748	3,748
Due to Other Governments	2,005	29,299	0	338	0	0	31,642
Deferred Revenue:							
Succeeding Year Property Tax	1,262,482	182,205	536,008	0	0	193,599	2,174,294
Succeeding Year Tax Increment Financing	0	0	0	0	0	210,292	210,292
Other	109,060	340	901	0	0	325	110,626
Total Liabilities	1,410,959	236,474	536,909	70,514	0	423,916	2,678,772

Fund Balances:

Reserved for:

Supplemental Levy Purposes	152,237	0	0	0	0	0	152,237
Resource Enhancement and Protection	84,327	0	0	0	0	0	84,327
Jail Improvements/Courthouse Security	22,603	0	0	0	0	0	22,603

Unreserved:

Undesignated, Reported In:

General Fund	736,552	0	0	0	0	0	736,552
Special Revenue Funds	0	276,121	191,516	1,803,145	400,904	198,770	2,870,456

Designated For:

Jail Infrastructure	180,448	0	0	0	0	0	180,448
Total Fund Balances	1,176,167	276,121	191,516	1,803,145	400,904	198,770	4,046,623

Total Liabilities and Fund Balances

\$	2,587,126	512,595	728,425	1,873,659	400,904	622,686	6,725,395
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See notes to financial statements.

Osceola County

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Assets
June 30, 2005

Total Governmental Fund Balances (pages 19 - 20)	\$ 4,046,623
<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 \$7,900,503 and the accumulated depreciation is \$2,430,251.	5,470,252
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	110,626
Long-term liabilities, which include the accrued interest payable, compensated absences payable and urban renewal revenue capital loan notes, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,914,962)</u>
Net Assets of Governmental Activities (pages 15 - 16)	<u><u>\$ 6,712,539</u></u>

Osceola County

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005

	Special Revenue					Nonmajor Special Revenue	Total
	General	Mental Health	Rural Services	Secondary Roads	Urban Renewal District 1 Plan Area Project		
Revenues:							
Property and Other County Tax	\$ 1,166,257	181,126	515,482	0	0	186,186	2,049,051
Interest and Penalty on Property Tax	8,324	0	0	0	0	0	8,324
Intergovernmental	181,779	314,707	36,638	1,704,497	85,000	17,150	2,339,771
Licenses and Permits	183	0	0	8,930	0	0	9,113
Charges for Service	234,283	0	0	5	0	16,113	250,401
Use of Money and Property	91,117	0	0	4,343	20,216	8,141	123,817
Miscellaneous	26,364	878	0	4,267	0	0	31,509
Total Revenues	1,708,307	496,711	552,120	1,722,042	105,216	227,590	4,811,986
Expenditures:							
Operating:							
Public Safety and Legal Services	629,710	0	0	0	0	220,935	850,645
Physical Health and Social Services	121,043	0	0	0	0	0	121,043
Mental Health	0	524,588	0	0	0	0	524,588
County Environment and Education	208,763	0	36,779	0	2,438,476	0	2,684,018
Roads and Transportation	0	0	0	1,644,789	0	0	1,644,789
Governmental Services to Residents	170,007	0	0	0	0	27,537	197,544
Administration	547,990	0	0	0	0	9,578	557,568
Debt Service	0	0	0	0	0	110,836	110,836
Capital Projects	17,560	0	0	227,961	0	5,957	251,478
Total Expenditures	1,695,073	524,588	36,779	1,872,750	2,438,476	374,843	6,942,509
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,234	(27,877)	515,341	(150,708)	(2,333,260)	(147,253)	(2,130,523)

Other Financing Sources (Uses):							
Sale of Capital Assets	33,600	6,000	0	5,640	0	0	45,240
Urban Renewal Revenue Capital							
Loan Notes Proceeds	0	0	0	0	2,734,164	110,836	2,845,000
Operating Transfers In	0	0	0	544,311	0	0	544,311
Operating Transfers Out	(36,769)	0	(507,542)	0	0	0	(544,311)
Total Other Financing Sources (Uses)	<u>(3,169)</u>	<u>6,000</u>	<u>(507,542)</u>	<u>549,951</u>	<u>2,734,164</u>	<u>110,836</u>	<u>2,890,240</u>
Net Change in Fund Balances	10,065	(21,877)	7,799	399,243	400,904	(36,417)	759,717
Fund Balances Beginning of Year	<u>1,166,102</u>	<u>297,998</u>	<u>183,717</u>	<u>1,403,902</u>	<u>0</u>	<u>235,187</u>	<u>3,286,906</u>
Fund Balances End of Year	<u>\$ 1,176,167</u>	<u>276,121</u>	<u>191,516</u>	<u>1,803,145</u>	<u>400,904</u>	<u>198,770</u>	<u>4,046,623</u>

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, 2005

Net Change in Fund Balances – Total Governmental Funds (pages 22 - 23) \$ 759,717

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	\$ 193,592	
Capital assets contributed by the Iowa Department of Transportation	889,008	
Depreciation Expense	<u>(231,918)</u>	850,682

In the Statement of Activities, the gains and losses on the disposition of capital assets are reported (including values received on traded-in capital assets), whereas the governmental funds report only the proceeds from the sales of capital assets as an increase in financial resources. (9,675)

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	3,051	
Other	<u>(20,576)</u>	(17,525)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. (2,845,000)

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

Compensated absences	(4,208)	
Interest on long-term debt	<u>(9,938)</u>	<u>(14,146)</u>

Change in Net Assets of Governmental Activities (pages 17 - 18) \$ (1,275,947)

See notes to financial statements.

Osceola County
Statement of Revenues, Expenses and Changes
in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2005

	Internal Service - Employee Health Deductibles
Non-Operating Revenues:	
Interest Income	\$ 26
Special Item:	
Employee Health Deductibles Plan Termination	(26)
Net Income After Special Item	0
Net Assets Beginning of Year	0
Net Assets End of Year	\$ 0

See notes to financial statements.

Osceola County

Statement of Cash Flows
 Proprietary Fund
 Year Ended June 30, 2005

	<u>Internal Service - Employee Health Deductibles</u>
Cash Flows from Operating Activities:	
Cash Paid for Medical Claims	\$ (962)
Cash Paid for Administration Fees	(300)
Net Cash Used by Operating Activities	<u>(1,262)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Paid to the Public Safety Commission to Terminate the Health Deductibles Plan	<u>(8,034)</u>
Cash Flows from Investing Activities:	
Interest on Investments	<u>30</u>
Net Decrease in Cash and Cash Equivalents	(9,266)
Cash and Cash Equivalents Beginning of Year	<u>9,266</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 0</u></u>
 Reconciliation of Operating Income to Net Cash Used by Operating Activities:	
Operating Income	\$ 0
Adjustment to Reconcile Operating Income to Net Cash Used by Operating Activities:	
(Decrease) in Accounts Payable	<u>(1,262)</u>
Net Cash Used by Operating Activities	<u><u>\$ (1,262)</u></u>

See notes to financial statements.

Osceola County

Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2005

Assets

Cash and Pooled Investments:	
County Treasurer	\$ 527,253
Other County Officials	15,529
Receivables:	
Property Tax:	
Delinquent	10,108
Succeeding Year	5,255,855
Tax Increment Financing:	
Succeeding Year	144,721
Accounts	105,359
Accrued Interest	214
Special Assessments	47,609
Due from Other Governments	7,988
Prepaid Expenses	1,137
Total Assets	<u>6,115,773</u>

Liabilities

Accounts Payable	116
Due to Primary Government	106,808
Due to Component Unit	7,596
Due to Other Governments	5,964,543
Trusts Payable	33,172
Compensated Absences	3,538
Total Liabilities	<u>6,115,773</u>

Net Assets	<u>\$ 0</u>
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See notes to financial statements.

Osceola County

Notes to Financial Statements

June 30, 2005

(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. Appointed officials that assist the Board of Supervisors include the Conservation Director and Engineer and Osceola County contracts with Lyon County for the Central Point Coordinator position. 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 \$199,403 (\$199,482 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 and the County expended \$20,000 to reimburse the Public Safety Commission for personnel's time spent on ambulance related work. Osceola County also shows a special item of \$26 in the Statement of Activities and the Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund and \$8,034 in the Statement of Cash Flows – Proprietary Fund to close out the Employee Health Deductibles Fund to the Public Safety Commission. 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 and more detailed financial information is reported as other supplementary information in the schedules.

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, 2005, 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 \$709 to the Northwest Iowa Area Solid Waste Agency for disposal and dumping 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 (\$56,819 on the cash basis) 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.

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, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, 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.

The Urban Renewal District 1 Plan Area Project Fund is used to account for the costs incurred to aid in the planning, undertaking and carrying out of the “District 1 Urban Renewal Project”, including road improvements, traffic and rail control devices and a grant to Otter Creek Ethanol, LLC.

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund was utilized in the past to account for the financing of goods or services purchased by one department of the County and provided to other departments, agencies or the Public Safety Commission 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, any 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, as 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. All revenues and expenses not meeting this definition as operating items are reported as non-operating revenues and expenses. The County's Internal Service Fund did not have any operating revenues or expenses during the fiscal year and its only non-operating revenue was interest income.

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 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 and Tax Increment Financing Receivables – Property tax and tax increment financing in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax and tax increment financing receivables are 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 and tax increment financing receivables represent 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 and tax increment financing receivables have been recorded, the related revenues are deferred in both the government-wide and fund financial statements and will not be recognized as revenues until the year for which each is levied.

Property tax and tax increment financing revenues 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2004.

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.

Accounts Receivable (Agency Funds – County Offices Fund) – The accounts receivable in the County Offices Fund (Agency Fund) represents money owed to the County and Public Safety Commission, mainly for services provided, that was not paid to the county offices as of June 30, 2005. The accounts receivable in the County Offices Fund (Agency Fund) total includes \$29,145 in jail fees receivables and \$59,602 in ambulance charges receivables that were not collected within sixty days after year end. These jail fees and ambulance charges receivables are owed by the County Offices Fund to the County's General Fund. It is possible that a large portion of these jail fees and ambulance charges receivables may not be collected within one year.

Due from Other Governmental Funds, Due from Primary Government, Due from Agency Funds, Due to Other Governmental Funds, Due to Primary Government and Due to Component Unit – 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, 2005, balances of amounts receivable or payable have been recorded in the financial statements (the balances of interfund amounts receivable or payable between governmental funds are only reported in the fund financial statements).

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Secondary Roads Fund consist mainly of expendable supplies held for consumption and some supplies available for resale. Inventories of the Secondary Roads Fund are recorded as expenses/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 County), 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 and tax increment financing receivables that will not be recognized as revenues until the year for which they are 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, 2005. 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 Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities and discretely presented component unit – Public Safety Commission columns.

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 reported in the governmental fund financial statements 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, 2005, disbursements did not exceed the amounts budgeted for any function. However, disbursements in two departments exceeded the amounts appropriated and disbursements in one department exceeded the amount appropriated before the departmental appropriation was properly increased.

(2) Cash and Pooled Investments

The County’s deposits in banks at June 30, 2005 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 and its written investment policy 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 registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value, which due to the immaterial nature of the County’s investment, is deemed to be equal to the amount of principal outstanding on the GNMA.

The County’s investment at June 30, 2005 is as follows:

Type	Pool/Number	Fair Value	Maturity
Governmental National Mortgage Association (GNMA)	8226	\$ 296	February 2006

In addition, the County had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$642,280 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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.

Interest rate risk. The County’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Credit risk. The investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk. The County places no limit on the amount that may be invested in any one type of investment or any single issuer, except for prime banker’s acceptances. Prime banker’s acceptances, at the time of purchase, is limited to ten percent of the total investment portfolio. No more than five percent of the total investment portfolio may be invested in the securities of a single issuer for prime banker’s acceptances.

(3) Due From and Due to Other Governmental Funds

The detail of the Governmental Funds interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Mental Health	General	\$ 6,000
Urban Renewal District 1 Plan Area Project	Special Revenue:	
	Urban Renewal District 1 Plan Area Revenue Principal and Interest Sinking	<u>4,499</u>
Total		<u>\$ 10,499</u>

These balances resulted from the time lag between the dates the Mental Health car was sold to the General Fund and interest earnings that need to be allocated to the Plan Area Project occurred, transactions were recorded in the accounting system and payments between the funds were made

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

The detail of the receivable and payable between the County’s governmental funds (primary government) and the discretely presented component unit – Public Safety Commission as of June 30, 2005 is as follows:

Component Unit	Payable Fund	Amount
Public Safety Commission	Special Revenue:	
	Unified Law Levy	<u>\$ 3,748</u>

This balance results from 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 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, 2005 is as follows:

Receivable Fund/Component Unit	Payable Fund	Amount
General	Agency:	
	County Offices	\$ 101,270
	Auto License and Use Tax	5,148
	Flex Spending	<u>390</u>
Total		<u>\$ 106,808</u>
Public Safety Commission	Agency:	
	County Offices	<u>\$ 7,596</u>

These balances result from 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.

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General Special Revenue: Rural Services	\$ 36,769 <u>507,542</u>
Total		<u>\$ 544,311</u>

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

(6) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year (As Restated, Note 15)	Increases	Decreases	Balance End of Year
County Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,102,565	0	0	<u>1,102,565</u>

Capital Assets Being Depreciated:				
Buildings and Improvements	778,677	0	0	778,677
Machinery, Equipment and Vehicles	4,451,666	108,619 (86,687)	4,473,598
Infrastructure	571,682	973,981	0	1,545,663
Total Capital Assets Being Depreciated	<u>5,802,025</u>	<u>1,082,600 (</u>	<u>86,687)</u>	<u>6,797,938</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	318,341	17,662	0	336,003
Machinery, Equipment and Vehicles	1,953,994	199,077 (77,012)	2,076,059
Infrastructure	3,010	15,179	0	18,189
Total Accumulated Depreciation	<u>2,275,345</u>	<u>231,918 (</u>	<u>77,012)</u>	<u>2,430,251</u>
Total Capital Assets Being Depreciated, Net	<u>3,526,680</u>	<u>850,682 (</u>	<u>9,675)</u>	<u>4,367,687</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,629,245</u>	<u>850,682 (</u>	<u>9,675)</u>	<u>5,470,252</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Physical Health and Social Services	\$	2,704
County Environment and Education		8,531
Roads and Transportation		180,124
Governmental Services to Residents		21,590
Administration		<u>18,969</u>
Total Depreciation Expense – Governmental Activities	\$	<u>231,918</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Discretely Presented Component Unit –				
Public Safety Commission:				
Capital Assets Depreciated:				
Machinery, Equipment and Vehicles	\$ 397,035	28,978 (48,172)	377,841
Less Accumulated Depreciation For:				
Machinery, Equipment and Vehicles	<u>140,023</u>	<u>38,594 (</u>	<u>35,269)</u>	<u>143,348</u>
Public Safety Commission				
Capital Assets, Net	<u>\$ 257,012 (</u>	<u>9,616)</u>	<u>(12,903)</u>	<u>234,493</u>

(7) **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:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services/Utilities	\$ 2,005
Special Revenue:		
Mental Health	Services	29,299
Secondary Roads	Utilities	338
		<u>29,637</u>
Total for Governmental Funds		<u>\$ 31,642</u>
Agency:		
County Offices	Collections	\$ 17
Agricultural Extension Education		82,104
County Assessor		122,364
County Assessor – Special Appraisers		126,941
Schools		3,904,220
Community Colleges		166,467
Corporations		1,129,254
Townships		117,122
Auto License and Use Tax		118,107
Special Assessments		47,971
E911 Surcharge		108,807
Emergency Management		39,644
All Other		<u>1,525</u>
Total for Agency Funds		<u>\$ 5,964,543</u>

(8) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

<u>County</u>	<u>Compensated Absences</u>	<u>Urban Renewal Revenue Capital Loan Notes</u>	<u>Total</u>
Balance Beginning of Year	\$ 55,816	0	55,816
Additions	69,576	2,845,000	2,914,576
Reductions	65,368	0	65,368
Balance End of Year	<u>\$ 60,024</u>	<u>2,845,000</u>	<u>2,905,024</u>
Due Within One Year	<u>\$ 60,024</u>	<u>190,000</u>	<u>250,024</u>

Component Unit-Public <u>Safety Commission</u>	Compensated Absences
Balance Beginning of Year	\$ 52,052
Additions	47,602
Reductions	52,193
Balance End of Year	<u>\$ 47,461</u>
Due Within One Year	<u>\$ 47,461</u>

Urban Renewal Revenue Capital Loan Notes

The annual debt service requirements to maturity for the urban renewal revenue capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2006	4.25%	\$ 190,000	120,913	310,913
2007	4.25%	190,000	112,837	302,837
2008	4.25%	190,000	104,763	294,763
2009	4.25%	190,000	96,687	286,687
2010	*4.25%	190,000	88,613	278,613
2011 – 2015	*4.25%	950,000	321,937	1,271,937
2016 – 2020	*4.25%	945,000	120,063	1,065,063
Total		<u>\$ 2,845,000</u>	<u>965,813</u>	<u>3,810,813</u>

During the year ended June 30, 2005, the County issued the \$2,845,000 in urban renewal revenue capital loan notes. None of the notes were retired during the fiscal year.

Note *: The interest rate for maturities starting in year ending June 30, 2010 shall be adjusted to 90 basis points above the rate published in the Wall Street Journal on Tuesday, July 7, 2009 for the annualized interest rate (weekly – average basis as reported by the Federal Reserve Board for the week previously ended) on the 5 – year Treasury Note.

The interest rate for maturities starting in year ending June 30, 2015 shall be adjusted to 90 basis points above the rate published in the Wall Street Journal on Tuesday, July 1, 2014 for the annualized interest rate (weekly – average basis as reported by the Federal Reserve Board for the week previously ended) on the 5 – year Treasury Note.

The interest rate for the maturities starting in year ending June 30, 2020 shall be adjusted to 90 basis points above the rate published in the Wall Street Journal on Tuesday, July 2, 2019 for the annualized interest rate (weekly – average basis as reported by the Federal Reserve Board for the week previously ended) on the 5 – year Treasury Note.

The urban renewal revenue capital loan notes were issued for the purpose of paying the costs of aiding in the planning, undertaking and carrying out of an urban renewal project, including road improvements, traffic and rail control devices and a grant to Otter Creek Ethanol, LLC, in the Osceola County Urban Renewal District 1 Plan Area. The notes are payable solely from the income and proceeds of the Special Revenue, Urban Renewal District 1 Plan Area Revenue Fund and the taxes paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal revenue capital loan notes are to be expended only for purposes, which are consistent with the plans of the County's urban renewal area. The notes are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County.

The terms providing for the issuance of the revenue notes include the following provisions:

The entire income and revenues of this Urban Renewal Plan Area shall be deposited as collected in the Urban Renewal District 1 Plan Area Revenue Fund and shall be disbursed only as follows in the order in which the following funds are listed.

(a) Principal and Interest Sinking Fund. The amount to be deposited in the Sinking Fund in any year shall be an amount equal to the interest and principal coming due on the notes during the fiscal year. Money in the Sinking Fund shall be used solely for the purpose of paying principal and interest on the notes as the notes become due and payable.

(b) Reserve Fund. Money in the Revenue Fund shall next be disbursed to maintain a debt service reserve in an amount equal to the "Reserve Fund Requirement".

"Reserve Fund Requirement" shall mean an amount equal to the lesser of (a) the maximum annual amount of the principal and interest coming due on the notes and parity obligations; or (b) 10 percent of the stated principal amount of the notes and the parity obligations. There shall be deposited in the Reserve Fund an amount equal to 25 percent of the amount required to be deposited in the Sinking Fund; provided, however, that when the amount on deposit in the Reserve Fund shall be not less than the "Reserve Fund Requirement", no further deposits shall be made into the Reserve Fund except to maintain such level, and when the amount on deposit in the Reserve Fund is greater than the balance required above, such additional amounts shall be withdrawn and paid into the Revenue Fund. Money in the Reserve Fund shall be used solely for the purpose of paying principal at maturity of or interest on the notes and parity obligations for the payment of which insufficient money shall be available in the Sinking Fund. Whenever it shall become necessary to so use money in the Reserve Fund, the payments required above shall be continued or resumed until it shall have been restored to the required minimum amount.

(c) Surplus Revenue. All money thereafter remaining in the Revenue Fund at the close of each month shall be deposited in the Surplus Revenue Fund and shall be used to pay or redeem an equal portion of the notes on June 1st of each year.

(9) 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, 2005 are 5.10% and 7.66%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County/Public Safety Commission were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County/Public Safety Commission were 5.37% and 7.48%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$76,494, \$75,975 and \$73,268, respectively, equal to the required contributions for each year. The Public Safety Commission's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$42,350, \$36,752 and \$37,245, respectively, equal to the required contributions for each year.

(10) 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 have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Health Deductibles Plan

As of July 1, 2004, the Employee Health Deductibles Plan was eliminated. The fund only remained open in fiscal year ending June 30, 2005 until all claims were finalized for fiscal year ending June 30, 2004. For fiscal year June 30, 2004, the plan was used to account for the partial self funding of the County's health insurance benefit plan for law enforcement employees and HIPAA related costs. The County assumed 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 covered the liability for claims that were covered by a 20% copay to bring the copay to a 10% level. Claims in excess of the deductibles were covered by insurance.

During fiscal year ending June 30, 2005, \$962 and \$300, respectively, was paid for medical claims and administration fees incurred during plan year ending June 30, 2004. The balance remaining of \$8,034 (\$8,008 of this was accrued last year; \$26 is reported in the financial statements as a special item this fiscal year) was disbursed to the Public Safety Commission during the fiscal year ending June 30, 2005 to completely finalize the plan.

(12) Intergovernmental Agreement

The County has entered into an agreement with the Northwest Iowa Area Solid Waste Agency, a political subdivision created in accordance with Chapter 28E of the Code of Iowa, for disposal of solid waste produced or generated from within the County. The County did not have to make any payments under this agreement for the fiscal year ended June 30, 2005, except for \$709 in fees for disposal of tires and a dumping charge.

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 \$1,919,300 as of June 30, 2005 and the portion of the liability that has been recognized by the Agency as of June 30, 2005 is \$915,359. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2005, deposits of \$1,128,220 are restricted for these purposes. The Agency has not fully demonstrated financial assurance for closure and postclosure care costs as required by Chapter 111.6(8) of the Iowa Administrative Code, which requires the deposits to be \$1,297,011. No estimate has been made as to the effect of any possible future assessments to the County.

(13) 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, 2006-2008 are \$5,252 per year for a total of \$15,756. 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, 2005 charge of \$5,252 was paid for through the General Fund.

The County entered into an agreement on March 8, 2005 to have two seal coat maintenance projects completed for \$65,844. As of June 30, 2005, no costs on this project have been incurred. This agreement will be paid as work on the project progresses (see “Subsequent Events” note).

(14) Subsequent Events

Events that have occurred subsequent to June 30, 2005 include the following:

- a. In July 2005, the Secondary Roads Fund received and paid \$78,160 for a Sterling truck. In October 2005, the Secondary Roads Fund received and paid \$50,323 for a box and hoist for this Sterling truck.

- b. On August 23, 2005, the County entered into a \$92,000 contract for a bridge project. This project will be handled through the Secondary Roads Fund.
- c. On September 13, 2005, the County approved the purchase of new voting equipment for \$92,267. The County expects to be reimbursed by State/Federal pass-thru HAVA funding in the amount of \$80,000. The remaining funding is to be provided through the General Supplemental Fund.
- d. On October 11, 2005, the County paid \$65,844 for two seal coat maintenance projects that were completed. This payment finalized the agreement entered into on March 8, 2005.

(15) Accounting Correction

The government-wide financial statements report the County's governmental activities. The beginning net assets for governmental activities has been restated to include two capital assets and the related accumulated depreciation on those two capital assets, omitted on last year's financial statements and to correct the cost and accumulated depreciation on a couple of capital assets. The effect of the accounting correction in the governmental activities is summarized as follows:

	Amount
Net Assets June 30, 2004, As Previously Reported	\$ 7,981,966
Capital Assets Being Depreciated:	
Machinery, Equipment and Vehicles	\$ 17,008
Accumulated Depreciation:	
Machinery, Plant and Equipment	<u>(10,488)</u>
Total Capital Assets Being Depreciated, Net	<u>6,520</u>
Net Assets June 30, 2005, As Restated	<u><u>\$ 7,988,486</u></u>

(16) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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, 2005

	All County Governmental Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property and Other County Tax	\$ 2,048,883	0	2,048,883	2,056,777	2,056,777	(7,894)
Interest and Penalty on Property Tax	8,266	0	8,266	4,000	4,000	4,266
Intergovernmental	2,328,129	0	2,328,129	2,153,348	2,276,048	52,081
Licenses and Permits	8,688	0	8,688	4,400	4,400	4,288
Charges for Service	247,035	0	247,035	157,575	166,075	80,960
Use of Money and Property	115,459	1,482	113,977	71,138	86,753	27,224
Miscellaneous	32,215	0	32,215	825	825	31,390
Total Receipts	4,788,675	1,482	4,787,193	4,448,063	4,594,878	192,315
Disbursements						
Public Safety and Legal Services	832,091	0	832,091	809,771	866,036	(33,945)
Physical Health and Social Services	120,920	0	120,920	149,397	149,397	(28,477)
Mental Health	509,058	0	509,058	559,500	559,500	(50,442)
County Environment and Education	2,697,274	0	2,697,274	271,496	3,125,275	(428,001)
Roads and Transportation	1,887,714	0	1,887,714	1,915,000	1,915,000	(27,286)
Governmental Services to Residents	198,942	0	198,942	183,695	220,195	(21,253)
Administration	557,654	0	557,654	596,777	596,777	(39,123)
Debt Service	110,836	0	110,836	0	110,836	0
Capital Projects	243,594	3,535	240,059	280,000	280,000	(39,941)

Total Disbursements	7,158,083	3,535	7,154,548	4,765,636	7,823,016	(668,468)
Excess (Deficiency) of Receipts Over (Under) Disbursements	(2,369,408)	(2,053)	(2,367,355)	(317,573)	(3,228,138)	860,783
Other Financing Sources, Net	2,884,240	0	2,884,240	0	2,845,000	39,240
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	514,832	(2,053)	516,885	(317,573)	(383,138)	900,023
Balances Beginning of Year	3,073,746	134,839	2,938,907	2,372,209	2,372,209	566,698
Balances End of Year	\$ 3,588,578	132,786	3,455,792	2,054,636	1,989,071	1,466,721

See accompanying independent auditor's report.

Osceola County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 4,788,675	23,311	4,811,986
Expenditures	7,158,083	(215,574)	6,942,509
Net	(2,369,408)	238,885	(2,130,523)
Other Financing Sources, Net	2,884,240	6,000	2,890,240
Beginning Fund Balances	3,073,746	213,160	3,286,906
Ending Fund Balances	\$ 3,588,578	458,045	4,046,623

See accompanying independent auditor's report.

Osceola County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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

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

Formal and legal budgetary control is based upon 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, five budget amendments increased budgeted disbursements by \$3,057,380. 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.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted in any function; however, disbursements in two departments exceeded the amounts appropriated and one department exceeded the amount appropriated before the departmental appropriation was properly increased.

Osceola County
Other Supplementary Information

Osceola County

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

Assets	County Recorder's Records Management	Unified Law Levy	County Government Assistance	Sheriff's Asset Forfeiture
Cash and Pooled Investments	\$ 12,260	3,748	2,289	11,159
Receivables:				
Property Tax:				
Delinquent	0	341	0	0
Succeeding Year	0	193,599	0	0
Tax Increment Financing:				
Succeeding Year	0	0	0	0
Accrued Interest	24	0	0	0
Due from Other Governmental Funds	0	0	0	0
Due from Other Governments	0	0	0	162
Prepaid Expenditures	0	0	3,127	0
Total Assets	\$ 12,284	197,688	5,416	11,321
Liabilities and Fund Equity				
Liabilities:				
Accounts Payable	\$ 0	0	0	9,032
Due to Other Governmental Funds	0	0	0	0
Due to Component Unit	0	3,748	0	0
Deferred Revenue:				
Succeeding Year Property Tax	0	193,599	0	0
Succeeding Year Tax Increment Financing	0	0	0	0
Other	0	325	0	0
Total Liabilities	0	197,672	0	9,032
Fund Equity:				
Fund Balances:				
Unreserved	12,284	16	5,416	2,289
Total Liabilities and Fund Equity	\$ 12,284	197,688	5,416	11,321

See accompanying independent auditor's report.

Schedule 1

County Recorder's Transaction Fee	Urban Renewal District 1 Plan Area Revenue	Urban Renewal District 1 Plan Area Revenue Principal and Interest Sinking	Drainage Districts	Conservation Land Acquisition Trust	Total
12,850	0	5,370	132,786	34,426	214,888
0	0	0	0	0	341
0	0	0	0	0	193,599
0	210,292	0	0	0	210,292
37	5	0	138	73	277
0	0	0	0	0	0
0	0	0	0	0	162
0	0	0	0	0	3,127
12,887	210,297	5,370	132,924	34,499	622,686
0	0	0	2,421	0	11,453
0	0	4,499	0	0	4,499
0	0	0	0	0	3,748
0	0	0	0	0	193,599
0	210,292	0	0	0	210,292
0	0	0	0	0	325
0	210,292	4,499	2,421	0	423,916
12,887	5	871	130,503	34,499	198,770
12,887	210,297	5,370	132,924	34,499	622,686

Osceola County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2005

	County Recorder's Records Management	Unified Law Levy	County Government Assistance	Sheriff's Asset Forfeiture
Revenues:				
Property and Other County Tax	\$ 0	186,186	0	0
Intergovernmental	0	13,233	0	3,917
Charges for Service	1,917	0	0	0
Use of Money and Property	98	0	0	0
Total Revenues	2,015	199,419	0	3,917
Expenditures:				
Operating:				
Public Safety and Legal Services	0	199,403	10,000	11,532
Governmental Services to Residences	3,126	0	0	0
Administration	0	0	9,578	0
Debt Service	0	0	0	0
Capital Projects	0	0	0	0
Total Expenditures	3,126	199,403	19,578	11,532
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,111)	16	(19,578)	(7,615)
Other Financing Source:				
Urban Renewal Revenue Capital Loan Notes Proceeds	0	0	0	0
Net Change in Fund Balances	(1,111)	16	(19,578)	(7,615)
Fund Balances Beginning of Year	13,395	0	24,994	9,904
Fund Balance End of Year	\$ 12,284	16	5,416	2,289

See accompanying independent auditor's report.

Schedule 2

County Recorder's Transaction Fee	Urban Renewal District 1 Plan Area Revenue	Urban Renewal District 1 Plan Area Revenue Principal and Interest Sinking	Urban Renewal District 1 Plan Area Capitalized Interest	Drainage Districts	Conservation Land Acquisition Trust	Total
0	0	0	0	0	0	186,186
0	0	0	0	0	0	17,150
14,196	0	0	0	0	0	16,113
366	5	871	0	1,538	5,263	8,141
14,562	5	871	0	1,538	5,263	227,590
0	0	0	0	0	0	220,935
24,411	0	0	0	0	0	27,537
0	0	0	0	0	0	9,578
0	0	0	110,836	0	0	110,836
0	0	0	0	5,957	0	5,957
24,411	0	0	110,836	5,957	0	374,843
(9,849)	5	871	(110,836)	(4,419)	5,263	(147,253)
0	0	0	110,836	0	0	110,836
(9,849)	5	871	0	(4,419)	5,263	(36,417)
22,736	0	0	0	134,922	29,236	235,187
12,887	5	871	0	130,503	34,499	198,770

Osceola County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers
Assets				
Cash and Pooled Investments:				
County Treasurer	\$ 0	1,364	41,887	118,867
Other County Officials	12,658	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	157	158	16
Succeeding Year	0	80,583	81,207	8,058
Tax Increment Financing:				
Succeeding Year	0	0	0	0
Accounts	96,366	0	0	0
Accrued Interest	1	0	0	0
Special Assessments	0	0	0	0
Due from Other Governments	0	0	56	0
Prepaid Expenses	0	0	758	0
Total Assets	\$ 109,025	82,104	124,066	126,941
Liabilities				
Accounts Payable	\$ 0	0	0	0
Due to Primary Government	101,270	0	0	0
Due to Component Unit	7,596	0	0	0
Due to Other Governments	17	82,104	122,364	126,941
Trusts Payable	142	0	0	0
Compensated Absences	0	0	1,702	0
Total Liabilities	\$ 109,025	82,104	124,066	126,941

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Special Assessments
64,037	2,718	8,688	2,191	123,255	362
0	0	0	0	0	0
7,020	337	2,162	256	0	0
3,833,163	163,412	973,683	114,675	0	0
0	0	144,721	0	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
<u>3,904,220</u>	<u>166,467</u>	<u>1,129,254</u>	<u>117,122</u>	<u>123,255</u>	<u>47,971</u>
0	0	0	0	0	0
0	0	0	0	5,148	0
0	0	0	0	0	0
3,904,220	166,467	1,129,254	117,122	118,107	47,971
0	0	0	0	0	0
0	0	0	0	0	0
<u>3,904,220</u>	<u>166,467</u>	<u>1,129,254</u>	<u>117,122</u>	<u>123,255</u>	<u>47,971</u>

Osceola County

Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2005

	E911 Surcharge	Emergency Management Services	Other	Total
Assets				
Cash and Pooled Investments:				
County Treasurer	98,541	34,345	30,998	527,253
Other County Officials	0	0	2,871	15,529
Receivables:				
Property Tax:				
Delinquent	0	0	2	10,108
Succeeding Year	0	0	1,074	5,255,855
Tax Increment Financing:				
Succeeding Year	0	0	0	144,721
Accounts	8,993	0	0	105,359
Accrued Interest	213	0	0	214
Special Assessments	0	0	0	47,609
Due from Other Governments	1,176	6,756	0	7,988
Prepaid Expenses	0	379	0	1,137
Total Assets	108,923	41,480	34,945	6,115,773
Liabilities				
Accounts Payable	116	0	0	116
Due to Primary Government	0	0	390	106,808
Due to Component Unit	0	0	0	7,596
Due to Other Governments	108,807	39,644	1,525	5,964,543
Trusts Payable	0	0	33,030	33,172
Compensated Absences	0	1,836	0	3,538
Total Liabilities	108,923	41,480	34,945	6,115,773

See accompanying independent auditor's report.

Osceola County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 Year Ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers
Assets and Liabilities				
Balances Beginning of Year	\$ 103,978	79,614	133,529	118,293
Additions:				
Property and Other County Tax	0	80,386	81,004	8,038
State Tax Credits	0	5,874	5,933	601
Federal and Other State Revenues	7,021	88	237	9
Remittances from Osceola County	8,034	0	0	0
E911 Surcharge	0	0	0	0
Office Fees and Collections	374,530	0	403	0
Electronic Transaction Fee	0	0		0
Auto & Drivers Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Interest	205	0	0	0
Trusts	41,364	0	0	0
Miscellaneous	1,431	0	17	0
Total Additions	432,585	86,348	87,594	8,648
Deductions:				
Agency Remittances:				
To Other Funds/Component Unit	204,180	0	0	0
To Other Governments	181,994	83,858	97,057	0
Trusts Paid Out	41,364	0	0	0
Total Deductions	427,538	83,858	97,057	0
Balances End of Year	\$ 109,025	82,104	124,066	126,941

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Special Assessments
3,898,271	159,974	1,144,016	114,049	147,342	47,609
3,651,875	163,031	1,115,293	114,381	0	0
275,313	11,687	94,173	7,737	0	0
4,140	177	2,214	86	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	1,611,728	0
0	0	0	0	0	5,101
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
3,931,328	174,895	1,211,680	122,204	1,611,728	5,101
0	0	0	0	64,276	0
3,925,379	168,402	1,226,442	119,131	1,571,539	4,739
0	0	0	0	0	0
3,925,379	168,402	1,226,442	119,131	1,635,815	4,739
3,904,220	166,467	1,129,254	117,122	123,255	47,971

Osceola County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 Year Ended June 30, 2005

	E911 Surcharge	Emergency Management Services	Other	Total
Assets and Liabilities				
Balances Beginning of Year	86,593	40,011	35,137	6,108,416
Additions:				
Property and Other County Tax	0	0	1,071	5,215,079
State Tax Credits	0	0	79	401,397
Federal and Other State Revenues	9,061	21,309	0	44,342
Remittances from Osceola County	0	30,000	0	38,034
E911 Surcharge	44,983	0	0	44,983
Office Fees and Collections	12	0	0	374,945
Electronic Transaction Fee	0	0	1,917	1,917
Auto & Drivers Licenses, Use Tax and Postage	0	0	0	1,611,728
Assessments	0	0	0	5,101
Interest	1,458	0	3	1,666
Trusts	0	0	69,838	111,202
Miscellaneous	0	1,561	8	3,017
Total Additions	55,514	52,870	72,916	7,853,411
Deductions:				
Agency Remittances:				
To Other Funds/Component Unit	0	0		268,456
To Other Governments	33,184	51,401	3,366	7,466,492
Trusts Paid Out	0	0	69,742	111,106
Total Deductions	33,184	51,401	73,108	7,846,054
Balances End of Year	108,923	41,480	34,945	6,115,773

See accompanying independent auditor's report.

Osceola County

Balance Sheet
 Component Unit – Public Safety Commission
 June 30, 2005

Assets	
Cash and Pooled Investments	\$ 166,193
Due from Primary Government	3,748
Due from Agency Funds	7,596
Prepaid Insurance	9,055
Total Assets	\$ 186,592
Liabilities and Fund Balances	
Liabilities:	
Accounts Payable	\$ 16,850
Salaries and Benefits Payable	2,710
Compensated Absences	1,208
Deferred Revenue:	
Other	150
Total Liabilities	20,918
Fund Balances:	
Unreserved:	
Undesignated	165,674
Total Liabilities and Fund Balances	\$ 186,592

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, 2005

Total Component Unit Fund Balance (page 63)	\$	165,674
 <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 \$377,841 and the accumulated depreciation is \$143,348.		234,493
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the Balance Sheet.		150
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.		(47,461)
		<hr style="border: none; border-top: 1px solid black;"/>
Net Assets of Component Unit (pages 15 - 16)	\$	<u><u>352,856</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, 2005

Revenues:		
Intergovernmental	\$	801,430
Charges for Service		19,090
Miscellaneous		1,630
Total Revenues		<u>822,150</u>
Expenditures:		
Operating:		
Uniformed Patrol Services		506,787
Law Enforcement Communications		190,821
Administration		163,196
Data Processing Services		4,731
Tort Liability and Safety of the Workplace		13,331
Total Expenditures		<u>878,866</u>
Deficiency of Revenues Under Expenditures	(56,716)
Other Financing Sources:		
Sale of Capital Assets		1,745
Special Item:		
Osceola County Employee Health Deductibles Plan Termination		<u>8,034</u>
Net Change in Fund Balance	(46,937)
Fund Balance Beginning of Year		<u>212,611</u>
Fund Balance End of Year	\$	<u><u>165,674</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, 2005

Net Change in Fund Balances – Total Component Unit (page 65) \$(46,937)

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	\$ 28,978	
Depreciation Expense	<u>(38,594)</u>	(9,616)

In the Statement of Activities, the gains and losses on the disposition of capital assets are reported (including values received on traded-in capital assets), whereas in the Statement of Revenues, Expenditures and Changes in Fund Balances, the proceeds from the sales of capital assets are reported as increases in financial resources. (12,903)

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	(8,012)
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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>4,591</u>
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Change in Net Assets of Component Unit (pages 17 - 18) \$(72,877)

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, 2005

<u>Budget to Actual Comparison:</u>	Budgeted Amounts			Final to Actual Variance
	Actual	Original	Final	
Receipts:				
County Contribution	\$ 234,844	234,844	234,844	0
City Contribution	332,944	332,823	332,823	121
Unified Law Levy	199,482	200,000	200,000	(518)
Other Receipts	43,670	33,370	33,370	10,300
Total Receipts	810,940	801,037	801,037	9,903
Disbursements:				
Uniformed Patrol Services	505,133	490,300	512,300	(7,167)
Law Enforcement Communications	193,928	174,800	194,800	(872)
Administration	159,818	158,184	158,184	1,634
Other	18,063	24,300	24,300	(6,237)
Total Disbursements	876,942	847,584	889,584	(12,642)
Deficiency of Receipts Under Disbursements	(66,002)	(46,547)	(88,547)	22,545
Other Financing Source	1,745	0	0	1,745
Special Item	8,034	0	0	8,034
Balances Beginning of Year	222,416	206,464	222,416	0
Balances End of Year	\$ 166,193	159,917	133,869	32,324

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.

<u>Reconciliation:</u>	Cash	Accrual	Modified
	Basis	Adjustments	Accrual Basis
Revenues	\$ 810,940	11,210	822,150
Expenditures	876,942	1,924	878,866
Net	(66,002)	9,286	(56,716)
Other Financing Source	1,745	0	1,745
Special Item	8,034	0	8,034
Beginning Fund Balances	222,416	(9,805)	212,611
Ending Fund Balances	\$ 166,193	(519)	165,674

See accompanying independent auditor's report.

Osceola County

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

	Modified Accrual Basis		
	2005	2004	2003
Revenues:			
Property and Other County Tax	\$ 2,049,051	2,157,197	2,119,252
Interest and Penalty on Property Tax	8,324	10,054	9,823
Intergovernmental	2,339,771	2,310,475	2,231,754
Licenses and Permits	9,113	6,023	6,167
Charges for Service	250,401	226,598	191,636
Use of Money and Property	123,817	84,301	99,577
Miscellaneous	31,509	38,024	43,735
Total	\$ 4,811,986	4,832,672	4,701,944
Expenditures:			
Operating:			
Public Safety and Legal Services	\$ 850,645	782,569	780,412
Physical Health and Social Services	121,043	130,769	136,127
Mental Health	524,588	481,889	488,561
County Environment and Education	2,684,018	249,974	250,575
Roads and Transportation	1,644,789	1,913,113	1,823,134
Governmental Services to Residents	197,544	151,508	136,365
Administration	557,568	559,522	635,482
Debt Service	110,836	68,411	0
Capital Projects	251,478	184,549	936,418
Total	\$ 6,942,509	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 Three Years

	Modified Accrual Basis		
	2005	2004	2003
Revenues:			
Intergovernmental	\$ 801,430	781,815	776,257
Charges for Service	19,090	22,173	23,948
Miscellaneous	1,630	2,849	714
Total	\$ 822,150	806,837	800,919
Expenditures:			
Operating:			
Uniformed Patrol Services	\$ 506,787	515,636	505,115
Law Enforcement Communications	190,821	184,783	178,910
Administration	163,196	137,625	144,945
Data Processing Services	4,731	3,042	0
Tort Liability and Safety of the Workplace	13,331	12,914	19,060
Total	\$ 878,866	854,000	848,030

See accompanying independent auditor's report.

Osceola County

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

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

To the Officials of 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, 2005, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated November 18, 2005. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 opinions on the financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud 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 05-A, B, D, E, F, I and L are material weaknesses.

Compliance and Other Matters

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, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 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.

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.

De Noble & Company PC
Certified Public Accounting Firm

November 18, 2005

Osceola County
Schedule of Findings
Year Ended June 30, 2005

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

05-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 several offices may have control over financial transactions, record-keeping and reconciling functions, for which no compensating controls exist.

Recommendations – The following recommendations should be considered to improve the segregation of duties within the various offices of the County:

- a. 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 by an independent person to the cash receipt records and to the actual deposit made.
- b. Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.
- c. 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.
- d. 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. Dual signatures should be required on all checks.
- e. Supplies and capital assets ordered should be received by someone other than the person who initiated the order.
- f. 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.
- g. 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, 2005

- h. Note debt records should be maintained by an individual who does not perform any cash functions. Notes that have been paid should be reconciled to the note records by an independent person.
- i. The person responsible for making sure all items ordered are received and the proper amounts are charged should be separate from the purchasing and cash disbursement functions.
- j. 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 reviewed and approved by an independent person before issuing payment for the payroll period. Formal proof of the review and approval of a timesheet should be established by having the independent person initial each timesheet.
- k. 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.
- l. 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.

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, as applicable, 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.

05-B

Capital Assets – 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. This

Osceola County
Schedule of Findings
Year Ended June 30, 2005

recommendation does also apply to the Public Safety Commission, County Assessor, Emergency Management and E911.

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

Conclusion – Response accepted. However, it is important that this issue is addressed and continued to be developed in a timely manner.

05-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, County Assessor, Emergency Management and E911.

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

Conclusion – Response accepted. However, please do attempt to address this issue in the near future.

05-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. However, please do attempt to have each appropriate office work on this in the near future.

05-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).

Osceola County
Schedule of Findings
Year Ended June 30, 2005

- 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 for the Conservation Office and ambulance records. 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.

Recommendation – Written policies should be developed addressing the above items in order to improve the control over computer based systems. This recommendation, as applicable, does apply to 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. However, please attempt to implement this recommendation in the near future.

05-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 Emergency Management, E911, County Assessor, County Extension and the Public Safety Commission also.

Response – We will have each office work on this.

Conclusion – Response accepted. However, please do attempt to implement this recommendation.

05-G Compensated Absences Carryover – Two offices allowed compensated absences to be carried over in excess of the time allowed by the County personnel policy. At June 30, 2005 the excess carryover amounted to \$534 in the General Fund, \$946 in the Secondary Roads Fund and \$694 for the Public Safety Commission.

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. This approval should be documented in the controlling Board's minutes.

Response – We will have each controlling Board address this issue. We will attempt to have this monitored more closely in the future.

Osceola County
Schedule of Findings
Year Ended June 30, 2005

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

05-H Cellular Phone Policy – The County, Public Safety Commission and Emergency Management do not have a standard policy regarding limitations on use of cellular phones.

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

Response – We will have each of the controlling Boards work on adopting a policy that attempts to meet the requirements of public purpose.

Conclusion – Response accepted. However, please do attempt to implement this recommendation in the near future.

05-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 attempt to implement this recommendation in a timely manner.

05-J Lease Agreements – The County has entered into several arrangements through the Conservation Office 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 have the County Attorney and the Conservation Office work on getting each of the land lease agreements in writing.

Conclusion – Response accepted. Please consider this recommendation.

05-K Written Job Description – For legal purposes, a written job description should possibly be in place for the custodian positions.

Recommendation – For the benefit of the County and the custodians, the County should consider establishing a written job description for the custodians, delineating specific duties, reporting relationships and constraints. Please have the County Attorney address this.

Osceola County
Schedule of Findings
Year Ended June 30, 2005

Response – We will consult with the County Attorney on this.

Conclusion – Response accepted. Please have the County Attorney address this.

05-L Vehicle Usage/Fuel Test – When filling County or Public Safety Commission vehicles with fuel, the vehicle's identification and the mileage at the time of fueling are not always noted on the receipt. Vehicle mileage should be compared to fuel consumption on a regular basis.

Recommendation – When filling County or Public Safety Commission vehicles with fuel, the vehicle's identification and the mileage at the time of fueling should be noted on the 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 County departments and the Public Safety Commission address this.

Conclusion – Response accepted. Please consider this recommendation.

05-M Credit Card Charges Documentation – The only support for some credit card charges, including employee meal 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. Please stress the importance of needing to maintain detailed support for all credit card charges.

05-N Ambulance Run Reports – The ambulance run reports are not prenumbered.

Recommendation – The ambulance run reports should be prenumbered and the numerical sequence should be monitored for completeness. The ambulance run reports should be reconciled to the accounting records by an independent person.

Response – We will have the ambulance personnel address this.

Conclusion – Response accepted.

Osceola County
Schedule of Findings
Year Ended June 30, 2005

Other Findings Related to Required Statutory Reporting:

05-1 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

05-2 Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amount budgeted in any of the functions. Disbursements in two departments exceeded the amounts appropriated. Disbursements in one department exceeded the amount appropriated before the departmental appropriation was properly increased.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will change appropriations in accordance with the Code of Iowa in the future.

Conclusion – Response accepted.

05-3 Questionable Expenditures – No reportable expenditures were noted for Osceola County that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979. However, the Public Safety Commission incurred the following meal costs that may not meet the requirements of public purpose since the public benefits to be derived have not been clearly documented:

The Public Safety Commission paid \$58 in meal charges for personnel attending one-day training held in Sheldon, Iowa. Also, since these meal charges were for “other than overnight trips”, these charges should have been included on the employees’ W-2s.

Recommendation – The Public Safety Commission Board should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the Public Safety Commission should establish a written policy, including requirements for proper documentation. Also, meal charges for “other than overnight trips” should be included on the employees’ W-2s as required by Section 162 of the Internal Revenue Code. The County should amend prior W-2s that were incorrectly filed.

Response – This recommendation will be addressed.

Conclusion – Response accepted. Please consider the possible tax consequences related to this issue.

Osceola County
Schedule of Findings
Year Ended June 30, 2005

05-4 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: 05-M” for a possibly related comment.

05-5 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Cash Basis Amount
Rick Echter, Husband of Barbara Echter – County Auditor, Owner of Echter’s Greenhouses	Lawn products and plants	\$ 775
Wes Grunow, Former County Custodian, Owner of Grunow Custom Woodworking	Woodworking projects	\$ 632
Byron Lopau, County Supervisor, Owner of Rental Building	Rent	\$ 250
Nadine Petersen, Wife of Derrick Petersen – County Supervisor Partial Health Funding Claim Administrator	Administration fees	\$ 300

In accordance with Chapter 331.342 (10) of the Code of Iowa, these transactions do not appear to represent conflicts of interest since the total transactions with each were less than \$1,500 during the fiscal year.

05-6 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.

05-7 Board Minutes – No transactions were found that we believe should have been approved in the Board of Supervisors minutes but were not.

05-8 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.

Osceola County
Schedule of Findings
Year Ended June 30, 2005

05-9 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.

Response – We will refile the report.

Conclusion – Response accepted.

05-10 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, 2005 for the County Extension Office did not exceed the amount budgeted.

The County Extension needs to review the “Findings Related to the 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 stress to the Extension Council the need to readdress this issue.

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

05-11 Mental Health Fund Copier – 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.

Recommendation –The copier should be sold to the General Fund at the fair market value of the copier at the time it was no longer mainly used by Mental Health. This is needed in order to correlate with its primary function at this time and for the foreseeable future.

Response – This recommendation has been noted.

Osceola County
Schedule of Findings
Year Ended June 30, 2005

Conclusion – Response accepted. Please implement this recommendation.

05-12 County Treasurer’s Report – The County Treasurer’s December 31, 2004 semi annual report and the June 30, 2005 annual report of receipts, disbursements and ending cash balances, including checks outstanding, did not properly report separately each of the new funds created to comply with the urban renewal revenue capital loan notes issuance.

Recommendation – Each 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 – We will implement your recommendation.

Conclusion – Response accepted.

05-13 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/maintaining a drug dog and drug dog related expenditures 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 can be approved before authorization is granted. The Public Safety Commission should consult with legal counsel about this before making a final decision. All claims, including the claims paid before authorization is granted, should be formally approved in the minutes.

All activity related to the drug dog 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 implement your recommendations.

Conclusion – Response accepted.

05-14 Annual Certification – The annual certification required in the “Agreement for Private Development By and Between Osceola County, Iowa and Otter Creek Ethanol, LLC” to be provided by Otter Creek Ethanol, LLC to Osceola County by November 1, 2004 was never received.

Osceola County
Schedule of Findings
Year Ended June 30, 2005

Recommendation – The County needs to establish a system to ensure that the annual certification from Otter Creek Ethanol, LLC is received and reviewed for completeness each year.

Response – We will monitor this agreement requirement to make sure the proper certification is provided and reviewed for completeness.

Conclusion – Response accepted.

05-15 Tax Increment Debt Certificates – The County Auditor’s Office did not mail copies of the filed tax increment debt certificates to each affected taxing district.

Recommendation – The County should comply with Chapter 403.19(5) of the Code of Iowa and mail copies of the filed tax increment debt certificates to each affected taxing district.

Response – We will implement this recommendation.

Conclusion – Response accepted.

05-16 Conservation Board Minutes – The Conservation Board minutes contain very little information on what business was discussed during the meeting.

Recommendation – The Conservation Board minutes should be more detailed in order to reflect what business was discussed.

Response – We will have the Conservation Board address this.

Conclusion – Response accepted.

05-17 County Assessor’s Office – The Osceola County Assessor’s fiscal year July 1, 2004 to June 30, 2005 budget reported incorrect taxable valuation amounts.

The County Assessor’s Conference Board approved a 5% wage increase for Assessor’s Office personnel in fiscal year 2005/2006. Personnel on salary for 2005/2006 are actually receiving a 5% salary increase rounded up to the nearest \$50. An employee on an hourly wage should be paid \$13.65 per hour, but is actually receiving \$15.00 per hour in fiscal year 2005/2006.

Recommendations – Procedures should be established to ensure the proper taxable valuation amounts are reported on future County Assessor’s budgets.

The salaries and per hour wage for County Assessor’s personnel should agree exactly to the amounts approved by the County Assessor’s Conference Board.

Osceola County
Schedule of Findings
Year Ended June 30, 2005

Response – We will make sure the valuation figures are correct on future budgets. We will have the County Assessor’s Conference Board address the salaries/wage issue.

Conclusion – Response accepted.

05-18

E911 Service Board Budget – The Joint E911 Service Board’s fiscal year July 1, 2004 to June 30, 2005 budget contained numerous errors (beginning and ending fund balances reported are wrong, the ending fund balance is not properly designated, the County Auditor’s certification is improper and the approved surcharge is incorrectly stated).

Recommendation – The July 1, 2004 to June 30, 2005 budget should be corrected for the errors. The corrected budget should be resubmitted to the Iowa Department of Management and the Iowa Department of Public Defense/Emergency Management Division. Care should be taken when preparing future budgets in order to ensure the budgets are proper.

Response – We will correct the fiscal year ending June 30, 2005 budget. We will use due diligence in preparing future budgets.

Conclusion – Response accepted. Please seek assistance if you have questions on how to properly prepare the budget.

Osceola County

Listing of Auditors

This audit was performed by:

David De Noble, CPA, Senior Auditor
Myron Siebrecht, CPA, Senior Auditor
Robert Ferreira, CPA, Assistant Auditor
James Fisher, Assistant Auditor
Jerry Stubbe, Assistant Auditor
Gregg Miller, Assistant Auditor

De Noble & Company PC
Certified Public Accounting Firm