

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

**JUNE 30, 2006**

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## Osceola County

### Officials

| Name             | Title                                | Term Expires                     |
|------------------|--------------------------------------|----------------------------------|
| 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 Strenge    | 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<br>(Appointed) |
| Thomas Snyder    | County Engineer                      | Indefinite (Appointed)           |
| Ronald Spengler  | County Conservation Director         | Indefinite (Appointed)           |
| Debra Goettig    | County Emergency Management 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, 2006, 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, 2006, and the respective changes in financial position 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 22, 2006 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 44 through 48 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the fiscal year ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those 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 22, 2006

## **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, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **Fiscal Year 2005/2006 Financial Highlights**

- The County's governmental funds revenues for fiscal year 2006 were \$5,218,862 compared to \$4,811,986 in fiscal year 2005, an increase of \$406,876 or 8.5%. Property taxes and other county tax for fiscal year 2006 were \$2,221,623 compared to \$2,049,051 in fiscal year 2005, an increase of \$172,572 or 8.4%. Tax increment financing increased by \$210,292, charges for service decreased by \$25,138 and use of money and property increased by \$53,939 in fiscal year 2006.
- The County's governmental funds expenditures for fiscal year 2006 were \$5,799,596 compared to \$6,942,509 in fiscal year 2005, a decrease of \$1,142,913 or 16.5%. County environment and education decreased by \$2,093,729, due mainly to expenditures made to Otter Creek Ethanol, LLC in fiscal year 2005 as part of an urban renewal plan. Roads and transportation increased by \$605,877, governmental services to residents increased by \$110,011 and capital projects increased by \$211,060 in fiscal year 2006.
- The County's governmental funds fund balances for fiscal year 2006 were \$3,465,889 compared to \$4,046,623 in fiscal year 2005, a decrease of \$580,734 or 14.4%.
- The County's government-wide net assets for fiscal year 2006 were \$7,070,429 compared to \$6,712,539 in fiscal year 2005, an increase of \$357,890 or 5.3%.
- The County's governmental activities revenues for fiscal year 2006 were \$5,647,253 compared to \$5,734,912 in fiscal year 2005, a decrease of \$87,659 or 1.5%.
- The County's governmental activities expenses for fiscal year 2006 were \$5,289,363 compared to \$7,010,833 in fiscal year 2005, a decrease of \$1,721,470 or 24.6%. Public safety and legal services increased by \$79,961 or 9.4%, county environment and education decreased by \$2,333,426 or 8.7% and roads and transportation increased by \$440,268 or 26.2%. The main reason for the large decrease was due to the aforementioned urban renewal plan expenses to Otter Creek Ethanol, LLC in fiscal year 2005.

### **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 County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue 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 flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety & 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, tax increment financing and intergovernmental financing (grants) fund 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 two 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 Revenue. 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) 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 the E911 Fund, Emergency Management Services Fund, 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 2006 for the Public Safety Commission include:

- The discretely presented component unit – Public Safety Commission's government-wide net assets for fiscal year 2006 were \$431,394 compared to \$352,856 in fiscal year 2005, an increase of \$78,538 or 22.3%. The Public Safety Commission's governmental activities revenues for fiscal year 2006 were \$954,936 compared to \$822,541 in fiscal year 2005, an increase of \$132,395 or 16.1%. The Public Safety Commission's governmental activities expenses for fiscal year 2006 were \$876,398 compared to \$895,444 in fiscal year 2005, a decrease of \$19,046 or 2.1%.

- The Public Safety Commission’s modified accrual basis revenues for fiscal year 2006 were \$904,975 compared to \$822,150 in fiscal year 2005, an increase of \$82,645 or 10.1%.
- The Public Safety Commission’s modified accrual basis expenditures for fiscal 2006 were \$832,635 compared to \$878,866 in fiscal year 2005, a decrease of \$46,231 or 5.3%.
- The Public Safety Commission’s fund balance for fiscal year 2006 was \$238,845 compared to \$165,674 in fiscal year 2005, an increase of \$73,171 or 44.2%.
- Revenues increased mainly due to an increase in County and Cities contributions. Expenses/expenditures decreased mainly due to a decrease in overall personnel costs.
- The Public Safety Commission did not exceed its budgeted disbursements for fiscal year 2006. The Public Safety Commission did not need to amend its budget during fiscal year 2006. For fiscal year 2006, the Public Safety Commission’s actual ending balance was \$7,137 lower 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.

|   | <b>Net Assets</b>       |                   |                          |                |
|---|-------------------------|-------------------|--------------------------|----------------|
|   | Governmental Activities |                   | Public Safety Commission |                |
|   | June 30,                |                   | June 30,                 |                |
|   | 2006                    | 2005              | 2006                     | 2005           |
| Current and Other Assets                        | \$ 6,552,700            | 6,714,896         | \$ 250,074               | 186,592        |
| Capital Assets                                  | 6,279,064               | 5,470,252         | 226,831                  | 234,493        |
| <b>Total Assets</b>                             | <b>12,831,764</b>       | <b>12,185,148</b> | <b>476,905</b>           | <b>421,085</b> |
| Long-term Debt Outstanding                      | 2,819,417               | 2,905,024         | 40,329                   | 47,461         |
| Other Liabilities                               | 2,941,918               | 2,567,585         | 5,182                    | 20,768         |
| <b>Total Liabilities</b>                        | <b>5,761,335</b>        | <b>5,472,609</b>  | <b>45,511</b>            | <b>68,229</b>  |
| Net Assets:                                     |                         |                   |                          |                |
| Invested in Capital Assets, Net of Related Debt | 6,279,064               | 5,470,254         | 226,831                  | 234,493        |
| Restricted                                      | ( 160,106)              | 232,034           | 0                        | 0              |
| Unrestricted                                    | 951,471                 | 1,010,251         | 204,563                  | 118,363        |
| <b>Total Net Assets</b>                         | <b>\$ 7,070,429</b>     | <b>6,712,539</b>  | <b>\$ 431,394</b>        | <b>352,856</b> |

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.

Of the total net assets for the governmental activities, invested in capital assets increased by \$808,810 or 14.8%, restricted net assets decreased by \$392,140 or 169.0% and unrestricted net assets decreased by \$58,780 or 5.8%.

| <b>Changes in Net Assets</b>                                 |                         |                  |                          |                |
|--|-------------------------|------------------|--------------------------|----------------|
|  | Governmental Activities |                  | Public Safety Commission |                |
|  | Year Ended              |                  | Year Ended               |                |
|  | June 30, 2006           | June 30, 2005    | June 30, 2006            | June 30, 2005  |
| Revenues:  |                         |                  |                          |                |
| Program Revenues:  |                         |                  |                          |                |
| Charges for Service  | \$ 297,516              | 287,581          | \$ 857,679               | 787,907        |
| Operating Grants, Contributions and Restricted Interest      | 2,086,781               | 2,135,428        | 53,014                   | 9,004          |
| Capital Grants, Contributions and Restricted Interest        | 448,750                 | 910,480          | 44,243                   | 0              |
| General Revenues:  |                         |                  |                          |                |
| Property Tax Levied for:                                     |                         |                  |                          |                |
| General Purposes   | 2,025,327               | 1,865,615        | 0                        | 0              |
| Unified Law  | 198,913                 | 186,488          | 0                        | 0              |
| Tax Increment Financing                                      | 210,292                 | 0                | 0                        | 0              |
| Penalty and Interest on Property Tax                         | 15,673                  | 9,569            | 0                        | 0              |
| State Tax Credits  | 154,370                 | 151,095          | 0                        | 0              |
| Grants and Contributions Not Restricted to Specific Purposes | 9,707                   | 13,279           | 0                        | 25,235         |
| Unrestricted Investment Earnings                             | 144,544                 | 95,501           | 0                        | 0              |
| Rents  | 32,294                  | 27,462           | 0                        | 0              |
| Drainage Assessments   | 4,369                   | 0                | 0                        | 0              |
| Gain on Disposal of Capital Assets                           | 17,353                  | 51,419           | 0                        | 395            |
| Miscellaneous  | 1,364                   | 995              | 0                        | 0              |
| Total Revenues   | <u>5,647,253</u>        | <u>5,734,912</u> | <u>954,936</u>           | <u>822,541</u> |
| Program Expenses:  |                         |                  |                          |                |
| Public Safety and Legal Services                             | 932,822                 | 852,861          | 0                        | 0              |
| Physical Health and Social Services                          | 129,685                 | 123,747          | 0                        | 0              |
| Mental Health  | 532,029                 | 518,588          | 0                        | 0              |
| County Environment and Education                             | 360,378                 | 2,693,804        | 0                        | 0              |
| Roads and Transportation                                     | 2,118,160               | 1,677,892        | 0                        | 0              |
| Governmental Services to Residents Administration            | 250,972                 | 196,426          | 0                        | 0              |
| Administration   | 622,607                 | 575,263          | 0                        | 0              |
| Interest on Long-term Debt                                   | 120,598                 | 120,774          | 0                        | 0              |
| Capital Projects   | 222,112                 | 251,478          | 0                        | 0              |
| Public Safety Commission                                     | 0                       | 0                | 876,398                  | 895,444        |
| Total Expenses   | <u>5,289,363</u>        | <u>7,010,833</u> | <u>876,398</u>           | <u>895,444</u> |
| Special Item:  |                         |                  |                          |                |
| Employee Health Deductibles Plan Termination                 | 0                       | ( 26)            | 0                        | 26             |
| Increase (Decrease) in Net Assets                            | 357,890                 | ( 1,275,947)     | 78,538                   | ( 72,877)      |
| Net Assets Beginning of Year                                 | <u>6,712,539</u>        | <u>7,988,486</u> | <u>352,856</u>           | <u>425,733</u> |
| Net Assets End of Year                                       | <u>\$ 7,070,429</u>     | <u>6,712,539</u> | <u>\$ 431,394</u>        | <u>352,856</u> |

The portion of governmental activities costs financed by users (charges for service) increased by \$9,935 or 3.5%. Operating grants, contributions and restricted interest decreased by \$48,647 or 2.3%. Capital grants, contributions and restricted interest decreased by \$461,730 or 50.7%. The majority of this decrease was due to a reduction in funding for resurfacing projects (roads and transportation function).

Property and other county taxes levied for general purposes increased by \$159,712 or 8.6%. The increase was largely due to higher taxable valuations and a higher levy for the General Supplemental Fund (\$1.20 per \$1,000 compared to \$1.00 per \$1,000). Osceola County's fiscal year 2006 taxable valuation was \$281,749,205 compared to the fiscal year 2005 taxable valuation of \$273,491,798; this amounts to an increase of \$8,257,407 or 3.0%. Fiscal year 2006 was the first year for the Otter Creek Ethanol, LLC tax increment financing collections (\$210,292). Unrestricted investment earnings increased by \$49,043 or 51.4%. This was due mainly to an increase in interest rates.

Program expenses for governmental activities this fiscal year decreased by \$1,721,470 or 24.6%. County environment and education decreased by \$2,333,426 (due mainly to the District 1 urban renewal plan expenses in fiscal year 2005). All other program expenses combined increased by \$611,956. Public safety and legal services increased by \$79,961 or 9.4% (due mainly to an increase in unified law enforcement and adult correction services) and roads and transportation increased by \$440,268 or 26.2% (due mainly to an increase in road maintenance).

## **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 2006, its governmental funds reported a combined fund balance of \$3,465,889. This is in comparison to fiscal year 2005, which was \$4,046,623. This is a \$580,734 decrease from last year or 14.4%. 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 2006 General Fund ending fund balance was \$1,049,408. This is in comparison to last fiscal year when the fund balance was \$1,176,167. This is a \$126,759 decrease from last year or 10.8%. For fiscal year 2006, expenditures totaled \$2,007,261 (fiscal year 2005 = \$1,695,073), an increase of \$312,188 or 18.4% from last year and revenues totaled \$1,916,877 (fiscal year 2005 = \$1,708,307), an increase of \$208,570 or 12.2% from last year.

The revenues were higher mainly due to an increase in property and other county tax collections, state/federal pass-thru grant proceeds and interest on investments. The expenditures increased mainly due to higher costs in the following program areas: law enforcement, conservation and recreation services, representation services (elections administration), policy and administration, and central services.

**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 2006 Mental Health ending fund balance was \$248,179. This is in comparison

to last fiscal year when the fund balance was \$276,121. This is a \$27,942 decrease from last year or 10.1%. For fiscal year 2006, expenditures totaled \$532,029 (fiscal year 2005 = \$524,588), an increase over last year of \$7,441 or 1.4%, and revenues totaled \$504,087 (fiscal year 2005 = \$496,711), an increase over last year of \$7,376 or 1.5%.

Overall, revenues and expenses remained constant compared to fiscal year 2005.

**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 2006 Rural Services ending fund balance was \$236,873. This is in comparison to last fiscal year when the fund balance was \$191,516. This is a \$45,357 increase over last year or 23.7%. For fiscal year 2006, expenditures totaled \$36,616 (fiscal year 2005 = \$36,779), a decrease from last year of \$163 or 0.4% and revenues totaled \$586,440 (fiscal year 2005 = \$552,120), an increase over last year of \$34,320 or 6.2%. The County transferred \$504,467 from the Rural Services Fund to the Secondary Roads Fund in fiscal year 2006. The revenues were higher in fiscal year 2006 due to an increase in property and other tax collections.

**SECONDARY ROADS FUND:** The Secondary Roads Fund is used to account for secondary road construction and maintenance. The fiscal year 2006 Secondary Roads ending fund balance was \$1,405,103. This is in comparison to last fiscal year when the fund balance was \$1,803,145. This is a \$398,042 decrease from last year or 22.1%. For fiscal year 2006, expenditures totaled \$2,692,597 (fiscal year 2005 = \$1,872,750), an increase over last year of \$819,847 or 43.8% and revenues totaled \$1,753,713 (fiscal year 2005 = \$1,722,042), an increase over last year of \$31,671 or 1.8%.

The large increase in expenditures was due mainly to increases in the following program areas: roadway maintenance (roads), general roadway expenditures (new equipment, equipment operations) and roadway construction.

**URBAN RENEWAL DISTRICT 1 PLAN AREA REVENUE FUND:** The Urban Renewal District 1 Plan Area Revenue Fund is used to account for the collection of tax increment financing from Otter Creek Ethanol, LLC. The tax increment financing proceeds are being collected in order to satisfy urban renewal revenue capital loan note debt service requirements. This fund for fiscal year 2006 had revenues of \$211,826, transfers out of \$211,449, a beginning fund balance of \$5 and an ending fund balance of \$382.

**OTHER SPECIAL REVENUE FUNDS:** The other Special Revenue Funds, which include Recorder's Transaction Fee, County Government Assistance Fund, Recorder's Management Fund, Sheriff Asset Forfeiture Fund, Conservation Land Acquisition Trust, Unified Law Levy, Urban Renewal District 1 Plan Area Project, Urban Renewal District 1 Plan Area Revenue Principal and Interest Sinking, and Drainage Districts, are classified as nonmajor Special Revenue Funds.

### **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 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 three times. The dates of the budget amendments, the amounts increased and the reasoning for the increases are follows:

| <u>Budget Amendment Date</u> | <u>Amounts Increased</u>  | <u>Reasoning for Increases</u>   |
|------------------------------|---|--|
| October 25, 2005             | Revenues = \$205,114<br>Expenditures = \$383,124<br>General Long-Term Debt Proceeds = \$110,000 | Revenue = Investment Earnings.<br>Expenditures = Purchase of tasers, increase in papers served, juvenile services – client increase, ethanol plant – construction costs, principal and interest on TIF debt, election equipment (HAVA), car purchase, ambulance property repairs and workers compensation increase |
| February 28, 2006            | Revenues = \$12,000<br>Expenditures = \$33,207  | Revenue = Reimbursement from O’Brien County. Expenditures = O’Brien County reimbursement, juvenile services, day care pass-through grant, NW Iowa Coalition, strategic planning and feasibility study  |
| May 2, 2006                  | Expenditures = \$27,000   | Expenditures = Payroll (overtime/comp time payout)   |

The County ended up exceeding its budgeted revenues by \$207,062, coming in below its budgeted disbursements by \$550,510 and coming in below its other financing sources by \$296,000. The actual ending cash basis balance was \$1,194,635 higher than budgeted.

## Capital Assets and Debt Administration

### Capital Assets

Osceola County concluded fiscal year 2006 with \$8,817,271 in governmental activities and \$392,570 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 to the Financial Statements (5) for more information about the County’s capital assets.

|                                   | <b>Capital Assets at Year End</b> |                  |                          |                |
|-----------------------------------|-----------------------------------|------------------|--------------------------|----------------|
|                                   | Governmental Activities           |                  | Public Safety Commission |                |
|                                   | June 30, 2006                     | June 30, 2005    | June 30, 2006            | June 30, 2005  |
| Land                              | \$ 1,107,785                      | 1,102,565        | \$ 0                     | 0              |
| Construction in Progress          | 19,205                            | 0                | 0                        | 0              |
| Buildings and Improvements        | 778,677                           | 778,677          | 0                        | 0              |
| Machinery, Equipment and Vehicles | 4,783,464                         | 4,473,598        | 392,570                  | 377,841        |
| Infrastructure                    | 2,128,140                         | 1,545,663        | 0                        | 0              |
| Net Capital Assets                | <u>\$ 8,817,271</u>               | <u>7,900,503</u> | <u>\$ 392,570</u>        | <u>377,841</u> |

This year’s major additions for the County’s governmental activities included Auditor’s Office equipment (touch screen voting machines and bags), land right of way, Secondary Roads equipment (Sterling truck/body/hoist, pickup, pup trailer, motor grader), pickup for Conservation, Willow Creek bathroom and bridge improvements.

This year's major additions for the Public Safety Commission included tasers and cartridge, alpha wireless antenna, standby battery pack and van.

The County's governmental activities had depreciation expense of \$270,039 in fiscal year 2006 and total accumulated depreciation of \$2,538,207 on June 30, 2006. The Public Safety Commission had depreciation expense of \$35,870 in fiscal year 2006 and total accumulated depreciation of \$165,739 on June 30, 2006.

### **Long-Term Debt**

At June 30, 2006, the County had \$2,755,000 in urban renewal revenue capital loan notes outstanding (these notes were issued during fiscal year 2005) and \$64,417 in compensated absences payable (compared to June 30, 2005 balances of \$2,845,000 and \$60,024, respectively). The Public Safety Commission had \$40,329 in compensated absences payable (compared to \$47,461 on June 30, 2005). 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 to the Financial Statements (7).

### **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 2007 budget, tax rates and the fees for various County activities. Factors include the economy, state funding levels and property valuations for fiscal year 2007. Unemployment in Osceola County is 4.1%. This compares with the state unemployment rate of 3.4% and a national rate of 4.6%. 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 2007. Total disbursements in the 2007 operating budget are \$6,137,216 compared to \$6,094,307 for fiscal year 2006 in the final amended budget. Property and other county tax asking in the fiscal year 2007 budget is \$2,203,313 compared to \$2,175,535 in fiscal year 2006. Countywide valuations (with utilities) for fiscal year 2007 are \$293,116,617 compared to \$287,807,417 in fiscal year 2006. Rural valuations (with utilities) for fiscal year 2007 are \$227,836,418 compared to \$223,928,024 in fiscal year 2006.

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 \$1.40 in the General Supplemental Fund for fiscal year 2007. This compares to \$1.20 per \$1,000 of taxable value in the General Supplemental Fund for fiscal year 2006. 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 2007 is \$2.55612 per \$1,000 of taxable value, the same levy rate as fiscal year 2006. Osceola County does not levy in Rural Basic Supplemental.

Budgeted disbursements for fiscal year 2007 are slightly higher than fiscal year 2006 actual. How the County originally budgeted for the transferring of dollars from one fund to another fund in order to make principal and interest payments on the urban renewal revenue capital loan notes and the increase of patient care for mental health patients reflect the main fluctuation in the functions between fiscal years 2006 and 2007. Also, health insurance premiums are increasing by 20% for employees under the Principal Group.

The Public Safety Commission's budget for fiscal year 2007 was adopted with revenues at \$855,498 compared to fiscal year 2006 budgeted revenues of \$852,549. Fiscal year 2007 disbursements are \$866,440 compared to fiscal year 2006 budgeted disbursements of \$822,929.

### **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 7<sup>th</sup> Street, Sibley, Iowa 51249 (phone number: 712-754-2241).

Sources:           Unemployment: <http://www.iowaworkforce.org>  
Consumer Price index (Bureau of Labor Statistics): <http://www.bls.gov>  
State Auditor's Office: <http://auditor.iowa.gov>

**Osceola County**  
**Basic Financial Statements**

Osceola County

Statement of Net Assets  
June 30, 2006

|  | Primary<br>Government      | Component<br>Unit           |
|--|----------------------------|-----------------------------|
|  | Governmental<br>Activities | Public Safety<br>Commission |
| <b>Assets</b>                                    |                            |                             |
| Cash and Pooled Investments                      | \$ 3,230,014               | \$ 198,352                  |
| Receivables:                                     |                            |                             |
| Property Tax:                                    |                            |                             |
| Delinquent                                       | 6,581                      | 0                           |
| Succeeding Year                                  | 2,304,575                  | 0                           |
| Tax Increment Financing:                         |                            |                             |
| Succeeding Year                                  | 320,185                    | 0                           |
| Interest and Penalty on Property Tax             | 6,966                      | 0                           |
| Accounts   | 84                         | 0                           |
| Accrued Interest                                 | 36,895                     | 0                           |
| Due from Primary Government                      | 0                          | 4,457                       |
| Due from County's Agency Funds                   | 152,628                    | 4,837                       |
| Due from Other Governments                       | 180,019                    | 15,285                      |
| Inventories                                      | 284,554                    | 0                           |
| Prepaid Insurance                                | 26,585                     | 7,039                       |
| Prepaid Expenses                                 | 3,614                      | 20,104                      |
| Capital Assets (Net of Accumulated Depreciation) | 6,279,064                  | 226,831                     |
| <b>Total Assets</b>                              | <b>12,831,764</b>          | <b>476,905</b>              |
| <b>Liabilities</b>                               |                            |                             |
| Accounts Payable                                 | 237,088                    | 3,477                       |
| Salaries and Benefits Payable                    | 28,889                     | 1,705                       |
| Due to Component Unit                            | 4,457                      | 0                           |
| Due to Other Governments                         | 37,100                     | 0                           |
| Accrued Interest Payable                         | 9,624                      | 0                           |
| Deferred Revenue:                                |                            |                             |
| Succeeding Year Property Tax                     | 2,304,575                  | 0                           |
| Succeeding Year Tax Increment Financing          | 320,185                    | 0                           |

**Exhibit A (Continued)**

Osceola County

Statement of Net Assets  
June 30, 2006

|   | Primary<br>Government      | Component<br>Unit           |
|---|----------------------------|-----------------------------|
|   | Governmental<br>Activities | Public Safety<br>Commission |
| <b>Liabilities (Continued)</b>                  |                            |                             |
| Long-Term Liabilities:                          |                            |                             |
| Portion Due or Payable Within One Year:         |                            |                             |
| Compensated Absences                            | 64,417                     | 40,329                      |
| Urban Renewal Revenue Capital Loan Notes        | 195,000                    | 0                           |
| Portion Due or Payable After One Year:          |                            |                             |
| Urban Renewal Revenue Capital Loan Notes        | 2,560,000                  | 0                           |
| <b>Total Liabilities</b>                        | <b>5,761,335</b>           | <b>45,511</b>               |
| <br><b>Net Assets</b>                           |                            |                             |
| Invested in Capital Assets, Net of Related Debt | 6,279,064                  | 226,831                     |
| Restricted for:                                 |                            |                             |
| Supplemental Levy Purposes                      | 118,653                    | 0                           |
| Resource Enhancement and Protection Purposes    | 79,875                     | 0                           |
| Jail Improvements/Courthouse Security           | 28,755                     | 0                           |
| Mental Health Purposes                          | 248,695                    | 0                           |
| Rural Services Purposes                         | 238,432                    | 0                           |
| Secondary Roads Purposes                        | 1,363,781                  | 0                           |
| Urban Renewal District 1 Plan Area Purposes     | ( 2,434,585)               | 0                           |
| Other Purposes                                  | 196,288                    | 0                           |
| Unrestricted                                    | 951,471                    | 204,563                     |
| <b>Total Net Assets</b>                         | <b>\$ 7,070,429</b>        | <b>\$ 431,394</b>           |

See notes to financial statements.

Osceola County

Statement of Activities  
Year Ended June 30, 2006

|                                     | Program Revenues |                      |   |  |
|-------------------------------------|------------------|----------------------|---|--|
|                                     | Expenses         | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants Contributions and Restricted Interest |
| <b>Functions/Programs:</b>          |                  |                      |   |  |
| <b>Primary Government:</b>          |                  |                      |   |  |
| Governmental Activities:            |                  |                      |   |  |
| Public Safety & Legal Services      | \$ 932,822       | 145,463              | 33,976  | 0  |
| Physical Health and Social Services | 129,685          | 1,348                | 3,600   | 0  |
| Mental Health                       | 532,029          | 0                    | 304,891   | 0  |
| County Environment and Education    | 360,378          | 1,053                | 9,614   | 0  |
| Roads and Transportation            | 2,118,160        | 16,578               | 1,732,808   | 366,477  |
| Governmental Services to Residents  | 250,972          | 125,672              | 478   | 82,273   |
| Administration                      | 622,607          | 7,402                | 1,414   | 0  |
| Interest on Long-Term Debt          | 120,598          | 0                    | 0   | 0  |
| Capital Projects                    | 222,112          | 0                    | 0   | 0  |
| Total Primary Government            | \$ 5,289,363     | 297,516              | 2,086,781   | 448,750  |
| <b>Component Unit:</b>              |                  |                      |   |  |
| Public Safety Commission            | \$ 876,398       | 857,679              | 53,014  | 44,243   |

**General Revenues:**

Property and Other County Tax Levied for:  
 General Purposes  
 Unified Law  
 Tax Increment Financing  
 Penalty and Interest on Property Tax  
 State Tax Credits  
 Grants and Contributions Not Restricted to Specific Purpose  
 Unrestricted Investment Earnings  
 Rents  
 Drainage Assessments  
 Gain on Disposal of Capital Assets  
 Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See notes to financial statements.

| Net (Expense) Revenue and<br>Changes in Net Assets |   |
|--|---|
| Primary Government<br>Governmental<br>Activities   | Component Unit<br>Public Safety<br>Commission |
| ( 753,383)   | 0   |
| ( 124,737)   | 0   |
| ( 227,138)   | 0   |
| ( 349,711)   | 0   |
| ( 2,297)   | 0   |
| ( 42,549)  | 0   |
| ( 613,791)   | 0   |
| ( 120,598)   | 0   |
| ( 222,112)   | 0   |
| ( 2,456,316)                                       | 0   |
| 0  | 78,538  |
| 2,025,327  | 0   |
| 198,913  | 0   |
| 210,292  | 0   |
| 15,673   | 0   |
| 154,370  | 0   |
| 9,707  | 0   |
| 144,544  | 0   |
| 32,294   | 0   |
| 4,369  | 0   |
| 17,353   | 0   |
| 1,364  | 0   |
| 2,814,206  | 0   |
| 357,890  | 78,538  |
| 6,712,539  | 352,856                                       |
| \$ 7,070,429                                       | \$ 431,394                                    |

Osceola County

Balance Sheet  
Governmental Funds  
June 30, 2006

|                                      | Special Revenue     |                |                |                  |  |                          | Total            |
|--------------------------------------|---------------------|----------------|----------------|------------------|--|--------------------------|------------------|
|                                      | General             | Mental Health  | Rural Services | Secondary Roads  | Urban Renewal District 1 Plan Area Revenue | Nonmajor Special Revenue |                  |
| <b>Assets</b>                        |                     |                |                |                  |  |                          |                  |
| Cash and Pooled Investments          | \$ 976,326          | 307,023        | 236,868        | 1,174,171        | 375  | 535,251                  | 3,230,014        |
| Receivables:                         |                     |                |                |                  |  |                          |                  |
| Property Tax:                        |                     |                |                |                  |  |                          |                  |
| Delinquent                           | 3,825               | 520            | 1,564          | 0                | 0  | 672                      | 6,581            |
| Succeeding Year                      | 1,341,782           | 182,381        | 546,019        | 0                | 0  | 234,393                  | 2,304,575        |
| Tax Increment Financing:             |                     |                |                |                  |  |                          |                  |
| Succeeding Year                      | 0                   | 0              | 0              | 0                | 320,185                                    | 0                        | 320,185          |
| Interest and Penalty on Property Tax | 6,966               | 0              | 0              | 0                | 0  | 0                        | 6,966            |
| Accounts                             | 84                  | 0              | 0              | 0                | 0  | 0                        | 84               |
| Accrued Interest                     | 35,719              | 0              | 0              | 0                | 7  | 1,169                    | 36,895           |
| Due from Agency Funds                | 152,628             | 0              | 0              | 0                | 0  | 0                        | 152,628          |
| Due from Other Governments           | 39,028              | 3,360          | 0              | 137,631          | 0  | 0                        | 180,019          |
| Inventories                          | 0                   | 0              | 0              | 284,554          | 0  | 0                        | 284,554          |
| Prepaid Insurance                    | 15,772              | 0              | 0              | 10,813           | 0  | 0                        | 26,585           |
| Prepaid Expenditures                 | 3,197               | 0              | 0              | 417              | 0  | 0                        | 3,614            |
| <b>Total Assets</b>                  | <b>\$ 2,575,327</b> | <b>493,284</b> | <b>784,451</b> | <b>1,607,586</b> | <b>320,567</b>                             | <b>771,485</b>           | <b>6,552,700</b> |

**Liabilities and Fund Balances**

Liabilities:

|   |                  |                |                |                |                |                |                  |
|---|------------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Accounts Payable                        | \$ 22,332        | 29,904         | 0              | 178,162        | 0              | 6,690          | 237,088          |
| Salaries and Benefits Payable           | 4,941            | 0              | 0              | 23,948         | 0              | 0              | 28,889           |
| Due to Component Unit                   | 0                | 0              | 0              | 0              | 0              | 3,788          | 3,788            |
| Due to Other Governments                | 4,423            | 32,304         | 0              | 373            | 0              | 0              | 37,100           |
| Deferred Revenue:                       |                  |                |                |                |                |                |                  |
| Succeeding Year Property Tax            | 1,341,782        | 182,381        | 546,019        | 0              | 0              | 234,393        | 2,304,575        |
| Succeeding Year Tax Increment Financing | 0                | 0              | 0              | 0              | 320,185        | 0              | 320,185          |
| Other                                   | 152,441          | 516            | 1,559          | 0              | 0              | 670            | 155,186          |
| <b>Total Liabilities</b>                | <b>1,525,919</b> | <b>245,105</b> | <b>547,578</b> | <b>202,483</b> | <b>320,185</b> | <b>245,541</b> | <b>3,086,811</b> |

Fund Balances:

Reserved for:

|                                       |         |   |   |   |   |   |         |
|---------------------------------------|---------|---|---|---|---|---|---------|
| Supplemental Levy Purposes            | 120,134 | 0 | 0 | 0 | 0 | 0 | 120,134 |
| Resource Enhancement and Protection   | 79,875  | 0 | 0 | 0 | 0 | 0 | 79,875  |
| Jail Improvements/Courthouse Security | 28,755  | 0 | 0 | 0 | 0 | 0 | 28,755  |

Unreserved:

Undesignated, Reported In:

|                            |                  |                |                |                  |            |                |                  |
|----------------------------|------------------|----------------|----------------|------------------|------------|----------------|------------------|
| General Fund               | 820,644          | 0              | 0              | 0                | 0          | 0              | 820,644          |
| Special Revenue Funds      | 0                | 248,179        | 236,873        | 1,405,103        | 382        | 525,944        | 2,416,481        |
| <b>Total Fund Balances</b> | <b>1,049,408</b> | <b>248,179</b> | <b>236,873</b> | <b>1,405,103</b> | <b>382</b> | <b>525,944</b> | <b>3,465,889</b> |

|  |                     |                |                |                  |                |                |                  |
|--|---------------------|----------------|----------------|------------------|----------------|----------------|------------------|
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 2,575,327</b> | <b>493,284</b> | <b>784,451</b> | <b>1,607,586</b> | <b>320,567</b> | <b>771,485</b> | <b>6,552,700</b> |
|--|---------------------|----------------|----------------|------------------|----------------|----------------|------------------|

See notes to financial statements.

Osceola County

Reconciliation of the Balance Sheet –  
Governmental Funds to the Statement of Net Assets  
June 30, 2006

|  |                            |
|--|----------------------------|
| <b>Total Governmental Fund Balances (pages 19 - 20)</b>  | \$ 3,465,889               |
| <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 \$8,817,271 and the accumulated depreciation is \$2,538,207.   | 6,279,064                  |
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.   | 155,186                    |
| Long-term liabilities, which include the due to component unit (the deferred revenue portion of the unified law levy), 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>( 2,829,710)</u>        |
| <b>Net Assets of Governmental Activities (pages 15 - 16)</b>   | <u><u>\$ 7,070,429</u></u> |

See notes to financial statements.

Osceola County

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2006

|                                      | Special Revenue |                  |                   |                    |  | Nonmajor<br>Special<br>Revenue | Total     |
|--------------------------------------|-----------------|------------------|-------------------|--------------------|--|--------------------------------|-----------|
|                                      | General         | Mental<br>Health | Rural<br>Services | Secondary<br>Roads | Urban Renewal<br>District 1 Plan<br>Area Revenue |                                |           |
| Revenues:                            |                 |                  |                   |                    |  |                                |           |
| Property and Other County Tax        | \$ 1,287,475    | 185,816          | 549,764           | 0                  | 0  | 198,568                        | 2,221,623 |
| Tax Increment Financing              | 0               | 0                | 0                 | 0                  | 210,292  | 0                              | 210,292   |
| Interest and Penalty on Property Tax | 13,275          | 0                | 0                 | 0                  | 0  | 0                              | 13,275    |
| Intergovernmental                    | 234,458         | 318,271          | 36,676            | 1,727,859          | 0  | 13,887                         | 2,331,151 |
| Licenses and Permits                 | 170             | 0                | 0                 | 10,580             | 0  | 0                              | 10,750    |
| Charges for Service                  | 223,453         | 0                | 0                 | 27                 | 0  | 1,783                          | 225,263   |
| Use of Money and Property            | 145,743         | 0                | 0                 | 4,375              | 1,534  | 26,104                         | 177,756   |
| Miscellaneous                        | 12,303          | 0                | 0                 | 10,872             | 0  | 5,577                          | 28,752    |
| Total Revenues                       | 1,916,877       | 504,087          | 586,440           | 1,753,713          | 211,826  | 245,919                        | 5,218,862 |
| Expenditures:                        |                 |                  |                   |                    |  |                                |           |
| Operating:                           |                 |                  |                   |                    |  |                                |           |
| Public Safety and Legal Services     | 718,216         | 0                | 0                 | 0                  | 0  | 212,658                        | 930,874   |
| Physical Health and Social Services  | 126,981         | 0                | 0                 | 0                  | 0  | 0                              | 126,981   |
| Mental Health                        | 0               | 532,029          | 0                 | 0                  | 0  | 0                              | 532,029   |
| County Environment and Education     | 262,378         | 0                | 36,616            | 0                  | 0  | 291,295                        | 590,289   |
| Roads and Transportation             | 0               | 0                | 0                 | 2,250,666          | 0  | 0                              | 2,250,666 |
| Governmental Services to Residents   | 292,251         | 0                | 0                 | 0                  | 0  | 15,304                         | 307,555   |
| Administration                       | 595,538         | 0                | 0                 | 0                  | 0  | 3,126                          | 598,664   |
| Capital Projects                     | 11,897          | 0                | 0                 | 441,931            | 0  | 8,710                          | 462,538   |
| Total Expenditures                   | 2,007,261       | 532,029          | 36,616            | 2,692,597          | 0  | 531,093                        | 5,799,596 |

|  |              |           |            |            |            |            |            |
|--|--------------|-----------|------------|------------|------------|------------|------------|
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | ( 90,384)    | ( 27,942) | 549,824    | ( 938,884) | 211,826    | ( 285,174) | ( 580,734) |
| Other Financing Sources (Uses):                              |              |           |            |            |            |            |            |
| Operating Transfers In                                       | 0            | 0         | 0          | 540,842    | 0          | 211,449    | 752,291    |
| Operating Transfers Out                                      | ( 36,375)    | 0         | ( 504,467) | 0          | ( 211,449) | 0          | ( 752,291) |
| Total Other Financing Sources (Uses)                         | ( 36,375)    | 0         | ( 504,467) | 540,842    | ( 211,449) | 211,449    | 0          |
| Net Change in Fund Balances                                  | ( 126,759)   | ( 27,942) | 45,357     | ( 398,042) | 377        | ( 73,725)  | ( 580,734) |
| Fund Balances Beginning of Year                              | 1,176,167    | 276,121   | 191,516    | 1,803,145  | 5          | 599,669    | 4,046,623  |
| Fund Balances End of Year                                    | \$ 1,049,408 | 248,179   | 236,873    | 1,405,103  | 382        | 525,944    | 3,465,889  |

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, 2006

**Net Change in Fund Balances – Total Governmental Funds (pages 22 - 23)** \$( 580,734)

*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                                     | \$ 696,821        |         |
| Capital assets contributed by the Iowa Department of Transportation | 366,477           |         |
| Depreciation Expense  | <u>( 270,039)</u> | 793,259 |

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. Gains on the disposition of capital assets exceeded losses.

15,553

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 | 2,619         |        |
| Other        | <u>41,940</u> | 44,559 |

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. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. There were no current year debt issuances. Current year repayments were as follows:

|        |  |        |
|--------|--|--------|
| Repaid |  | 90,000 |
|--------|--|--------|

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                                    | ( 4,393)      |                 |
| Interest on long-term debt                              | 315           |                 |
| Unified law levy (Paid to the Public Safety Commission) | <u>( 669)</u> | <u>( 4,747)</u> |

**Change in Net Assets of Governmental Activities (pages 17 - 18)** \$ 357,890

See notes to financial statements.

Osceola County

Statement of Fiduciary Assets and Liabilities  
 Agency Funds  
 June 30, 2006

**Assets**

|                              |                  |
|------------------------------|------------------|
| Cash and Pooled Investments: |                  |
| County Treasurer             | \$ 569,430       |
| Other County Officials       | 54,821           |
| Receivables:                 |                  |
| Property Tax:                |                  |
| Delinquent                   | 13,941           |
| Succeeding Year              | 5,248,318        |
| Tax Increment Financing:     |                  |
| Succeeding Year              | 163,560          |
| Accounts                     | 110,580          |
| Accrued Interest             | 483              |
| Special Assessments          | 47,609           |
| Due from Other Agency Funds  | 1,030            |
| Due from Other Governments   | 46               |
| Prepaid Expenses             | 1,390            |
| <b>Total Assets</b>          | <u>6,211,208</u> |

**Liabilities**

|                           |                  |
|---------------------------|------------------|
| Accounts Payable          | 1,668            |
| Due to Primary Government | 152,628          |
| Due to Other Agency Funds | 1,030            |
| Due to Component Unit     | 4,837            |
| Due to Other Governments  | 6,008,201        |
| Trusts Payable            | 37,017           |
| Compensated Absences      | 5,827            |
| <b>Total Liabilities</b>  | <u>6,211,208</u> |

|                   |                    |
|-------------------|--------------------|
| <b>Net Assets</b> | <u><u>\$ 0</u></u> |
|-------------------|--------------------|

See notes to financial statements.

# Osceola County

## Notes to Financial Statements

June 30, 2006

### (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/hired officials that assist the Board of Supervisors include the Conservation Director and Engineer. 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 \$211,831 (\$211,791 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 \$259,409 for the fiscal year. 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), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority. 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), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority, which are not included at all in the County's financial statements. During the year ended June 30, 2006, the County did not contribute any money to the County Assessor, E911, the Hazardous Material Response Commission, the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority; while the County expended \$302 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 (\$28,409 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 Revenue Fund is used to account for the collection of tax increment financing. The tax increment financing proceeds are being collected for urban renewal revenue capital loan note debt service requirements.

Additionally, the County reports the following funds:

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 are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of any general long-term debt and any acquisitions under capital leases are reported as other financing sources.

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

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 financial statements:

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. The investment in the Iowa Public Agency Investment Trust is valued at amortized cost and non-negotiable certificates of deposit are stated at cost in the financial statements.

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; are based on January 1, 2004 assessed property valuations; are for the tax accrual period July 1, 2005 through June 30, 2006 and reflect the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

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 Funds) – The accounts receivable in the County Offices Funds (Agency Funds) 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, 2006. The accounts receivable in the County Offices Funds (Agency Funds) total includes \$31,433 in jail fees receivables and \$69,039 in ambulance charges receivables. 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 Primary Government, Due from County's Agency Funds, Due from Other Agency Funds, Due to Component Unit, Due to Other Agency Funds and Due to Primary Government– During the course of its normal operations, the County has numerous transactions between the County's governmental funds, agency funds and the Public Safety Commission, and between different agency funds. To the extent that certain transactions between the County's governmental funds, agency funds and the Public Safety Commission, and between different agency funds, had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the 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 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, 2006. 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 financial statements, long-term debt and any other long-term obligations are reported as liabilities in the applicable governmental activities and discretely presented component unit – Public Safety Commission Statement of Net Assets.

In the governmental fund financial statements, the face amount of any debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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, which there are none for the County, represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted for any function. However, disbursements in three 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, 2006 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.

The County had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$459,008 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The County also held two stamped warrants totaling \$1,434 and a Governmental National Mortgage Association (GNMA) for \$296 during the fiscal year. These stamped warrants and GNMA investment were redeemed before June 30, 2006.

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.

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

**(3) Due from Primary Government, Due from County's Agency Funds, Due from Other Agency Funds, Due to Component Unit, Due to Other Agency Funds and Due to Primary Government**

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, 2006 is as follows:

| Component Unit                                  | Payable Fund                         | Amount   |
|---|--------------------------------------|----------|
| <u>Statement of Net Assets (Accrual Basis):</u> |                                      |          |
| Public Safety Commission                        | Special Revenue:<br>Unified Law Levy | \$ 4,457 |
| <u>Balance Sheet (Modified Accrual Basis):</u>  |                                      |          |
| Public Safety Commission                        | Special Revenue:<br>Unified Law Levy | \$ 3,788 |

These balances result 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, and between different agency funds, for transactions at June 30, 2006 is as follows:

| Receivable Fund/Component Unit | Payable Fund                                | Amount     |
|--------------------------------|---|------------|
| General                        | Agency:                                     |            |
|                                | County Offices                              | \$ 148,036 |
|                                | Auto License and Use Tax                    | 4,400      |
|                                | Other (Flex Spending)                       | 192        |
| Total                          |   | \$ 152,628 |
| Public Safety Commission       | Agency:                                     |            |
|                                | County Offices                              | \$ 4,837   |
| Agency:<br>E911 Surcharge      | Agency:<br>Emergency Management<br>Services | \$ 1,030   |

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures/expenses occur and money is collected in an agency fund, the transactions/collections are recorded in the accounting system, and the resulting payments are made to the County's appropriate governmental fund, agency fund or the Public Safety Commission.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

| Transfer to | Transfer from | Amount |
|-------------|---------------|--------|
|-------------|---------------|--------|

|  |   |    |                       |
|--|---|----|-----------------------|
| Special Revenue:<br>Secondary Roads  | General   | \$ | 36,375                |
|  | Special Revenue:<br>Rural Services                                |    | 504,467               |
| Special Revenue:<br>Urban Renewal District 1<br>Plan Area Revenue<br>Principal and Interest<br>Sinking | Special Revenue:<br>Urban Renewal District 1<br>Plan Area Revenue |    | <u>211,449</u>        |
| Total  |   | \$ | <u><u>752,291</u></u> |

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2006 was as follows:

|   | Balance<br>Beginning<br>of Year | Increases          | Decreases       | Balance<br>End<br>of Year |
|---|---------------------------------|--------------------|-----------------|---------------------------|
| <b>County Governmental Activities:</b>      |                                 |                    |                 |                           |
| Capital Assets Not Being Depreciated:       |                                 |                    |                 |                           |
| Land  | \$ 1,102,565                    | 5,220              | 0               | 1,107,785                 |
| Construction in Progress                    | 0                               | 19,205             | 0               | 19,205                    |
| Total Capital Assets Not Being Depreciated  | <u>1,102,565</u>                | <u>24,425</u>      | <u>0</u>        | <u>1,126,990</u>          |
| Capital Assets Being Depreciated:           |                                 |                    |                 |                           |
| Buildings and Improvements                  | 778,677                         | 0                  | 0               | 778,677                   |
| Machinery, Equipment and Vehicles           | 4,473,598                       | 504,396 (          | 194,530)        | 4,783,464                 |
| Infrastructure                              | 1,545,663                       | 582,477            | 0               | 2,128,140                 |
| Total Capital Assets Being Depreciated      | <u>6,797,938</u>                | <u>1,086,873 (</u> | <u>194,530)</u> | <u>7,690,281</u>          |
| Less Accumulated Depreciation For:          |                                 |                    |                 |                           |
| Buildings and Improvements                  | 336,003                         | 17,662             | 0               | 353,665                   |
| Machinery, Equipment and Vehicles           | 2,076,059                       | 205,338 (          | 162,083)        | 2,119,314                 |
| Infrastructure                              | 18,189                          | 47,039             | 0               | 65,228                    |
| Total Accumulated Depreciation              | <u>2,430,251</u>                | <u>270,039 (</u>   | <u>162,083)</u> | <u>2,538,207</u>          |
| Total Capital Assets Being Depreciated, Net | <u>4,367,687</u>                | <u>816,834 (</u>   | <u>32,447)</u>  | <u>5,152,074</u>          |
| Governmental Activities Capital Assets, Net | \$ <u>5,470,252</u>             | <u>841,259 (</u>   | <u>32,447)</u>  | <u>6,279,064</u>          |

Depreciation expense was charged to the following functions:

Governmental Activities:

|  |        |                           |
|--|--------|---------------------------|
| Physical Health and Social Services                      | \$     | 2,704                     |
| County Environment and Education                         |        | 6,683                     |
| Roads and Transportation                                 |        | 212,503                   |
| Governmental Services to Residents                       |        | 24,146                    |
| Administration   |        | <u>24,003</u>             |
| <br>Total Depreciation Expense – Governmental Activities | <br>\$ | <br><u><u>270,039</u></u> |

|  | Balance<br>Beginning<br>of Year | Increases     | Decreases        | Balance<br>End<br>of Year |
|--|---------------------------------|---------------|------------------|---------------------------|
| <b>Discretely Presented Component Unit –<br/>Public Safety Commission:</b> |                                 |               |                  |                           |
| Capital Assets Depreciated:  |                                 |               |                  |                           |
| Machinery, Equipment and Vehicles  | \$ 377,841                      | 54,101        | ( 39,372)        | 392,570                   |
| <br>Less Accumulated Depreciation For:                                     |                                 |               |                  |                           |
| Machinery, Equipment and Vehicles  | <u>143,348</u>                  | <u>35,870</u> | <u>( 13,479)</u> | <u>165,739</u>            |
| <br>Public Safety Commission<br>Capital Assets, Net                        | <br>\$ 234,493                  | <br>18,231    | <br>( 25,893)    | <br><u><u>226,831</u></u> |

**(6) Due to Other Governments**

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

| Fund                             | Description        | Amount                      |
|----------------------------------|--------------------|-----------------------------|
| General                          | Services/Utilities | <u>\$ 4,423</u>             |
| Special Revenue:                 |                    |                             |
| Mental Health                    | Services           | 32,304                      |
| Secondary Roads                  | Utilities          | <u>373</u>                  |
|                                  |                    | <u><u>32,677</u></u>        |
| <br>Total for Governmental Funds |                    | <br><u><u>\$ 37,100</u></u> |

|                                      |             |                     |
|--------------------------------------|-------------|---------------------|
| Agency:                              |             |                     |
| County Offices                       | Collections | \$ 68               |
| Agricultural Extension Education     |             | 83,790              |
| County Assessor                      |             | 110,653             |
| County Assessor – Special Appraisers |             | 137,639             |
| Schools                              |             | 3,834,947           |
| Community Colleges                   |             | 190,417             |
| Corporations                         |             | 1,179,751           |
| Townships                            |             | 121,165             |
| Auto License and Use Tax             |             | 125,167             |
| Special Assessments                  |             | 47,609              |
| E911 Surcharge                       |             | 138,350             |
| Emergency Management                 |             | 37,066              |
| All Other                            |             | <u>1,579</u>        |
| Total for Agency Funds               |             | <u>\$ 6,008,201</u> |

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

A summary of changes in long-term liabilities for the year ended June 30, 2006 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 | \$ 60,024                   | 2,845,000                                       | 2,905,024        |
| Additions                 | 68,639                      | 0   | 68,639           |
| Reductions                | 64,246                      | 90,000  | 154,246          |
| Balance End of Year       | <u>\$ 64,417</u>            | <u>2,755,000</u>                                | <u>2,819,417</u> |
| Due Within One Year       | <u>\$ 64,417</u>            | <u>195,000</u>                                  | <u>259,417</u>   |

| <u>Component Unit-Public Safety Commission</u> | <u>Compensated Absences</u> |
|--|-----------------------------|
| Balance Beginning of Year                      | \$ 47,461                   |
| Additions                                      | 47,602                      |
| Reductions                                     | 54,734                      |
| Balance End of Year                            | <u>\$ 40,329</u>            |
| Due Within One Year                            | <u>\$ 40,329</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<br>Ending<br>June 30, | Interest<br>Rates | Principal           | Interest       | Total            |
|----------------------------|-------------------|---------------------|----------------|------------------|
| 2007                       | 4.25%             | \$ 195,000          | 117,088        | 312,088          |
| 2008                       | 4.25%             | 195,000             | 108,800        | 303,800          |
| 2009                       | 4.25%             | 195,000             | 100,512        | 295,512          |
| 2010                       | *4.25%            | 195,000             | 92,226         | 287,226          |
| 2011                       | *4.25%            | 195,000             | 83,938         | 278,938          |
| 2012 – 2016                | *4.25%            | 980,000             | 295,376        | 1,275,376        |
| 2017 – 2020                | *4.25%            | 800,000             | 85,000         | 885,000          |
| <b>Total</b>               |                   | <b>\$ 2,755,000</b> | <b>882,940</b> | <b>3,637,940</b> |

On May 30, 2006, the County approved an amendment to the loan agreement with First National Bank for the reissuance of the urban renewal revenue capital loan notes to change the debt service requirements to maturity to the amounts shown above. This amendment was needed in order to more accurately match the debt service payments to the tax increment financing collections which are satisfying this debt.

During the year ended June 30, 2006, the County retired \$90,000 in urban renewal revenue capital loan notes and paid interest of \$120,913 on these notes. The \$210,913 in debt service requirement for these notes was recorded as an expenditure in the county environment and education function for this fiscal year. These urban renewal revenue capital loan notes are being redeemed through the Urban Renewal District 1 Plan Area Revenue Principal and Interest Sinking Fund.

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, the unspent balance of which is included in the Urban Renewal District 1 Plan Area Project Fund, are being 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 1<sup>st</sup> of each year.

## **(8) Pension and Retirement Benefits**

The County and Public Safety Commission contribute to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS

issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular 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 covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$83,931, \$76,494 and \$75,975, respectively, equal to the required contributions for each year. The Public Safety Commission's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$37,829, \$42,350 and \$36,752, respectively, equal to the required contributions for each year.

**(9) Risk Management**

Osceola County is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) 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, 2006, except as disclosed in Note to Financial Statements (1)A. – Jointly Governed Organizations.

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 \$1,821,025 as of June 30, 2006 and the portion of the liability that has been recognized by the Agency as of June 30, 2006 is \$896,505. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2006, assets of \$1,254,884 are restricted for these purposes and the Agency has fully demonstrated financial assurance for closure and postclosure care costs as required by Chapter 111 of the Iowa Administrative Code. No estimate has been made as to any possible future assessments to the County.

**(11) Commitments**

On June 28, 2006, the County entered into a contract for paving of the ethanol road for a total of \$215,303 after change orders. No work had been done as of June 30, 2006. This contract was paid from the Urban Renewal District 1 Plan Area Project Fund as work on the project progressed.

On March 28, 2006, the County entered into a 20%/20%/60% contract with the Iowa DOT and United Farmers Cooperative for a railroad crossing project. The total project estimate is \$66,324. The County is responsible for 20% of the costs (approximately \$13,265). Any future maintenance will be the United Farmers Cooperative's responsibility. No work had been done as of June 30, 2006. This contract will be paid from the Secondary Roads Fund as work on the project progresses.

On June 27, 2006, the County entered into a 20%/20%/60% contract with the Iowa DOT and Union Pacific Railroad Company for a railroad crossing project. The total project estimate is \$81,364. The County is responsible for 20% of the costs (approximately \$16,273). Any future maintenance will be the Union Pacific Railroad's responsibility. No work had been done as of June 30, 2006. This contract will be paid from the Secondary Roads Fund as work on the project progresses.

On June 12, 2006, the County committed to providing \$25,000 toward a matching requirement needed by the Osceola County Economic Development Commission (OCEDC) to receive some USDA Intermediary Relending Program funding. This commitment is contingent upon the OCEDC receiving the IRP funding and will be paid from the General Fund if the IRP funding is received.

On June 27, 2006, the County committed \$5,000 to the Sibley-Ocheyedan School for the construction of a fitness center and an additional girls locker room. This commitment will be paid from the General Fund.

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, 2007-2008 are \$5,252 per year for a total of \$10,504. 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, 2006 charge of \$5,252 was paid for through the General Fund.

## **(12) Subsequent Events**

Events that have occurred subsequent to June 30, 2006 include the following:

- a. In July 2006, the County paid \$81,759 for box culverts from the Secondary Roads Fund.
- b. In July, August and September 2006, the County paid \$215,303 from the Urban Renewal District 1 Plan Area Project Fund to satisfy the paving of the ethanol road contract noted as a June 30, 2006 commitment.
- c. In August and September 2006, the County paid \$80,227 from the Secondary Roads Fund for road shouldering maintenance.

- d. In August, September and October 2006, the County paid \$183,286 from the Secondary Roads Fund for gravel crushing.
- e. In October 2006, the County paid \$37,270 from the Secondary Roads Fund for traffic paint/stop bars.

**(13) 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, 2006

|                                      | All County       |                 | Net              | Budgeted Amounts |                  | Final to Net<br>Variance |
|--------------------------------------|------------------|-----------------|------------------|------------------|------------------|--------------------------|
|                                      | Governmental     | Less Funds      |                  | Original         | Final            |                          |
|                                      | Funds            | not Required to |                  |                  |                  |                          |
| Actual                               | be Budgeted      |                 |                  |                  |                  |                          |
| <b>Receipts:</b>                     |                  |                 |                  |                  |                  |                          |
| Property and Other County Tax        | \$ 2,432,050     | 0               | 2,432,050        | 2,175,535        | 2,175,535        | 256,515                  |
| Interest and Penalty on Property Tax | 13,317           | 0               | 13,317           | 4,000            | 4,000            | 9,317                    |
| Intergovernmental                    | 2,347,434        | 0               | 2,347,434        | 2,169,632        | 2,181,632        | 165,802                  |
| Licenses and Permits                 | 11,185           | 0               | 11,185           | 5,750            | 5,750            | 5,435                    |
| Charges for Service                  | 182,611          | 0               | 182,611          | 163,860          | 163,860          | 18,751                   |
| Use of Money and Property            | 167,046          | 2,183           | 164,863          | 216,481          | 421,595          | ( 256,732)               |
| Miscellaneous                        | 29,413           | 4,369           | 25,044           | 17,070           | 17,070           | 7,974                    |
| <b>Total Receipts</b>                | <b>5,183,056</b> | <b>6,552</b>    | <b>5,176,504</b> | <b>4,752,328</b> | <b>4,969,442</b> | <b>207,062</b>           |
| <b>Disbursements</b>                 |                  |                 |                  |                  |                  |                          |
| Public Safety and Legal Services     | 948,984          | 0               | 948,984          | 905,498          | 966,857          | ( 17,873)                |
| Physical Health and Social Services  | 127,377          | 0               | 127,377          | 152,717          | 152,717          | ( 25,340)                |
| Mental Health                        | 523,750          | 0               | 523,750          | 596,500          | 596,500          | ( 72,750)                |
| County Environment and Education     | 574,295          | 0               | 574,295          | 606,003          | 934,824          | ( 360,529)               |
| Roads and Transportation             | 1,999,710        | 0               | 1,999,710        | 2,000,000        | 2,000,000        | ( 290)                   |
| Governmental Services to Residents   | 307,907          | 0               | 307,907          | 301,827          | 319,116          | ( 11,209)                |
| Administration                       | 597,439          | 0               | 597,439          | 598,431          | 634,293          | ( 36,854)                |
| Capital Projects                     | 468,158          | 3,823           | 464,335          | 490,000          | 490,000          | ( 25,665)                |
| <b>Total Disbursements</b>           | <b>5,547,620</b> | <b>3,823</b>    | <b>5,543,797</b> | <b>5,650,976</b> | <b>6,094,307</b> | <b>( 550,510)</b>        |

|   |              |         |            |            |              |            |
|---|--------------|---------|------------|------------|--------------|------------|
| Excess (Deficiency) of Receipts<br>Over (Under) Disbursements   | ( 364,564)   | 2,729   | ( 367,293) | ( 898,648) | ( 1,124,865) | 757,572    |
| Other Financing Sources, Net  | 6,000        | 0       | 6,000      | 192,000    | 302,000      | ( 296,000) |
| Excess (Deficiency) of Receipts and Other<br>Financing Sources Over (Under)<br>Disbursements and Other Financing Uses | ( 358,564)   | 2,729   | ( 361,293) | ( 706,648) | ( 822,865)   | 461,572    |
| Balances Beginning of Year  | 3,588,578    | 132,786 | 3,455,792  | 2,722,729  | 2,722,729    | 733,063    |
| Balances End of Year  | \$ 3,230,014 | 135,515 | 3,094,499  | 2,016,081  | 1,899,864    | 1,194,635  |

See accompanying independent auditor's report.

Osceola County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2006

|                              | Governmental Funds |                        |                              |
|------------------------------|--------------------|------------------------|------------------------------|
|                              | Cash<br>Basis      | Accrual<br>Adjustments | Modified<br>Accrual<br>Basis |
| Revenues                     | \$ 5,183,056       | 35,806                 | 5,218,862                    |
| Expenditures                 | 5,547,620          | 251,976                | 5,799,596                    |
| Net                          | ( 364,564)         | ( 216,170)             | ( 580,734)                   |
| Other Financing Sources, Net | 6,000              | ( 6,000)               | 0                            |
| Beginning Fund Balances      | 3,588,578          | 458,045                | 4,046,623                    |
| Ending Fund Balances         | \$ 3,230,014       | 235,875                | 3,465,889                    |

See accompanying independent auditor's report.

Osceola County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, 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, three budget amendments increased budgeted disbursements by \$443,331. 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, 2006, disbursements did not exceed the amounts budgeted in any function; however, disbursements in three 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, 2006

|  | County<br>Recorder's<br>Records<br>Management | Unified<br>Law<br>Levy | County<br>Government<br>Assistance | Sheriff's<br>Asset<br>Forfeiture |
|--|---|------------------------|------------------------------------|----------------------------------|
| <b>Assets</b>                            |   |                        |                                    |                                  |
| Cash and Pooled Investments              | \$ 14,670                                     | 3,786                  | 1                                  | 1,566                            |
| Receivables:                             |   |                        |                                    |                                  |
| Property Tax:                            |   |                        |                                    |                                  |
| Delinquent                               | 0   | 672                    | 0                                  | 0                                |
| Succeeding Year                          | 0   | 234,393                | 0                                  | 0                                |
| Accrued Interest                         | 26  | 0                      | 0                                  | 0                                |
| <b>Total Assets</b>                      | <b>\$ 14,696</b>                              | <b>238,851</b>         | <b>1</b>                           | <b>1,566</b>                     |
| <b>Liabilities and Fund Equity</b>       |   |                        |                                    |                                  |
| Liabilities:                             |   |                        |                                    |                                  |
| Accounts Payable                         | \$ 0  | 0                      | 0                                  | 0                                |
| Due to Component Unit                    | 0   | 3,788                  | 0                                  | 0                                |
| Deferred Revenue:                        |   |                        |                                    |                                  |
| Succeeding Year Property Tax             | 0   | 234,393                | 0                                  | 0                                |
| Other                                    | 0   | 670                    | 0                                  | 0                                |
| Total Liabilities                        | 0   | 238,851                | 0                                  | 0                                |
| Fund Equity:                             |   |                        |                                    |                                  |
| Fund Balances:                           |   |                        |                                    |                                  |
| Unreserved                               | 14,696  | 0                      | 1                                  | 1,566                            |
| <b>Total Liabilities and Fund Equity</b> | <b>\$ 14,696</b>                              | <b>238,851</b>         | <b>1</b>                           | <b>1,566</b>                     |

See accompanying independent auditor's report.

**Schedule 1**

| Urban Renewal<br>District 1 Plan<br>Area Project | Urban Renewal<br>District 1 Plan Area<br>Revenue Principal<br>and Interest Sinking | Drainage<br>Districts | Conservation<br>Land Acquisition<br>Trust | Total          |
|--|--|-----------------------|---|----------------|
| 328,369  | 1,407  | 135,515               | 49,937                                    | 535,251        |
| 0  | 0  | 0                     | 0   | 672            |
| 0  | 0  | 0                     | 0   | 234,393        |
| 704  | 0  | 250                   | 189                                       | 1,169          |
| <b>329,073</b>                                   | <b>1,407</b>   | <b>135,765</b>        | <b>50,126</b>                             | <b>771,485</b> |
| 824  | 0  | 0                     | 5,866                                     | 6,690          |
| 0  | 0  | 0                     | 0   | 3,788          |
| 0  | 0  | 0                     | 0   | 234,393        |
| 0  | 0  | 0                     | 0   | 670            |
| 824  | 0  | 0                     | 5,866                                     | 245,541        |
| <b>328,249</b>                                   | <b>1,407</b>   | <b>135,765</b>        | <b>44,260</b>                             | <b>525,944</b> |
| <b>329,073</b>                                   | <b>1,407</b>   | <b>135,765</b>        | <b>50,126</b>                             | <b>771,485</b> |

Osceola County

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Special Revenue Funds  
Year Ended June 30, 2006

|  | County<br>Recorder's<br>Records<br>Management | Unified<br>Law<br>Levy | County<br>Government<br>Assistance | Sheriff's<br>Asset<br>Forfeiture |
|--|---|------------------------|------------------------------------|----------------------------------|
| <b>Revenues:</b>   |   |                        |                                    |                                  |
| Property and Other County Tax                                | \$ 0  | 198,568                | 0                                  | 0                                |
| Intergovernmental  | 536   | 13,247                 | 0                                  | 104                              |
| Charges for Service  | 1,783   | 0                      | 0                                  | 0                                |
| Use of Money and Property                                    | 98  | 0                      | 0                                  | 0                                |
| Miscellaneous  | 0   | 0                      | 0                                  | 0                                |
| <b>Total Revenues</b>  | <b>2,417</b>                                  | <b>211,815</b>         | <b>0</b>                           | <b>104</b>                       |
| <b>Expenditures:</b>   |   |                        |                                    |                                  |
| <b>Operating:</b>  |   |                        |                                    |                                  |
| Public Safety and Legal Services                             | 0   | 211,831                | 0                                  | 827                              |
| County Environment and Education                             | 0   | 0                      | 0                                  | 0                                |
| Governmental Services to Residences                          | 5   | 0                      | 2,289                              | 0                                |
| Administration   | 0   | 0                      | 3,126                              | 0                                |
| Capital Projects   | 0   | 0                      | 0                                  | 0                                |
| <b>Total Expenditures</b>                                    | <b>5</b>                                      | <b>211,831</b>         | <b>5,415</b>                       | <b>827</b>                       |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 2,412   | ( 16)                  | ( 5,415)                           | ( 723)                           |
| <b>Other Financing Sources:</b>                              |   |                        |                                    |                                  |
| Operating Transfer In  | 0   | 0                      | 0                                  | 0                                |
| <b>Net Change in Fund Balances</b>                           | <b>2,412</b>                                  | <b>( 16)</b>           | <b>( 5,415)</b>                    | <b>( 723)</b>                    |
| Fund Balances Beginning of Year                              | 12,284  | 16                     | 5,416                              | 2,289                            |
| <b>Fund Balance End of Year</b>                              | <b>\$ 14,696</b>                              | <b>0</b>               | <b>1</b>                           | <b>1,566</b>                     |

See accompanying independent auditor's report.

| County<br>Recorder's<br>Transaction<br>Fee | Urban Renewal<br>District 1 Plan<br>Area Project | Urban Renewal<br>District 1 Plan Area<br>Revenue Principal<br>and Interest Sinking | Drainage<br>Districts | Conservation<br>Land Acquisition<br>Trust | Total      |
|--|--|--|-----------------------|---|------------|
| 0  | 0  | 0  | 0                     | 0   | 198,568    |
| 0  | 0  | 0  | 0                     | 0   | 13,887     |
| 0  | 0  | 0  | 0                     | 0   | 1,783      |
| 123  | 7,727  | 0  | 2,295                 | 15,861                                    | 26,104     |
| 0  | 0  | 0  | 4,369                 | 1,208                                     | 5,577      |
| 123  | 7,727  | 0  | 6,664                 | 17,069                                    | 245,919    |
| 0  | 0  | 0  | 0                     | 0   | 212,658    |
| 0  | 80,382   | 210,913  | 0                     | 0   | 291,295    |
| 13,010                                     | 0  | 0  | 0                     | 0   | 15,304     |
| 0  | 0  | 0  | 0                     | 0   | 3,126      |
| 0  | 0  | 0  | 1,402                 | 7,308                                     | 8,710      |
| 13,010                                     | 80,382   | 210,913  | 1,402                 | 7,308                                     | 531,093    |
| ( 12,887)                                  | ( 72,655)  | ( 210,913)   | 5,262                 | 9,761                                     | ( 285,174) |
| 0  | 0  | 211,449  | 0                     | 0   | 211,449    |
| ( 12,887)                                  | ( 72,655)  | 536  | 5,262                 | 9,761                                     | ( 73,725)  |
| 12,887                                     | 400,904  | 871  | 130,503               | 34,499                                    | 599,669    |
| 0  | 328,249  | 1,407  | 135,765               | 44,260                                    | 525,944    |

Osceola County

Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2006

|                              | County<br>Offices | Agricultural<br>Extension<br>Education | County<br>Assessor | County<br>Assessor-<br>Special<br>Appraisers |
|------------------------------|-------------------|--|--------------------|--|
| <b>Assets</b>                |                   |  |                    |  |
| Cash and Pooled Investments: |                   |  |                    |  |
| County Treasurer             | \$ 0              | 1,406                                  | 30,749             | 123,908                                      |
| Other County Officials       | 52,666            | 0                                      | 0                  | 0  |
| Receivables:                 |                   |  |                    |  |
| Property Tax:                |                   |  |                    |  |
| Delinquent                   | 0                 | 234                                    | 234                | 39   |
| Succeeding Year              | 0                 | 82,150                                 | 81,966             | 13,692                                       |
| Tax Increment Financing:     |                   |  |                    |  |
| Succeeding Year              | 0                 | 0                                      | 0                  | 0  |
| Accounts                     | 100,576           | 0                                      | 0                  | 0  |
| Accrued Interest             | 6                 | 0                                      | 0                  | 0  |
| Special Assessments          | 0                 | 0                                      | 0                  | 0  |
| Due from Other Agency Funds  | 0                 | 0                                      | 0                  | 0  |
| Due from Other Governments   | 0                 | 0                                      | 46                 | 0  |
| Prepaid Expenses             | 0                 | 0                                      | 927                | 0  |
| <b>Total Assets</b>          | <b>\$ 153,248</b> | <b>83,790</b>                          | <b>113,922</b>     | <b>137,639</b>                               |
| <b>Liabilities</b>           |                   |  |                    |  |
| Accounts Payable             | \$ 0              | 0                                      | 0                  | 0  |
| Due to Primary Government    | 148,036           | 0                                      | 0                  | 0  |
| Due to Other Agency Funds    | 0                 | 0                                      | 0                  | 0  |
| Due to Component Unit        | 4,837             | 0                                      | 0                  | 0  |
| Due to Other Governments     | 68                | 83,790                                 | 110,653            | 137,639                                      |
| Trusts Payable               | 307               | 0                                      | 0                  | 0  |
| Compensated Absences         | 0                 | 0                                      | 3,269              | 0  |
| <b>Total Liabilities</b>     | <b>\$ 153,248</b> | <b>83,790</b>                          | <b>113,922</b>     | <b>137,639</b>                               |

Schedule 3

| Schools   | Community Colleges | Corporations | Townships | Auto License and Use Tax | Special Assessments |
|-----------|--------------------|--------------|-----------|--------------------------|---------------------|
| 63,928    | 2,837              | 10,889       | 2,220     | 129,567                  | 0                   |
| 0         | 0                  | 0            | 0         | 0                        | 0                   |
| 10,050    | 574                | 2,388        | 419       | 0                        | 0                   |
| 3,760,969 | 187,006            | 1,002,914    | 118,526   | 0                        | 0                   |
| 0         | 0                  | 163,560      | 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                   |
| 0         | 0                  | 0            | 0         | 0                        | 0                   |
| 3,834,947 | 190,417            | 1,179,751    | 121,165   | 129,567                  | 47,609              |
| 0         | 0                  | 0            | 0         | 0                        | 0                   |
| 0         | 0                  | 0            | 0         | 4,400                    | 0                   |
| 0         | 0                  | 0            | 0         | 0                        | 0                   |
| 0         | 0                  | 0            | 0         | 0                        | 0                   |
| 3,834,947 | 190,417            | 1,179,751    | 121,165   | 125,167                  | 47,609              |
| 0         | 0                  | 0            | 0         | 0                        | 0                   |
| 0         | 0                  | 0            | 0         | 0                        | 0                   |
| 3,834,947 | 190,417            | 1,179,751    | 121,165   | 129,567                  | 47,609              |

## Osceola County

Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds  
 June 30, 2006

|                              | E911<br>Surcharge | Emergency<br>Management<br>Services | Other         | Total            |
|------------------------------|-------------------|-------------------------------------|---------------|------------------|
| <b>Assets</b>                |                   |                                     |               |                  |
| Cash and Pooled Investments: |                   |                                     |               |                  |
| County Treasurer             | 128,175           | 40,523                              | 35,228        | 569,430          |
| Other County Officials       | 0                 | 0                                   | 2,155         | 54,821           |
| Receivables:                 |                   |                                     |               |                  |
| Property Tax:                |                   |                                     |               |                  |
| Delinquent                   | 0                 | 0                                   | 3             | 13,941           |
| Succeeding Year              | 0                 | 0                                   | 1,095         | 5,248,318        |
| Tax Increment Financing:     |                   |                                     |               |                  |
| Succeeding Year              | 0                 | 0                                   | 0             | 163,560          |
| Accounts                     | 10,004            | 0                                   | 0             | 110,580          |
| Accrued Interest             | 477               | 0                                   | 0             | 483              |
| Special Assessments          | 0                 | 0                                   | 0             | 47,609           |
| Due from Other Agency Funds  | 1,030             | 0                                   | 0             | 1,030            |
| Due from Other Governments   | 0                 | 0                                   | 0             | 46               |
| Prepaid Expenses             | 0                 | 463                                 | 0             | 1,390            |
| <b>Total Assets</b>          | <b>139,686</b>    | <b>40,986</b>                       | <b>38,481</b> | <b>6,211,208</b> |
| <b>Liabilities</b>           |                   |                                     |               |                  |
| Accounts Payable             | 1,336             | 332                                 | 0             | 1,668            |
| Due to Primary Government    | 0                 | 0                                   | 192           | 152,628          |
| Due to Other Agency Funds    | 0                 | 1,030                               | 0             | 1,030            |
| Due to Component Unit        | 0                 | 0                                   | 0             | 4,837            |
| Due to Other Governments     | 138,350           | 37,066                              | 1,579         | 6,008,201        |
| Trusts Payable               | 0                 | 0                                   | 36,710        | 37,017           |
| Compensated Absences         | 0                 | 2,558                               | 0             | 5,827            |
| <b>Total Liabilities</b>     | <b>139,686</b>    | <b>40,986</b>                       | <b>38,481</b> | <b>6,211,208</b> |

See accompanying independent auditor's report.

Osceola County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
 Agency Funds  
 Year Ended June 30, 2006

|  | County<br>Offices | Agricultural<br>Extension<br>Education | County<br>Assessor | County<br>Assessor-<br>Special<br>Appraisers |
|--|-------------------|--|--------------------|--|
| <b>Assets and Liabilities</b>                        |                   |  |                    |  |
| Balances Beginning of Year                           | \$ 109,025        | 82,104                                 | 124,066            | 126,941                                      |
| Additions:   |                   |  |                    |  |
| Property and Other County Tax                        | 0                 | 83,829                                 | 83,654             | 13,875                                       |
| State Tax Credits                                    | 0                 | 5,846                                  | 5,891              | 585  |
| Intergovernmental Replacements, Grants<br>& Revenues | 2,481             | 71                                     | 166                | 7  |
| Contribution from Osceola County                     | 0                 | 0                                      | 0                  | 0  |
| E911 Surcharge                                       | 0                 | 0                                      | 0                  | 0  |
| Office Fees and Collections                          | 355,544           | 0                                      | 520                | 0  |
| Electronic Transaction Fee                           | 0                 | 0                                      | 0                  | 0  |
| Auto & Drivers Licenses, Use Tax and Postage         | 0                 | 0                                      | 0                  | 0  |
| Assessments  | 0                 | 0                                      | 0                  | 0  |
| Interest   | 307               | 0                                      | 0                  | 0  |
| Trusts   | 14,951            | 0                                      | 0                  | 0  |
| Miscellaneous  | 516               | 0                                      | 0                  | 0  |
| Total Additions                                      | 373,799           | 89,746                                 | 90,231             | 14,467                                       |
| Deductions:  |                   |  |                    |  |
| Agency Remittances:                                  |                   |  |                    |  |
| To Other Funds/Component Unit                        | 158,947           | 0                                      | 0                  | 0  |
| To Other Governments                                 | 155,842           | 88,060                                 | 100,375            | 3,769  |
| Trusts Paid Out                                      | 14,787            | 0                                      | 0                  | 0  |
| Total Deductions                                     | 329,576           | 88,060                                 | 100,375            | 3,769  |
| Balances End of Year                                 | \$ 153,248        | 83,790                                 | 113,922            | 137,639                                      |

Schedule 4

| Schools   | Community Colleges | Corporations | Townships | Auto License and Use Tax | Special Assessments |
|-----------|--------------------|--------------|-----------|--------------------------|---------------------|
| 3,904,220 | 166,467            | 1,129,254    | 117,122   | 123,255                  | 47,971              |
| 3,664,703 | 190,305            | 1,165,820    | 122,030   | 0                        | 0                   |
| 265,774   | 11,751             | 90,445       | 7,721     | 0                        | 0                   |
| 3,204     | 140                | 2,173        | 60        | 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         | 1,559,952                | 0                   |
| 0         | 0                  | 0            | 0         | 0                        | 6,842               |
| 0         | 0                  | 0            | 0         | 0                        | 0                   |
| 0         | 0                  | 0            | 0         | 0                        | 0                   |
| 0         | 0                  | 0            | 0         | 0                        | 0                   |
| 3,933,681 | 202,196            | 1,258,438    | 129,811   | 1,559,952                | 6,842               |
| 0         | 0                  | 0            | 0         | 61,106                   | 0                   |
| 4,002,954 | 178,246            | 1,207,941    | 125,768   | 1,492,534                | 7,204               |
| 0         | 0                  | 0            | 0         | 0                        | 0                   |
| 4,002,954 | 178,246            | 1,207,941    | 125,768   | 1,553,640                | 7,204               |
| 3,834,947 | 190,417            | 1,179,751    | 121,165   | 129,567                  | 47,609              |

## Osceola County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
 Agency Funds  
 Year Ended June 30, 2006

|  | E911<br>Surcharge | Emergency<br>Management<br>Services | Other  | Total     |
|--|-------------------|-------------------------------------|--------|-----------|
| <b>Assets and Liabilities</b>                        |                   |                                     |        |           |
| Balances Beginning of Year                           | 108,923           | 41,480                              | 34,945 | 6,115,773 |
| Additions:   |                   |                                     |        |           |
| Property and Other County Tax                        | 0                 | 0                                   | 1,117  | 5,325,333 |
| State Tax Credits                                    | 0                 | 0                                   | 78     | 388,091   |
| Intergovernmental Replacements, Grants<br>& Revenues | 0                 | 24,945                              | 1      | 33,248    |
| Contribution from Osceola County                     | 0                 | 30,000                              | 0      | 30,000    |
| E911 Surcharge                                       | 47,854            | 0                                   | 0      | 47,854    |
| Office Fees and Collections                          | 24                | 0                                   | 0      | 356,088   |
| Electronic Transaction Fee                           | 0                 | 0                                   | 1,783  | 1,783     |
| Auto & Drivers Licenses, Use Tax and Postage         | 0                 | 0                                   | 0      | 1,559,952 |
| Assessments  | 0                 | 0                                   | 0      | 6,842     |
| Interest   | 4,207             | 0                                   | 0      | 4,514     |
| Trusts   | 0                 | 0                                   | 93,518 | 108,469   |
| Miscellaneous  | 0                 | 0                                   | 0      | 516       |
| Total Additions                                      | 52,085            | 54,945                              | 96,497 | 7,862,690 |
| Deductions:  |                   |                                     |        |           |
| Agency Remittances:                                  |                   |                                     |        |           |
| To Other Funds/Component Unit                        | 5,000             | 0                                   | 0      | 225,053   |
| To Other Governments                                 | 16,322            | 55,439                              | 3,447  | 7,437,901 |
| Trusts Paid Out                                      | 0                 | 0                                   | 89,514 | 104,301   |
| Total Deductions                                     | 21,322            | 55,439                              | 92,961 | 7,767,255 |
| Balances End of Year                                 | 139,686           | 40,986                              | 38,481 | 6,211,208 |

See accompanying independent auditor's report.

## Osceola County

Balance Sheet  
 Component Unit – Public Safety Commission  
 June 30, 2006

| <b>Assets</b>                              |                          |
|--|--------------------------|
| Cash and Pooled Investments                | \$ 198,352               |
| Due from Primary Government                | 3,788                    |
| Due from County's Agency Funds             | 4,837                    |
| Due from Other Governments                 | 15,285                   |
| Prepaid Insurance                          | 7,039                    |
| Prepaid Expenses                           | <u>20,104</u>            |
| <b>Total Assets</b>                        | <b><u>\$ 249,405</u></b> |
| <b>Liabilities and Fund Balances</b>       |                          |
| Liabilities:                               |                          |
| Accounts Payable                           | \$ 3,477                 |
| Salaries and Benefits Payable              | 1,705                    |
| Deferred Revenue:                          |                          |
| Other                                      | <u>5,378</u>             |
| Total Liabilities                          | 10,560                   |
| Fund Balances:                             |                          |
| Unreserved:                                |                          |
| Undesignated                               | <u>238,845</u>           |
| <b>Total Liabilities and Fund Balances</b> | <b><u>\$ 249,405</u></b> |

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, 2006

|  |           |                       |
|--|-----------|-----------------------|
| <b>Total Component Unit Fund Balance (page 60)</b>   | \$        | 238,845               |
| <br><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 \$392,570 and the accumulated depreciation is \$165,739.                      |           | 226,831               |
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the Balance Sheet.   |           | 5,378                 |
| The County's deferred revenue portion of the unified levy tax that is collected by the County and remitted to the Public Safety Commission is not available to pay current period expenditures and, therefore, not reported in the fund. |           | 669                   |
| 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.  |           | ( 40,329)             |
| <b>Net Assets of Component Unit (pages 15 - 16)</b>  | <b>\$</b> | <b><u>431,394</u></b> |

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, 2006

|  |                   |
|--|-------------------|
| Revenues:                                  |                   |
| Intergovernmental                          | \$ 875,389        |
| Charges for Service                        | 24,531            |
| Miscellaneous                              | 4,875             |
| Total Revenues                             | <u>904,795</u>    |
| Expenditures:                              |                   |
| Operating:                                 |                   |
| Uniformed Patrol Services                  | 501,156           |
| Investigations                             | 2,992             |
| Law Enforcement Communications             | 160,028           |
| Administration                             | 156,285           |
| Data Processing Services                   | 319               |
| Tort Liability and Safety of the Workplace | 11,855            |
| Total Expenditures                         | <u>832,635</u>    |
| Excess of Revenues Over Expenditures       | 72,160            |
| Other Financing Sources:                   |                   |
| Sale of Capital Assets                     | <u>1,011</u>      |
| Net Change in Fund Balance                 | 73,171            |
| Fund Balance Beginning of Year             | <u>165,674</u>    |
| Fund Balance End of Year                   | <u>\$ 238,845</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, 2006

**Net Change in Fund Balances – Total Component Unit (page 62)** \$ 73,171

*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                 | \$ 9,858         |        |
| Capital assets contributed by Homeland Security | 44,243           |        |
| Depreciation expense                            | <u>( 35,870)</u> | 18,231 |

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.

( 25,893)

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:

|                                   |              |       |
|-----------------------------------|--------------|-------|
| Osceola County's unified law levy | 669          |       |
| Other                             | <u>5,228</u> | 5,897 |

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>7,132</u> |  |
|----------------------|--------------|--|

**Change in Net Assets of Component Unit (pages 17 - 18)** \$ 78,538

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, 2006

| <b><u>Budget to Actual Comparison:</u></b> | Actual            | Budget         | Budget to<br>Actual<br>Variance |
|--|-------------------|----------------|---------------------------------|
| Receipts:                                  |                   |                |                                 |
| County Contribution                        | \$ 259,409        | 259,409        | 0                               |
| City Contribution                          | 341,795           | 356,781        | ( 14,986)                       |
| Unified Law Levy                           | 211,791           | 206,739        | 5,052                           |
| Other Receipts                             | 40,110            | 29,620         | 10,490                          |
| Total Receipts                             | <u>853,105</u>    | <u>852,549</u> | <u>556</u>                      |
| Disbursements:                             |                   |                |                                 |
| Uniformed Patrol Services                  | 485,616           | 492,570        | ( 6,954)                        |
| Investigations                             | 2,992             | 0              | 2,992                           |
| Law Enforcement Communications             | 160,031           | 139,200        | 20,831                          |
| Administration                             | 161,522           | 166,859        | ( 5,337)                        |
| Other                                      | 12,174            | 24,300         | ( 12,126)                       |
| Total Disbursements                        | <u>822,335</u>    | <u>822,929</u> | <u>( 594)</u>                   |
| Excess of Receipts Over Disbursements      | 30,770            | 29,620         | 1,150                           |
| Other Financing Source                     | 1,389             | 0              | 1,389                           |
| Balances Beginning of Year                 | <u>166,193</u>    | <u>175,869</u> | <u>( 9,676)</u>                 |
| Balances End of Year                       | <u>\$ 198,352</u> | <u>205,489</u> | <u>( 7,137)</u>                 |

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. The Public Safety Commission's budget was not amended this fiscal year.

| <b><u>Reconciliation:</u></b> | Cash<br>Basis     | Accrual<br>Adjustments | Modified<br>Accrual<br>Basis |
|-------------------------------|-------------------|------------------------|------------------------------|
| Revenues                      | \$ 853,105        | 51,690                 | 904,795                      |
| Expenditures                  | <u>822,335</u>    | <u>10,300</u>          | <u>832,635</u>               |
| Net                           | 30,770            | 41,390                 | 72,160                       |
| Other Financing Source        | 1,389             | ( 378)                 | 1,011                        |
| Beginning Fund Balances       | <u>166,193</u>    | <u>( 519)</u>          | <u>165,674</u>               |
| Ending Fund Balances          | <u>\$ 198,352</u> | <u>40,493</u>          | <u>238,845</u>               |

See accompanying independent auditor's report.

## Osceola County

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

|                                      | Modified Accrual Basis |                  |                  |                  |
|--------------------------------------|------------------------|------------------|------------------|------------------|
|                                      | 2006                   | 2005             | 2004             | 2003             |
| <b>Revenues:</b>                     |                        |                  |                  |                  |
| Property and Other County Tax        | \$ 2,221,623           | 2,049,051        | 2,157,197        | 2,119,252        |
| Tax Increment Financing              | 210,292                | 0                | 0                | 0                |
| Interest and Penalty on Property Tax | 13,275                 | 8,324            | 10,054           | 9,823            |
| Intergovernmental                    | 2,331,151              | 2,339,771        | 2,310,475        | 2,231,754        |
| Licenses and Permits                 | 10,750                 | 9,113            | 6,023            | 6,167            |
| Charges for Service                  | 225,263                | 250,401          | 226,598          | 191,636          |
| Use of Money and Property            | 177,756                | 123,817          | 84,301           | 99,577           |
| Miscellaneous                        | 28,752                 | 31,509           | 38,024           | 43,735           |
| <b>Total</b>                         | <b>\$ 5,218,862</b>    | <b>4,811,986</b> | <b>4,832,672</b> | <b>4,701,944</b> |
| <b>Expenditures:</b>                 |                        |                  |                  |                  |
| <b>Operating:</b>                    |                        |                  |                  |                  |
| Public Safety and Legal Services     | \$ 930,874             | 850,645          | 782,569          | 780,412          |
| Physical Health and Social Services  | 126,981                | 121,043          | 130,769          | 136,127          |
| Mental Health                        | 532,029                | 524,588          | 481,889          | 488,561          |
| *County Environment and Education    | 590,289                | 2,684,018        | 249,974          | 250,575          |
| Roads and Transportation             | 2,250,666              | 1,644,789        | 1,913,113        | 1,823,134        |
| Governmental Services to Residents   | 307,555                | 197,544          | 151,508          | 136,365          |
| Administration                       | 598,664                | 557,568          | 559,522          | 635,482          |
| *Debt Service                        | 0                      | 110,836          | 68,411           | 0                |
| Capital Projects                     | 462,538                | 251,478          | 184,549          | 936,418          |
| <b>Total</b>                         | <b>\$ 5,799,596</b>    | <b>6,942,509</b> | <b>4,522,304</b> | <b>5,187,074</b> |

\*The urban renewal revenue capital loan notes principal and interest debt service was classified as "Debt Service" for fiscal year 2005 and is classified as "County Environment and Education" for fiscal year 2006. See Note to Financial Statement (7).

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 Four Years

|  | Modified Accrual Basis |                |                |                |
|--|------------------------|----------------|----------------|----------------|
|  | 2006                   | 2005           | 2004           | 2003           |
| <b>Revenues:</b>                           |                        |                |                |                |
| Intergovernmental                          | \$ 875,389             | 801,430        | 781,815        | 776,257        |
| Charges for Service                        | 24,531                 | 19,090         | 22,173         | 23,948         |
| Miscellaneous                              | 4,875                  | 1,630          | 2,849          | 714            |
| <b>Total</b>                               | <b>\$ 904,795</b>      | <b>822,150</b> | <b>806,837</b> | <b>800,919</b> |
| <b>Expenditures:</b>                       |                        |                |                |                |
| <b>Operating:</b>                          |                        |                |                |                |
| Uniformed Patrol Services                  | \$ 501,156             | 506,787        | 515,636        | 505,115        |
| Investigations                             | 2,992                  | 0              | 0              | 0              |
| Law Enforcement Communications             | 160,028                | 190,821        | 184,783        | 178,910        |
| Administration                             | 156,285                | 163,196        | 137,625        | 144,945        |
| Data Processing Services                   | 319                    | 4,731          | 3,042          | 0              |
| Tort Liability and Safety of the Workplace | 11,855                 | 13,331         | 12,914         | 19,060         |
| <b>Total</b>                               | <b>\$ 832,635</b>      | <b>878,866</b> | <b>854,000</b> | <b>848,030</b> |

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***

**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, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated November 22, 2006. 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 06-A, B, D, E, F, I, M, N and O 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, 2006 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 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 22, 2006

**Osceola County**  
**Schedule of Findings**

**Osceola County**  
Schedule of Findings  
Year Ended June 30, 2006

**Findings Related to the Financial Statements:**

**REPORTABLE CONDITIONS:**

06-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.
- 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.

**Osceola County**  
Schedule of Findings  
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- i. The person responsible for making sure that 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/entity to utilize existing personnel within the County/each entity to help in achieving additional segregation of duties. We will implement as economically practicable (we will segregate within staff size limitations).

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

06-B

Capital Assets/Inventory – 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/inventory formally being performed by an independent person. Capital assets are not marked for identification purposes.

Recommendation – Each County office, the Public Safety Commission, the County Assessor, Emergency Management and E911 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/inventory under each office's control. Any capital assets disposed of or sold should be adequately documented. Capital assets should be marked for identification purposes to assist in the existence and accountability functions.

Response – We 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.

**Osceola County**  
Schedule of Findings  
Year Ended June 30, 2006

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

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

Recommendation – A written disaster plan should be adopted and written confirmations obtained from suppliers for quick replacements. Sensitive/important 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 have developed and implemented a written disaster recovery plan in fiscal year 2006/2007. We will have each office/entity consider the need for off-site storage of sensitive materials.

Conclusion – Response accepted. However, please do attempt to evaluate the manual records.

06-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 have each appropriate office work on preparation of an accounting procedures manual.

Conclusion – Response acknowledged. However, please do attempt to have each appropriate office work on this in the near future.

06-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 that require:

- daily off-site storage for backup tapes (the County and Public Safety Commission only store weekly backup tapes off-site; there is no off-site storage for the Sheriff's and Conservation's Offices).
- backup tapes of personal computer data that is not on the mainframe systems for the Assessor's and Attorney's Offices.
- 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 Commission also do not change passwords.
- requiring password length to be set at a minimum of at least six characters and require use of multiple characters on the keyboard.

**Osceola County**  
Schedule of Findings  
Year Ended June 30, 2006

- 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 information system issues 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 work on implementing these computer related policies.

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

06-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/entity work on rotating duties within economic constraints.

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

06-G Compensated Absences Carryover – One office allowed compensated absences to be carried over in excess of the time allowed by the County personnel policy. At June 30, 2006 the excess carryover amounted to \$893 in the Secondary Roads Fund.

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

Response – We will have the Board address this issue. We will encourage each department to monitor this more closely in the future.

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

06-H Cellular Phone Policy – The Public Safety Commission does not have a standard policy regarding limitations on use of cellular phones.

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Schedule of Findings  
Year Ended June 30, 2006

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

Response – We will have the Public Safety Commission Board work on adopting a policy that attempts to meet the requirements of public purpose.

Conclusion – Response accepted. However, please do attempt to have the Public Safety Commission Board implement this recommendation in the near future.

06-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 acknowledged. Please attempt to implement this recommendation in a timely manner.

06-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 continue to work on getting each of the land lease agreements in writing.

Conclusion – Response acknowledged. Please do have the County Attorney and the Conservation Office work on each of the leases.

06-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.

Response – We will have with the County Attorney work on this.

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

**Osceola County**  
Schedule of Findings  
Year Ended June 30, 2006

06-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, tested against the fuel charged to each vehicle to verify reasonableness and any differences/variations noted should be investigated.

Response – We will have the appropriate County departments and the Public Safety Commission address this.

Conclusion – Response acknowledged. Please do consider implementing this recommendation in all appropriate offices.

06-M 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 acknowledged. Please do have the ambulance personnel work on this.

06-N Reconciliation of Ambulance Billings – A proper reconciliation of beginning ambulance receivables, new billings, Medicare/Medicaid write-offs, other write-offs, payments received and ending ambulance receivables was not prepared. Ambulance collections were not reconciled to deposits. Also, all write-offs for other than Medicare/Medicaid purposes are not being approved by the Board of Supervisors.

Recommendation – Procedures should be established to reconcile in writing beginning ambulance receivables, new billings, write-offs, collections and ending ambulance receivables and to reconcile collections to deposits. An independent person should review the reconciliations and monitor receivables. All write-offs for other than Medicare/Medicaid purposes should be approved by the Board of Supervisors.

Response – We will have ambulance personnel and the Board of Supervisors work on implementing as recommended.

Conclusion – Response accepted.

06-O Patrol Car Prepayment – We noted that the Public Safety Commission issued a check for \$20,104 during the fiscal year for a patrol car that was not received until September 2006. The check was issued in order to get the disbursement to be included in the current year’s budget.

Recommendation – Good internal controls would prescribe that all checks should be supported by an invoice or other documentation. Also, payment should not be made for goods and services until actually received.

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Response – We will stress to the Public Safety Commission not to do this in the future.

Conclusion – Response accepted.

06-P Flex Spending Bank Reconciliations – Monthly bank reconciliations of the flex spending bank account are not being retained.

Recommendation – Monthly bank reconciliations of the flex spending bank account should be prepared in writing, retained as part of the records and kept with the bank statements. The reconciliations should be reconciled by an individual who does not sign checks, handle or record cash.

Response – We will implement your recommendation.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

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

06-1            Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amount budgeted in any of the functions. Disbursements in three 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 (Chapter 331.437 of the Code of Iowa).

Response – We will monitor appropriations more closely in the future in order to be in accordance with the Code of Iowa.

Conclusion – Response accepted.

06-2            Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented or the necessary documentation to support the expenditure was not present. These expenditures are detailed as follows:

There was no supporting documentation for a few employee meal reimbursements.

There was one instance where there was no hotel lodging invoice to support the charges.

The only support for some credit card charges, including employee meal charges, was a copy of a credit card slip; there was no additional supporting documentation/invoice.

Emergency Management Services reimbursed the Emergency Management director for some supplies and cell phone bills (July 2005 to May 2006) for which there were no supporting detailed invoices.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The County and Emergency Management Services should establish written policies and procedures requiring detailed supporting documentation for all expenditures. All credit card charges, including employee meal charges, should be supported by an actual receipt/invoice that supports the charge in detail.

**Osceola County**  
 Schedule of Findings  
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Response – We will stress to employees the need to obtain invoices that support all expenditures and keep receipts on all credit card charges.

Conclusion – Response accepted. Please stress the importance of needing to maintain detailed support for all charges.

06-3 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted. However, please see “Other Finding Related to Required Statutory Reporting: 06-2” for a possibly related comment.

06-4 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

| Name, Title, and<br>Business Connection  | Transaction<br>Description  | Cash Basis<br>Amount |
|--|-----------------------------|----------------------|
| Rick Echter,<br>Husband of Barbara Echter – County Auditor,<br>Owner of Echter’s Greenhouses | Lawn products<br>and plants | \$ 878               |

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.

06-5 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.

06-6 Board Minutes – No transactions were found that we believe should have been approved in the Board of Supervisors minutes but were not, except that a short-term interfund loan of \$200 from the General Fund to the Flex Spending Fund was never documented as being approved. Also, we noted there were many instances where issues were added to the agenda at the beginning of the Board meeting.

Recommendation – The Board of Supervisors should authorize all short-term debt by resolution as required by Chapter 331.477 of the Code of Iowa. The County should consult with the County Attorney to ensure proper public notice is being provided in accordance with Chapter 21.4 of the Code of Iowa when issues are added to the agenda at the beginning of a Board meeting.

**Osceola County**  
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Response – We will properly authorize all short-term debt by resolution in the future. The Board of Supervisors is complying with proper public notice. We believe issues can be added to the agenda at the beginning of a meeting.

Conclusion – Response acknowledged. Please consult with the County Attorney regarding the agenda issue.

06-7      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.

06-8      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.

06-9      County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2006 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. Please see “Other Finding Related to Required Statutory Reporting: 06-11” for an additional County Extension comment.

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

The County Extension was missing some of the receipts for charges made to the grocery store.

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The Extension needs to remove from the authorized signer's lists an individual who is no longer authorized to make disbursements. The Extension needs to get the bank accounts updated to include only the properly authorized signers.

We noted that a check to the Postmaster was never formally approved in the Extension Council's minutes. We also noted that a range of checks (check #9193 to #9221) were noted as approved but the details of each separate check (payee and amount) were not documented.

Recommendations – 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.

The County Extension needs to make sure to retain supporting documentation for all disbursements.

The Extension needs to correct the authorized bank accounts signers' lists to allow only all eligible current officials/employees to make transactions. Procedures need to be established to ensure that individuals who are no longer authorized to make financial transactions are immediately removed from all authorized signers' lists and that the new individuals are properly authorized to do so on the signers' lists.

All checks should be approved and listed in the Extension Council's minutes in detail (check number, payee and amount should be listed for each check).

Response – We will stress to the Extension Council the need to address these issues.

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

06-10 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.

Conclusion – Response acknowledged. Please implement this recommendation.

06-11 Electronically Retained Check Images – The back (endorsement) side of electronically retained check images of checks that have cleared the bank are not being received and maintained as

**Osceola County**  
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required by Chapter 554D.114(5) of the Code of Iowa for the flex spending, ambulance and County Extension bank accounts.

Recommendation – The flex spending administrator, ambulance coordinator and County Extension personnel should be receiving and maintaining the back (endorsement) side of electronically retained check images of checks that have cleared the bank.

Response – We will comply with the Iowa Code by requesting that we receive the back (endorsement) side of the check images.

Conclusion – Response accepted.

06-12

County Treasurer's Report – The County Treasurer's December 31, 2005 semi annual report improperly identified the County Government Assistance Fund as the Mental Health Fund and completely omitted the Mental Health Fund amounts from the report. However, the correct grand totals for all funds were shown on the report.

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 make sure the reports are prepared properly in the future.

Conclusion – Response accepted.

06-13

Conservation Board Minutes – The Conservation Board minutes contain very little information on what business was discussed during the meeting. There are items listed on the planned agenda that are not even mentioned in the Board minutes. A written land lease entered into and approval for a restroom project were never formally approved by the Board in the minutes.

Recommendation – The Conservation Board minutes should be more detailed in order to reflect what business was discussed. The Conservation Board needs to make sure all significant transactions are approved in the minutes.

Response – We will have the Conservation Board address this.

Conclusion – Response accepted.

06-14

County Assessor's Office Payroll – 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 actually received a 5% salary increase rounded up to the nearest \$50. An employee on an hourly wage should have been paid \$13.65 per hour, but actually received \$15.00 per hour

**Osceola County**  
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in fiscal year 2005/2006. Similar payroll problems will happen in fiscal year 2006/2007 based on what was approved in the County Assessor's Conference Board minutes compared to what County Assessor personnel are currently being paid in 2006/2007.

Recommendations – 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 in accordance with Chapter 441.16 of the Code of Iowa. The County Attorney should be consulted regarding this payroll issue.

Response – We will have the County Assessor's Conference Board address this salaries/wage issue.

Conclusion – Response acknowledged. Please do have the County Assessor's Conference Board and County Attorney address this.

06-15 E911 Service Board Budget – The Joint E911 Service Board's fiscal year July 1, 2005 to June 30, 2006 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 not stated).

Recommendation – The July 1, 2005 to June 30, 2006 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, 2006 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.

06-16 Veteran Affairs Meetings – Public notice was not provided for the Veteran Affairs meetings.

Recommendation – Veteran Affairs meetings should be preceded by proper public notice in accordance with Chapter 21.4 of the Code of Iowa. Notice should be given of the time, date and place of each meeting, and its tentative agenda, in a manner reasonably calculated to apprise the public of that information.

Response – We will have the Veteran Affairs give the proper notice when meetings are held.

Conclusion – Response accepted.

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06-17      Official Depositories – Ambulance – The maximum deposit amounts stated in the resolution naming official depositories were not exceeded during the fiscal year ended June 30, 2006, except that the ambulance is not listed as being included on the resolution naming official depositories.

Recommendation – A new resolution that includes the ambulance should be adopted by the Board in amounts sufficient to cover anticipated balances at all approved depositories.

Response – We will approve an updated resolution that includes the ambulance.

Conclusion – Response accepted.

06-18      Economic Development – The County paid \$2,500 to Schlotfeldt Engineering, \$1,907 to Smart Solutions and \$40 in reimbursements to Kirk Grau for Smart Solutions meeting expenses which may not be appropriate expenditures of public funds.

In accordance with Chapter 15A of the Code of Iowa and an Attorney General’s opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

Recommendation – The Board of Supervisors should evaluate and document the public purpose served by each expenditure before authorizing further payments. Documentation should be maintained of how the funds were used to accomplish economic development activities.

Response – We will attempt to do this in a way that complies with the Code.

Conclusion – Response accepted.

06-19      Public Safety Minutes – We noted that several months minutes of the Public Safety Commission Board were not signed.

Recommendation – The Public Safety Commission Board should have the minutes of its meetings properly signed as soon as the Board approves the minutes. Signing of the minutes is needed to attest to the accuracy of the minutes.

Response – We will make sure that in the future all minutes are signed timely upon Board approval.

Conclusion – Response accepted.

**Osceola County**  
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06-20      Public Safety Commission Funding – The Public Safety Commission is currently using more of a “how much can each entity afford to contribute” approach for member funding rather than the statutory allowed funding methods.

Recommendation – The Public Safety Commission should comply with Chapter 28E.23 of the Code of Iowa for member funding. The Public Safety Commission should consult with an attorney regarding this.

Response – The Osceola County Attorney is in the process of attempting to get legislation introduced that would amend Chapter 28E.23 of the Code of Iowa to allow the method of member funding currently being utilized.

Conclusion – Response acknowledged. However, until Chapter 28E.23 of the Code of Iowa is amended, one of the methods of member funding currently statutorily authorized should be followed.

**Osceola County**

Listing of Auditors

This audit was performed by:

David De Noble, CPA, Senior Auditor  
Carmen Austin, CPA, Senior Auditor  
James Fisher, CPA, Assistant Auditor  
Stephenie Korthals, Assistant Auditor

De Noble & Company PC  
Certified Public Accounting Firm