

OSCEOLA COUNTY

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

JUNE 30, 2007

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Osceola County

Officials

Name	Title	Term Expires
(Before January 2007)		
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 (Appointed)
Thomas Snyder	County Engineer	Indefinite (Appointed)
Ronald Spengler	County Conservation Director	Indefinite (Appointed)
Debra Goettig	County Emergency Management Director	Indefinite (Appointed)
Jerry Johnson	Public Safety Commission Board Member	December 31, 2006
Richard Mataloni	Public Safety Commission Board Member	December 31, 2006
Arlyn Pedley	Public Safety Commission Board Member	December 31, 2006
Jeff Loring	Public Safety Commission Board Member	December 31, 2006
Gary Benz	Public Safety Commission Board Member	December 31, 2006
Dan Grote	Public Safety Commission Board Member	December 31, 2006
Byron Lopau	Public Safety Commission Board Member	December 31, 2006
Darwin Beltman	Public Safety Commission Board Member	December 31, 2006
(Starting January 2007)		
Daryl Strenge	Board of Supervisors	December 31, 2008
Byron Lopau	Board of Supervisors	December 31, 2008
Darwin Beltman	Board of Supervisors	December 31, 2010
Derrick Petersen	Board of Supervisors	December 31, 2010
William Imhoff	Board of Supervisors	December 31, 2010
Barbara Echter	County Auditor	December 31, 2008
Linda Carter	County Treasurer	December 31, 2010
Arlene Kuehl	County Recorder	December 31, 2010
Douglas Weber	County Sheriff	December 31, 2008
Robert Hansen	County Attorney	December 31, 2010

Sharon Wolter	County Assessor	December 31, 2009 (Appointed)
Thomas Snyder	County Engineer	Indefinite (Appointed)
Ronald Spengler	County Conservation Director	Indefinite (Appointed)
Debra Goettig	County Emergency Management Director	Indefinite (Appointed)
Jerry Johnson	Public Safety Commission Board Member	December 31, 2007
Richard Mataloni	Public Safety Commission Board Member	December 31, 2007
Arlyn Pedley	Public Safety Commission Board Member	December 31, 2007
Jeff Loring	Public Safety Commission Board Member	December 31, 2007
Gary Benz	Public Safety Commission Board Member	December 31, 2007
Dan Grote	Public Safety Commission Board Member	December 31, 2007
Byron Lopau	Public Safety Commission Board Member	December 31, 2007
Darwin Beltman	Public Safety Commission Board Member	December 31, 2007

DE NOBLE & COMPANY PC

Certified Public Accounting Services

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Rock Rapids, IA 51246

MEMBERS
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Private Companies Practice Section
Iowa Society - Certified Public Accountants

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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, 2007, 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, 2007, 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 June 30, 2008 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 5 through 14 and 45 through 49 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 two fiscal years ended June 30, 2006 (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 fiscal 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

De Noble & Company PC
Certified Public Accountants

June 30, 2008

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, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Fiscal Year 2006/2007 Financial Highlights

- The County's governmental funds revenues for fiscal year 2007 were \$5,614,678 compared to \$5,218,862 in fiscal year 2006, an increase of \$395,816 or 7.6%. Property taxes and other county tax increased \$108,135 or 4.7%, tax increment financing increased by \$109,893 or 52.3%, charges for service increased by \$46,396 or 20.6%, use of money and property increased by \$29,592 or 16.6%, and miscellaneous increased by \$40,720 or 141.6%.
- The County's governmental funds expenditures for fiscal year 2007 were \$5,614,521 compared to \$5,799,596 in fiscal year 2006, a decrease of \$185,075 or 3.2%. Roads and transportation decreased by \$349,888 or 15.5%, mental health increased by \$146,819 or 27.6%, governmental services to residents decreased by \$109,331 or 35.5%, and debt service increased by \$101,175 or 48.0%.
- The County's governmental funds fund balances for fiscal year 2007 were \$3,469,771 compared to \$3,465,889 in fiscal year 2006, an increase of \$3,882 or 0.1%.
- The County's government-wide net assets for fiscal year 2007 were \$7,834,182 compared to \$7,070,429 in fiscal year 2006, an increase of \$763,753 or 10.8%.
- The County's governmental activities revenues for fiscal year 2007 were \$6,215,455 compared to \$5,647,253 in fiscal year 2006, an increase of \$568,202 or 10.1%. Charges for service increased by \$94,174 or 31.7%, capital grants, contributions and restricted interest increased by \$179,604 or 40.0%, property and other county taxes increased by \$106,764 or 4.8%, and tax increment financing increased by \$109,893 or 52.3%.
- The County's governmental activities expenses for fiscal year 2007 were \$5,451,702 compared to \$5,289,363 in fiscal year 2006, an increase of \$162,339 or 3.1%. Public safety and legal services increased by \$55,354 or 5.9%, mental health increased by \$149,523 or 28.1%, county environment and education decreased by \$63,820 or 17.7%, and capital projects increased by \$41,947 or 18.9%.

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 and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and 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, Urban Renewal District 1 Plan Area Revenue and Urban Renewal District 1 Principle and Interest Sinking. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) 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.

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

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 2007 for the Public Safety Commission include:

- The discretely presented component unit – Public Safety Commission’s government-wide net assets for fiscal year 2007 were \$451,384 compared to \$431,394 in fiscal year 2006, an increase of \$19,990 or 4.6%. The Public Safety Commission’s governmental activities revenues for fiscal year 2007 were \$893,174 compared to \$954,936 in fiscal year 2006, a decrease of \$61,762 or 6.5%. The Public Safety Commission’s governmental activities expenses for fiscal year 2007 were \$873,184 compared to \$876,398 in fiscal year 2006, a decrease of \$3,214 or 0.4%. Revenues decreased due to a reduction in operating and capital grants and contributions.
- The Public Safety Commission’s modified accrual basis revenues for fiscal year 2007 were \$894,366 compared to \$904,975 in fiscal year 2006, a decrease of \$10,609 or 1.2%. The decrease is due to receiving a Homeland Security equipment grant last fiscal year but not this fiscal year.
- The Public Safety Commission’s modified accrual basis expenditures for fiscal 2007 were \$868,967 compared to \$832,635 in fiscal year 2006, an increase of \$36,332 or 4.4%. Expenditures increased primarily in the uniformed patrol services area.
- The Public Safety Commission’s fund balance for fiscal year 2007 was \$266,022 compared to \$238,845 in fiscal year 2006, an increase of \$27,177 or 11.4%.
- The Public Safety Commission did not exceed its budgeted disbursements for fiscal year 2007. The Public Safety Commission did not need to amend its budget during fiscal year 2007. For fiscal year 2007, the Public Safety Commission’s actual ending balance of \$254,744 was \$69,873 higher than the final budget’s anticipated ending balance of \$184,871.

Government-Wide Financial Analysis

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

	Net Assets			
	<u>Governmental Activities</u>		<u>Public Safety Commission</u>	
	June 30,		June 30,	
	2007	2006	2007	2006
Current and Other Assets	\$ 6,546,175	6,552,700	\$ 279,393	250,074
Capital Assets	6,841,087	6,279,064	238,979	226,831
Total Assets	<u>13,387,262</u>	<u>12,831,764</u>	<u>518,372</u>	<u>476,905</u>
Long-term Liabilities	2,627,195	2,819,417	58,473	40,329
Other Liabilities	2,925,885	2,941,918	8,515	5,182
Total Liabilities	<u>5,553,080</u>	<u>5,761,335</u>	<u>66,988</u>	<u>45,511</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	6,841,087	6,279,064	238,979	226,831
Restricted	31,094	(160,106)	0	0
Unrestricted	962,001	951,471	212,405	204,563
Total Net Assets	<u><u>\$ 7,834,182</u></u>	<u><u>7,070,429</u></u>	<u><u>\$ 451,384</u></u>	<u><u>431,394</u></u>

The largest portion of Osceola County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements.

Of the total net assets for the governmental activities, invested in capital assets increased by \$562,023 or 9.0%, restricted net assets increased by \$191,200 (from a deficit position last year), and unrestricted net assets increased by \$10,530 or 1.1%. The primary increase in the restricted net assets was in Secondary Roads purposes.

Changes in Net Assets				
	Governmental Activities		Public Safety Commission	
	Year Ended		Year Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Revenues:				
Program Revenues:				
Charges for Service	\$ 391,690	297,516	\$ 870,735	857,679
Operating Grants, Contributions and Restricted Interest	2,154,427	2,086,781	10,239	53,014
Capital Grants, Contributions and Restricted Interest	628,354	448,750	12,200	44,243
General Revenues:				
Property Tax Levied for:				
General Purposes	2,093,498	2,025,327	0	0
Unified Law	237,506	198,913	0	0
Tax Increment Financing	320,185	210,292	0	0
Penalty and Interest on Property Tax	17,317	15,673	0	0
State Tax Credits	159,344	154,370	0	0
Grants and Contributions Not Restricted to Specific Purposes	11,183	9,707	0	0
Unrestricted Investment Earnings	172,289	144,544	0	0
Rents	26,443	32,294	0	0
Drainage Assessments	396	4,369	0	0
Gain on Disposal of Capital Assets	425	17,353	0	0
Miscellaneous	2,398	1,364	0	0
Total Revenues	<u>6,215,455</u>	<u>5,647,253</u>	<u>893,174</u>	<u>954,936</u>
Program Expenses:				
Public Safety and Legal Services	988,176	932,822	0	0
Physical Health and Social Services	129,747	129,685	0	0
Mental Health	681,552	532,029	0	0
County Environment and Education	296,558	360,378	0	0
Roads and Transportation	2,136,036	2,118,160	0	0
Governmental Services to Residents	222,876	250,972	0	0
Administration	616,291	622,607	0	0
Interest on Long-term Debt	116,407	120,598	0	0
Capital Projects	264,059	222,112	0	0
Public Safety Commission	0	0	873,184	876,398
Total Expenses	<u>5,451,702</u>	<u>5,289,363</u>	<u>873,184</u>	<u>876,398</u>

Increase in Net Assets	763,753	357,890	19,990	78,538
Net Assets Beginning of Year	<u>7,070,429</u>	<u>6,712,539</u>	<u>431,394</u>	<u>352,856</u>
Net Assets End of Year	<u>\$ 7,834,182</u>	<u>7,070,429</u>	<u>\$ 451,384</u>	<u>431,394</u>

The portion of governmental activities costs financed by users (charges for service) increased by \$94,174 or 31.7% (mainly in the public safety and legal services function). Operating grants, contributions and restricted interest increased by \$67,646 or 3.2% (mainly in the roads and transportation function). Capital grants, contributions and restricted interest increased by \$179,604 or 40.0% (mainly in the roads and transportation function).

Property and other county taxes levied for general purposes increased by \$68,171 or 3.4% and taxes levied for unified law increased by \$38,593 or 19.4%. The increase was largely due to higher levies for the General Supplemental Fund (\$1.40 per \$1,000 compared to \$1.20 per \$1,000) and the Unified Law Levy (\$1.10 per \$1,000 compared to \$0.92 per \$1,000). Osceola County's fiscal year 2007 taxable valuation was \$281,063,166 compared to the fiscal year 2006 taxable valuation of \$281,749,205; this amounts to a decrease of \$686,039 or 0.2%. Tax increment financing collections for the Otter Creek Ethanol, LLC increased \$109,893 from fiscal year 2006 or 52.3%. Unrestricted investment earnings increased by \$27,745 or 19.2%. This was due mainly to an increase in interest rates.

Program expenses for governmental activities this fiscal year increased by \$162,339 or 3.1%. Mental Health increased by \$149,523 or 28.1% (due mainly to provider rate increases and services needed), public safety and legal services increased by \$55,354 or 5.9% (due mainly to an increase in unified law enforcement), capital projects increased by \$41,947 or 18.9% (due to larger amount of noncapitalizable projects), and county environment and education decreased by \$63,820 or 17.7% (due to a reduction in TIF related economic development expenses). All other program expenses combined decreased by \$20,665.

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 2007, its governmental funds reported a combined fund balance of \$3,469,771. This is in comparison to fiscal year 2006, when the combined fund balance was \$3,465,889. This is a \$3,882 increase from last year. 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 2007 General Fund ending fund balance was \$1,154,899. This is in comparison to last fiscal year when the fund balance was \$1,049,408. This is a \$105,491 increase from last year or 10.1%. For fiscal year 2007, expenditures totaled \$1,946,789 (fiscal year 2006 = \$2,007,261), a decrease of \$60,472 or 3.0% from last year and revenues totaled \$2,048,555 (fiscal year 2006 = \$1,916,877), an increase of \$131,678 or 6.9% from last year.

The revenues were higher mainly due to an increase in property and other county tax collections, charges for services, interest on investments and insurance proceeds on an ambulance. The expenditures decreased mainly due to lower costs in the governmental services to residents function (elections administration area).

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 2007 Mental Health ending fund balance was \$81,532. This is in comparison to last fiscal year when the fund balance was \$248,179. This is a \$166,647 decrease from last year or 67.1%. For fiscal year 2007, expenditures totaled \$678,848 (fiscal year 2006 = \$532,029), an increase over last year of \$146,819 or 27.6%, and revenues totaled \$512,201 (fiscal year 2006 = \$504,087), an increase over last year of \$8,114 or 1.6%. The expenditures increased due to provider rate increases and additional services needed in fiscal year 2007.

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 2007 Rural Services ending fund balance was \$236,129. This is in comparison to last fiscal year when the fund balance was \$236,873. This is a \$744 decrease over last year. For fiscal year 2007, expenditures totaled \$40,000 (fiscal year 2006 = \$36,616), an increase from last year of \$3,384 or 9.2% and revenues totaled \$589,627 (fiscal year 2006 = \$586,440), an increase over last year of \$3,187 or 0.5%. The County transferred \$550,371 from the Rural Services Fund to the Secondary Roads Fund in fiscal year 2007 (compared to \$504,467 in fiscal year 2006). Overall, revenues and expenditures remained constant compared to fiscal year 2006.

SECONDARY ROADS FUND: The Secondary Roads Fund is used to account for secondary road construction and maintenance. The fiscal year 2007 Secondary Roads ending fund balance was \$1,619,670. This is in comparison to last fiscal year when the fund balance was \$1,405,103. This is a \$214,567 increase from last year or 15.3%. For fiscal year 2007, expenditures totaled \$2,144,809 (fiscal year 2006 = \$2,692,597), a decrease over last year of \$547,788 or 20.3% and revenues totaled \$1,809,005 (fiscal year 2006 = \$1,753,713), an increase over last year of \$55,292 or 3.2%.

Revenues increased due to an increase in road use tax funding and receiving a FEMA grant for winter weather. The large decrease in expenditures was due mainly to decreases in capital projects and in the following program areas: roadway maintenance (roads), general roadway expenditures (new equipment) 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. For fiscal year 2007, this fund had revenues of \$324,414 (compared to \$211,826 in fiscal year 2006), transfers out of \$323,547 (compared to \$211,449 in fiscal year 2006), a beginning fund balance of \$382 and an ending fund balance of \$1,249.

URBAN RENEWAL DISTRICT 1 PRINCIPAL AND INTEREST SINKING FUND: The Urban Renewal District 1 Principal and Interest Sinking Fund is used to account for the payment of principal and interest on the urban renewal revenue capital loan notes. This fund for fiscal year 2007 had net transfers in of \$310,681 (compared to \$211,449 in fiscal year 2006), expenditures of \$312,088 (compared to \$210,913 in fiscal year 2006), a beginning fund balance of \$1,407 and an ending fund balance of \$0.

OTHER SPECIAL REVENUE FUNDS: The other Special Revenue Funds, which include Recorder’s Records Management, County Government Assistance, Sheriff Asset Forfeiture, Conservation Land Acquisition Trust, Unified Law Levy, Urban Renewal District 1 Plan Area Project, Drainage Districts, County Attorney Incentive Fund, and Urban Renewal District 1 Revenue Reserve 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 five 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 3, 2006	Revenues = \$25,000 Expenditures = \$38,000	Revenue = Insurance reimbursement Expenditures = Purchase of ambulance, medical supplies/hardware for ambulances and juvenile services
November 7, 2006	Expenditures = \$26,000	Expenditures = Juvenile services, additional audit fees and lodge restroom improvements
December 19, 2006	Expenditures = \$25,000	Expenditures = Juvenile services and future development projects
March 13, 2007	Revenue = \$17,247 Expenditures = \$10,200	Revenue = TIF proceeds Expenditures = TIF bonding payment
May 15, 2007	Revenue = \$18,077 Expenditures = \$48,077	Revenue = State payment program and grant proceeds Expenditures = Payroll and payroll taxes, inmate meals, medical needs and grant costs

The County ended up exceeding its budgeted revenues by \$289,511, coming in below its budgeted disbursements by \$505,121 and coming in below its other financing sources by \$2,000. The actual ending cash basis balance was \$1,106,499 higher than budgeted.

Capital Assets and Debt Administration

Capital Assets

Osceola County concluded fiscal year 2007 with \$9,602,601 in governmental activities and invested in a broad range of capital assets. The Public Safety Commission concluded fiscal year 2007 with \$426,484 invested in a broad range of capital assets. The capital assets include public safety/secondary roads/conservation equipment, buildings, land, roads and bridges. See Note to the

Financial Statements (5) for more information about the County's and Public Safety Commission's capital assets.

Capital Assets at Year End

	Governmental Activities		Public Safety Commission	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Land	\$ 1,107,785	1,107,785	\$ 0	0
Construction in Progress	595,220	19,205	0	0
Buildings and Improvements	808,528	778,677	0	0
Machinery, Equipment and Vehicles	4,747,625	4,783,464	426,484	392,570
Infrastructure	2,343,443	2,128,140	0	0
Total	\$ 9,602,601	8,817,271	\$ 426,484	392,570

This fiscal year's major additions for the County's governmental activities included an ambulance, defibrillator, mower, Willow Creek bathroom, and roadwork by the ethanol plant. The Public Safety Commission's major additions this fiscal year were three patrol cars and a radar trailer.

The County's governmental activities had depreciation expense of \$283,210 in fiscal year 2007 and total accumulated depreciation of \$2,761,514 on June 30, 2007. The Public Safety Commission had depreciation expense of \$35,474 in fiscal year 2007 and total accumulated depreciation of \$187,505 on June 30, 2007.

Long-Term Debt

At June 30, 2007, the County had \$2,560,000 in urban renewal revenue capital loan notes outstanding and \$67,195 in compensated absences payable (compared to June 30, 2006 balances of \$2,755,000 and \$64,417, respectively). The Public Safety Commission had \$58,473 in compensated absences payable (compared to \$40,329 on June 30, 2006). 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 (this figure is 100% valuation less military exemptions). Osceola County's outstanding debt is significantly below its constitutional debt limit of approximately \$19 million. 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 2008 budget, tax rates and the fees for various County activities. Factors include the economy, state funding levels and property valuations for fiscal year 2008. Unemployment in Osceola County is 3.5%. This compares with the state unemployment rate of 3.9% and a national rate of 4.7%. 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 2008. Total receipts in the 2008 operating budget are \$5,421,665 compared to \$5,292,214 for fiscal year 2007 in the final amended budget. Total disbursements in the 2008 operating budget are \$6,061,237 compared to \$6,284,493 for fiscal year 2007 in the final amended budget. Property and other county tax asking in the fiscal year 2008 budget is \$2,707,387 compared to \$2,629,106 in fiscal year 2007. Countywide

valuations (with utilities) for fiscal year 2008 are \$299,243,498 compared to \$293,116,617 in fiscal year 2007. Rural valuations (with utilities) for fiscal year 2008 are \$235,133,121 compared to \$227,836,418 in fiscal year 2007.

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 \$1.43 in the General Supplemental Fund for fiscal year 2008. This compares to \$1.40 per \$1,000 of taxable value in the General Supplemental Fund for fiscal year 2007. 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 2008 is \$2.55612 per \$1,000 of taxable value, the same levy rate as fiscal year 2007. Osceola County does not levy in Rural Basic Supplemental.

Budgeted receipts for 2008 are less than the fiscal year 2007 actual amount of \$5,581,725. Budgeted disbursements for fiscal year 2008 are higher than the fiscal year 2007 actual amount of \$5,779,372. Budgeted receipts for 2008 in the charges for service category are less than the fiscal year 2007 actual. Budgeted disbursements for 2008, when compared to the fiscal year 2007 actual, increased the most in the physical health and social services, county environment and education, roads and transportation, government services to residents, and administration functions.

The Public Safety Commission's budget for fiscal year 2008 was adopted with revenues at \$894,505 compared to fiscal year 2007 budgeted revenues of \$855,498 (fiscal year 2007 actual receipts were \$897,399). Fiscal year 2008 disbursements are \$878,500 compared to fiscal year 2007 budgeted disbursements of \$866,440 (fiscal year 2007 actual disbursements were \$842,785).

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Osceola County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Osceola County Auditor's office, 300 7th Street, Sibley, Iowa 51249 (phone number: 712-754-2241).

Sources: Unemployment: <http://www.iowaworkforce.org>
Consumer Price index (Bureau of Labor Statistics): <http://www.bls.gov>

Osceola County
Basic Financial Statements

Osceola County

Statement of Net Assets
June 30, 2007

	Primary Government Governmental Activities	Component Unit Public Safety Commission
Assets		
Cash and Pooled Investments	\$ 3,030,093	\$ 254,744
Receivables:		
Property Tax:		
Delinquent	7,918	0
Succeeding Year	2,392,466	0
Tax Increment Financing:		
Succeeding Year	323,713	0
Interest and Penalty on Property Tax Accounts	10,247	0
Accrued Interest	1,510	4,358
Due from Primary Government	41,204	0
Due from County's Agency Funds	0	5,660
Due from Other Governments	151,770	0
Inventories	204,823	4,137
Prepaid Insurance	347,860	0
Prepaid Expenses	29,697	8,671
Capital Assets (Net of Accumulated Depreciation)	4,874	1,823
	6,841,087	238,979
Total Assets	13,387,262	518,372
Liabilities		
Accounts Payable	117,661	6,915
Salaries and Benefits Payable	30,464	1,600
Due to Component Unit	5,660	0
Due to Other Governments	46,979	0
Accrued Interest Payable	8,942	0
Deferred Revenue:		
Succeeding Year Property Tax	2,392,466	0
Succeeding Year Tax Increment Financing	323,713	0

Exhibit A (Continued)

Osceola County

Statement of Net Assets
June 30, 2007

	Primary Government	Component Unit
	Governmental Activities	Public Safety Commission
Liabilities (Continued)		
Long-Term Liabilities:		
Portion Due or Payable Within One Year:		
Compensated Absences	67,195	58,473
Urban Renewal Revenue Capital Loan Notes	195,000	0
Portion Due or Payable After One Year:		
Urban Renewal Revenue Capital Loan Notes	2,365,000	0
Total Liabilities	5,553,080	66,988
Net Assets		
Invested in Capital Assets, Net of Related Debt	6,841,087	238,979
Restricted for:		
Supplemental Levy Purposes	144,133	0
Resource Enhancement and Protection Purposes	85,991	0
Jail Improvements/Courthouse Security	75,083	0
Mental Health Purposes	100,981	0
Rural Services Purposes	237,999	0
Secondary Roads Purposes	1,578,308	0
Urban Renewal District 1 Plan Area Purposes	(2,413,524)	0
Other Purposes	222,123	0
Unrestricted	962,001	212,405
Total Net Assets	\$ 7,834,182	\$ 451,384

See notes to financial statements.

Osceola County

Statement of Activities
Year Ended June 30, 2007

	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental Activities:				
Public Safety and Legal Services	\$ 988,176	219,917	20,037	0
Physical Health and Social Services	129,747	150	1,060	0
Mental Health	681,552	6,193	327,637	0
County Environment and Education	296,558	13,165	18,399	0
Roads and Transportation	2,136,036	21,464	1,783,246	626,954
Governmental Services to Residents	222,876	125,298	3,868	1,400
Administration	616,291	5,503	180	0
Interest on Long-Term Debt	116,407	0	0	0
Capital Projects	264,059	0	0	0
Total Primary Government	\$ 5,451,702	391,690	2,154,427	628,354
Component Unit:				
Public Safety Commission	\$ 873,184	870,735	10,239	12,200

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.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets	
Primary Government Governmental Activities	Component Unit Public Safety Commission
(748,222)	0
(128,537)	0
(347,722)	0
(264,994)	0
295,628	0
(92,310)	0
(610,608)	0
(116,407)	0
(264,059)	0
(2,277,231)	0
0	19,990
2,093,498	0
237,506	0
320,185	0
17,317	0
159,344	0
11,183	0
172,289	0
26,443	0
396	0
425	0
2,398	0
3,040,984	0
763,753	19,990
7,070,429	431,394
\$ 7,834,182	\$ 451,384

Exhibit C

Osceola County
Balance Sheet
Governmental Funds
June 30, 2007

	Special Revenue							Total
	General	Mental Health	Rural Services	Secondary Roads	Urban Renewal		Nonmajor Special Revenue	
					District 1 Plan Area Revenue	Special Revenue		
Assets								
Cash and Pooled Investments	\$ 1,071,378	156,465	236,122	1,187,300	1,208	377,620	3,030,093	
Receivables:								
Property Tax:								
Delinquent	4,576	606	1,877	0	0	859	7,918	
Succeeding Year	1,384,264	183,172	566,018	0	0	259,012	2,392,466	
Tax Increment Financing:								
Succeeding Year	0	0	0	0	323,713	0	323,713	
Interest and Penalty on Property Tax	10,247	0	0	0	0	0	10,247	
Accounts	635	0	0	875	0	0	1,510	
Accrued Interest	40,208	0	0	0	41	955	41,204	
Due from Other Funds	0	0	0	0	0	395	395	
Due from County's Agency Funds	151,770	0	0	0	0	0	151,770	
Due from Other Governments	32,932	19,558	0	147,883	0	4,450	204,823	
Inventories	0	0	0	347,860	0	0	347,860	
Prepaid Insurance	17,286	0	0	12,411	0	0	29,697	
Prepaid Expenditures	2,567	0	0	2,307	0	0	4,874	
Total Assets	\$ 2,715,863	359,801	804,017	1,698,636	324,962	643,291	6,546,570	

Liabilities and Fund Balances

Liabilities:

Accounts Payable	\$ 29,548	31,814	0	53,972	0	2,327	117,661
Salaries and Benefits Payable	5,884	0	0	24,580	0	0	30,464
Due to Other Funds	395	0	0	0	0	0	395
Due to Component Unit	0	0	0	0	0	4,804	4,804
Due to Other Governments	2,731	43,834	0	414	0	0	46,979
Deferred Revenue:							
Succeeding Year Property Tax	1,384,264	183,172	566,018	0	0	259,012	2,392,466
Succeeding Year Tax Increment Financing	0	0	0	0	323,713	0	323,713
Other	138,142	19,449	1,870	0	0	856	160,317
Total Liabilities	1,560,964	278,269	567,888	78,966	323,713	266,999	3,076,799

Fund Balances:

Reserved for:

Supplemental Levy Purposes	145,524	0	0	0	0	0	145,524
Resource Enhancement and Protection	85,990	0	0	0	0	0	85,990
Jail Improvements/Courthouse Security	32,723	0	0	0	0	0	32,723
Unreserved:							
Undesignated, Reported In:							
General Fund	890,662	0	0	0	0	0	890,662
Special Revenue Funds	0	81,532	236,129	1,619,670	1,249	376,292	2,314,872
Total Fund Balances	1,154,899	81,532	236,129	1,619,670	1,249	376,292	3,469,771

Total Liabilities and Fund Balances

\$ 2,715,863	359,801	804,017	1,698,636	324,962	643,291	6,546,570
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See notes to financial statements.

Osceola County

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Assets
June 30, 2007

Total Governmental Fund Balances (pages 20 - 21)	\$ 3,469,771
<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 \$9,602,601 and the accumulated depreciation is \$2,761,514.	6,841,087
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	160,317
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>(2,636,993)</u>
Net Assets of Governmental Activities (pages 16 - 17)	<u>\$ 7,834,182</u>

See notes to financial statements.

Osceola County

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2007

	Special Revenue								Total
	General	Mental Health	Rural Services	Secondary Roads	Urban Renewal District 1 Plan Area Revenue	Urban Renewal District 1 Principle and Interest Sinking	Nonmajor Special Revenue		
Revenues:									
Property and Other County Tax	\$ 1,355,376	184,226	552,837	0	0	0	237,319	2,329,758	
Tax Increment Financing	0	0	0	0	320,185	0	0	320,185	
Interest and Penalty on Property Tax	14,166	0	0	0	0	0	0	14,166	
Intergovernmental	190,598	321,782	36,640	1,783,246	0	0	52,614	2,384,880	
Licenses and Permits	110	0	150	16,950	0	0	0	17,210	
Charges for Service	269,786	0	0	18	0	0	1,855	271,659	
Use of Money and Property	173,099	0	0	4,339	4,229	0	25,681	207,348	
Miscellaneous	45,420	6,193	0	4,452	0	0	13,407	69,472	
Total Revenues	2,048,555	512,201	589,627	1,809,005	324,414	0	330,876	5,614,678	

Expenditures:

Operating:

Public Safety and Legal Services	729,917	0	0	0	0	0	253,047	982,964
Physical Health and Social Services	129,747	0	0	0	0	0	0	129,747
Mental Health	0	678,848	0	0	0	0	0	678,848
County Environment and Education	260,820	0	40,000	0	0	0	0	300,820
Roads and Transportation	0	0	0	1,900,778	0	0	0	1,900,778
Governmental Services to Residents	198,224	0	0	0	0	0	0	198,224
Administration	605,044	0	0	0	0	0	0	605,044

Debt Service	0	0	0	0	0	0	312,088	0	312,088
Capital Projects	23,037	0	0	244,031	0	0	0	238,940	506,008
Total Expenditures	1,946,789	678,848	40,000	2,144,809	0	0	312,088	491,987	5,614,521
Excess (Deficiency) of Revenues Over (Under) Expenditures	101,766	(166,647)	549,627	(335,804)	324,414	(312,088)	(161,111)		157
Other Financing Sources (Uses):									
Sale of Capital Assets	3,725	0	0	0	0	0	0	0	3,725
Operating Transfers In	0	0	0	550,371	0	323,547	12,866		886,784
Operating Transfers Out	0	0	(550,371)	0	(323,547)	(12,866)	0	(886,784)	
Total Other Financing Sources (Uses)	3,725	0	(550,371)	550,371	(323,547)	310,681	12,866		3,725
Net Change in Fund Balances	105,491	(166,647)	(744)	214,567	867	(1,407)	(148,245)		3,882
Fund Balances Beginning of Year	1,049,408	248,179	236,873	1,405,103	382	1,407	524,537		3,465,889
Fund Balances End of Year	\$ 1,154,899	81,532	236,129	1,619,670	1,249	0	376,292		3,469,771

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, 2007

Net Change in Fund Balances – Total Governmental Funds (pages 23 - 24) \$ 3,882

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	\$ 266,990	
Capital assets contributed by the Iowa Department of Transportation	595,220	
Depreciation Expense	<u>(283,210)</u>	579,000

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 disposition of capital assets as an increase in financial resources. (16,977)

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 and Penalty/Interest on Property Tax	4,394	
Other	<u>736</u>	5,130

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		195,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds as follows:

Compensated absences	(2,778)	
Interest on long-term debt	682	
Unified law levy (Paid to the Public Safety Commission)	<u>(186)</u>	<u>(2,282)</u>

Change in Net Assets of Governmental Activities (pages 18 - 19) \$ 763,753

See notes to financial statements.

Osceola County

Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007**Assets**

Cash and Pooled Investments:	
County Treasurer	\$ 563,732
Other County Officials	43,188
Receivables:	
Property Tax:	
Delinquent	16,787
Succeeding Year	5,476,009
Tax Increment Financing:	
Succeeding Year	169,894
Accounts	117,808
Accrued Interest	461
Due from Other Governments	6,564
Prepaid Expenses	1,449
Total Assets	<u>6,395,892</u>

Liabilities

Accounts Payable	412
Due to Primary Government	151,770
Due to Other Governments	6,192,816
Trusts Payable	41,873
Compensated Absences	9,021
Total Liabilities	<u>6,395,892</u>

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

Osceola County

Notes to Financial Statements

June 30, 2007

(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 (in conjunction with the Public Safety Commission), 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.

These financial statements present Osceola County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

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

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 \$253,047 (\$252,032 on the cash basis) to the Public Safety Commission for the unified law levy for the fiscal year. Osceola County's expenditure for its contribution for contract law enforcement to the Public Safety Commission was \$234,000 for the fiscal year. In addition, the County provided the Public Safety Commission with bookkeeping and payroll services (which, in exchange for providing these services, the County gets to keep all investment income earned on Public Safety Commission funds). 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, 2007, 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 \$88 to the Northwest Iowa Area Solid Waste Agency for disposal fees and \$30,000 in support for the Emergency Management Services. In addition, the County provided the County Assessor, Emergency Management and E911 with bookkeeping and payroll services (which, in exchange for providing these services, the County gets to keep all investment income earned on County Assessor and Emergency Management funds).

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 \$45,000 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 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 the County's urban renewal revenue capital loan notes debt service requirements.

The Urban Renewal District 1 Principal and Interest Sinking Fund is used to account for payments of principal and interest on the County's urban renewal revenue capital loan notes.

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 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 for grants.

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 and Public Safety Commission funds are pooled and invested. Interest earned on investments, including Public Safety Commission interest earnings per an agreement between the County and the Commission, is recorded in the General Fund, unless otherwise provided by law or agreement. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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, 2005 assessed property valuations; are for the tax accrual period July 1, 2006 through June 30, 2007 and reflect the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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 – Accounts receivable represents money owed to the County and Public Safety Commission, mainly for services provided by the County and the Public Safety Commission, which was not paid as of June 30, 2007. The accounts receivable in the County Offices Funds (Agency Funds) total includes \$37,547 in jail fees receivables and \$70,415 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 Funds, Due to Component Unit, Due to Other 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. To the extent that certain transactions between the County's governmental funds, agency funds and the Public Safety Commission had not been paid or received as of June 30, 2007, 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 coverages and other expenses/expenditures, for other than inventory, which 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 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 revenue 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, 2007. 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 (including inmate room and board collections reserved for jail improvements/courthouse security in accordance with Chapter 356.7 (5) of the Code of Iowa and REAP funds required to be maintained in accordance with Chapter 455 A.19 (1)(b)(6) of the Code of Iowa). 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, 2007, disbursements did not exceed the amounts budgeted for any function or the amounts appropriated in any department. However, one budget amendment was not published timely in accordance with the Code of Iowa. The publication was only six days before the public hearing (publications are to be not less than ten nor more than twenty days before the public hearing).

(2) **Cash and Pooled Investments**

The County's deposits in banks at June 30, 2007 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 high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$377,176 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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 Funds, Due to Component Unit, Due to Other 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, 2007 is as follows:

<u>Component Unit</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Statement of Net Assets (Accrual Basis):</u>		
Public Safety Commission	Special Revenue: Unified Law Levy	<u>\$ 5,660</u>

Balance Sheet (Modified Accrual Basis):

Public Safety Commission	Special Revenue:	
	Unified Law Levy	<u>\$ 4,804</u>

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 different governmental funds and between agency funds and the County's governmental funds for transactions at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency:	
	County Offices	\$ 146,765
	Auto License and Use Tax	4,536
	Other (Flex Spending)	<u>469</u>
Total		<u>\$ 151,770</u>
Special Revenue:	General	
County Attorney Incentive		<u>\$ 395</u>

These balances result from the time lag between the dates interfund goods and services are provided, reimbursable expenditures/expenses occur, it is determined that money needs to be transferred to the proper fund and/or 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 or agency fund.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 550,371
Special Revenue: Urban Renewal District 1 Principal and Interest Sinking	Special Revenue: Urban Renewal District 1 Plan Area Revenue	323,547

Special Revenue:	Special Revenue:	
Urban Renewal District 1	Urban Renewal District 1	
Revenue Reserve	Principal and Interest	
	Sinking	<u>12,866</u>
Total		<u>\$ 886,784</u>

Transfers generally move resources from the fund statutorily or per the urban renewal revenue capital loan notes required to collect the resources to the fund statutorily or per the urban renewal revenue capital loan notes required to expend the resources or to maintain a reserve for the debt service of the notes.

The County Assessor – Special Appraisers Fund (an Agency Fund) also transferred \$20,000 to the County Assessor Fund (an Agency Fund) to reimburse the County Assessor Fund for disbursements made for special appraisal purposes and to transfer unexpended balances remaining that were previously levied for allowable special appraisal projects.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
County Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,107,785	0	0	1,107,785
Construction in Progress	19,205	605,866 (	29,851)	595,220
Total Capital Assets Not Being Depreciated	<u>1,126,990</u>	<u>605,866 (</u>	<u>29,851)</u>	<u>1,703,005</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	778,677	29,851	0	808,528
Machinery, Equipment and Vehicles	4,783,464	41,041 (	76,880)	4,747,625
Infrastructure	2,128,140	215,303	0	2,343,443
Total Capital Assets Being Depreciated	<u>7,690,281</u>	<u>286,195 (</u>	<u>76,880)</u>	<u>7,899,596</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	353,665	18,080	0	371,745
Machinery, Equipment and Vehicles	2,119,314	205,855 (	59,903)	2,265,266
Infrastructure	65,228	59,275	0	124,503
Total Accumulated Depreciation	<u>2,538,207</u>	<u>283,210 (</u>	<u>59,903)</u>	<u>2,761,514</u>
Total Capital Assets Being Depreciated, Net	<u>5,152,074</u>	<u>2,985 (</u>	<u>16,977)</u>	<u>5,138,082</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,279,064</u>	<u>608,851 (</u>	<u>46,828)</u>	<u>6,841,087</u>

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public Safety and Legal Services	\$ 13,281
Mental Health	2,704
County Environment and Education	9,545
Roads and Transportation	232,888
Governmental Services to Residents	14,214
Administration	<u>10,578</u>
 Total Depreciation Expense – Governmental Activities	 <u><u>\$ 283,210</u></u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Discretely Presented Component Unit – Public Safety Commission:				
Capital Assets Depreciated:				
Machinery, Equipment and Vehicles	\$ 392,570	55,286 (	21,372)	426,484
 Less Accumulated Depreciation For: Machinery, Equipment and Vehicles	 165,739	 35,474 (	13,708)	 <u>187,505</u>
 Public Safety Commission Capital Assets, Net	 <u>\$ 226,831</u>	 19,812 (	7,664)	 <u>238,979</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>\$ 2,731</u>
Special Revenue:		
Mental Health	Services	43,834
Secondary Roads	Utilities	414
		<u>44,248</u>
 Total for Governmental Funds		 <u><u>\$ 46,979</u></u>

Agency:	Collections	\$	92
County Offices			86,202
Agricultural Extension Education			112,732
County Assessor			128,304
County Assessor – Special Appraisers			4,012,924
Schools			195,776
Community Colleges			1,256,057
Corporations			123,363
Townships			117,640
Auto License and Use Tax			131,098
E911 Surcharge			27,089
Emergency Management			1,539
All Other			
			<u>1,539</u>
Total for Agency Funds		\$	<u>6,192,816</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

County	Compensated Absences	Urban Renewal	
		Revenue Capital Loan Notes	Total
Balance Beginning of Year	\$ 64,417	2,755,000	2,819,417
Increases	75,343	0	75,343
Decreases	72,565	195,000	267,565
Balance End of Year	\$ 67,195	2,560,000	2,627,195
Due Within One Year	\$ 67,195	195,000	262,195

Component Unit-Public Safety Commission	Compensated Absences
Balance Beginning of Year	\$ 40,329
Additions	30,938
Reductions	12,794
Balance End of Year	\$ 58,473
Due Within One Year	\$ 58,473

Urban Renewal Revenue Capital Loan Notes

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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	*4.25%	195,000	75,650	270,650
2013 – 2017	*4.25%	985,000	253,726	1,238,726
2018 – 2020	*4.25%	600,000	51,000	651,000
Total		\$ 2,560,000	765,852	3,325,852

During the year ended June 30, 2007, the County retired \$195,000 in urban renewal revenue capital loan notes and paid interest of \$117,088 on these notes. The \$312,088 in debt service requirement for these notes was recorded as an expenditure in the debt service function. These urban renewal revenue capital loan notes are being redeemed through the Urban Renewal District 1 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 1st 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, 2007, 2006 and 2005 were \$87,018, \$83,931 and \$76,494, respectively, equal to the required contributions for each year. The Public Safety Commission's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$38,200, \$37,829 and \$42,350, respectively, equal to the required contributions for each year.

(9) Risk Management

Osceola County and the Public Safety Commission are 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 and Public Safety Commission assume 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, 2007, 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 \$1,866,468 as of June 30, 2007 and the portion of the liability that has been recognized by the Agency as of June 30, 2007 is \$947,591. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2007, assets of \$1,315,329 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

In June 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 (IRP) 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.

In December 2006, the County entered into a contract for \$133,525 for roadway paving. As of June 30, 2007, no costs had been incurred on the project. Payment for the project will be made from the Secondary Roads Fund.

In June 2007, the County entered into a contract for three separate seal coating projects under one contract totaling \$102,873. As of June 30, 2007, no costs had been incurred on the projects. Payment for the projects will be from the Secondary Roads Fund.

In June 2007, the County entered into a contract for up to \$82,500 for gravel crushing. As of June 30, 2007, no gravel crushing under the contract had occurred. Payment for the gravel crushing will be from the Secondary Roads Fund.

The County has an agreement with the City of Sioux City, Iowa for the provision of hazardous materials response services. This agreement was amended during fiscal year ended June 30, 2007. The amended agreement is in effect until June 30, 2017, 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, 2008-2011 are \$5,953 per year for a total of \$23,812. In fiscal years ending June 30, 2012 and June 30, 2013, the annual base charge will be revised to adjust for program costs and the estimated U.S. Census Bureau data from 2010. In fiscal year ending June 30, 2014 to June 30, 2016, the annual base charge will be revised to adjust to the actual U.S. Census Bureau population figures from 2010. In fiscal year ending June 30, 2017, the annual base charge will be adjusted to reflect the estimated U.S. Census Bureau population data for 2015. Assuming no revisions to the agreement for program costs or population base, the annual base charges for fiscal years ending June 30, 2012-17 would be \$5,953 per year for a total of \$35,718. The payments for these charges are scheduled to be paid through the General Fund or the Osceola County Emergency Management Services. The General Fund paid \$5,252 under the old agreement during the fiscal year ended June 30, 2007.

(12) Subsequent Events

Events that have occurred subsequent to June 30, 2007 include the following:

- a. In August 2007, the County paid \$78,470 from the Secondary Roads Fund for gravel crushing in accordance with the terms of the agreed upon contract.
- b. In September 2007, the County entered into a land purchase agreement to buy 41 acres near Highways 9 and 60 for economic development at a total cost of approximately \$369,000. The County paid \$36,000 at the signing of the contract in September 2007 and \$332,044 in December 2007 to finalize the purchase of the land. This land was purchased through the General Basic Fund.
- c. In September 2007, the County entered into a short-term loan agreement with the Osceola County Economic Development Commission (OCEDC) to borrow \$36,000 at a 0% interest rate, due upon receipt of the Osceola Electric Cooperative Inc. loan proceeds. The County paid the \$36,000 balance in full in December 2007. This loan was for the down payment on the land purchase agreement.
- d. In September 2007, the County entered into a loan agreement with the Osceola Electric Cooperative Inc. for \$369,000 at a 0% interest rate. The loan is payable in 10 annual payments of \$36,900. The \$369,000 in loan proceeds was actually received in December 2007. The proceeds of the loan were used to for the aforementioned land purchase and

repayment of the OCEDC short-term loan. Additionally, in September 2007, as a matching requirement for this 0% interest loan, the County made a \$69,000 contribution to the Osceola Electric Cooperative Inc. out of the General Basic Fund.

- e. In November 2007, the County paid \$134,886 (including \$1,361 in change orders) from the Secondary Roads Fund on the completed roadway paving project contract.
- f. In November 2007, the County paid \$102,873 from the Secondary Roads Fund on the completed seal coating projects contract.
- g. In November 2007, the County approved the purchase of property for approximately \$140,000 for economic development purposes. The property, which is just off Highway 60, is known as the "High Point" or "Hawkeye Point". The County paid a \$14,000 down payment in November 2007 and \$126,355 in March 2008 to finalize the purchase of this property. This property was purchased through the General Basic Fund.
- h. In February 2008, the County approved a loan agreement with the Osceola County Economic Development Commission totaling \$140,000. This note payable carries a 4.5% interest rate. Payments are scheduled to be made on this note payable quarterly based on a 25 year payback schedule with a balloon payment due after 10 years. This note was for the purchase of the "Hawkeye Point" property.
- i. In March 2008, the County entered into a contract for paving Pierce Avenue totaling \$397,427. This contract will be paid from the Secondary Road Fund.

(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, 2007

	All County		Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Net to Final Budget Variance
	Governmental Funds Actual				Original	Final	
Property and Other County Tax	\$ 2,649,850	0	0	2,649,850	2,308,921	2,629,106	20,744
Interest and Penalty on Property Tax	14,036	0	0	14,036	0	0	14,036
Intergovernmental	2,357,905	0	0	2,357,905	2,252,531	2,270,608	87,297
Licenses and Permits	16,371	0	0	16,371	6,000	6,000	10,371
Charges for Service	279,625	0	0	279,625	167,175	167,175	112,450
Use of Money and Property	188,414	2,994	2,994	185,420	474,243	171,305	14,115
Miscellaneous	78,914	396	396	78,518	23,020	48,020	30,498
Total Receipts	5,585,115	3,390	3,390	5,581,725	5,231,890	5,292,214	289,511
Disbursements							
Public Safety and Legal Services	983,533	0	0	983,533	951,347	1,039,347	(55,814)
Physical Health and Social Services	128,879	0	0	128,879	155,443	159,193	(30,314)
Mental Health	665,408	0	0	665,408	676,400	690,727	(25,319)
County Environment and Education	288,654	0	0	288,654	289,689	304,689	(16,035)
Roads and Transportation	2,092,385	0	0	2,092,385	2,100,000	2,100,000	(7,615)
Governmental Services to Residents	198,513	0	0	198,513	209,095	209,095	(10,582)
Administration	607,324	0	0	607,324	647,190	650,190	(42,866)
Debt Service	312,088	0	0	312,088	302,938	313,138	(1,050)
Capital Projects	508,252	5,664	5,664	502,588	805,114	818,114	(315,526)
Total Disbursements	5,785,036	5,664	5,664	5,779,372	6,137,216	6,284,493	(505,121)

Deficiency of Receipts Under Disbursements	(199,921)	(2,274)	(197,647)	(905,326)	(992,279)	794,632
Other Financing Sources, Net	0	0	0	317,114	2,000	(2,000)
Deficiency of Receipts and Other Financing Sources Under Disbursements and Other Financing Uses	(199,921)	(2,274)	(197,647)	(588,212)	(990,279)	792,632
Balances Beginning of Year	3,230,014	135,515	3,094,499	2,780,632	2,780,632	313,867
Balances End of Year	\$ 3,030,093	133,241	2,896,852	2,192,420	1,790,353	1,106,499

See accompanying independent auditor's report.

Osceola County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 5,585,115	29,563	5,614,678
Expenditures	5,785,036	(170,515)	5,614,521
Net	(199,921)	200,078	157
Other Financing Sources, Net	0	3,725	3,725
Beginning Fund Balances	3,230,014	235,875	3,465,889
Ending Fund Balances	\$ 3,030,093	439,678	3,469,771

See accompanying independent auditor's report.

Osceola County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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, five budget amendments increased budgeted disbursements by \$147,277. 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. Please see Schedule 9 for information on the Public Safety Commission budget.

Disbursements during the year ended June 30, 2007 did not exceed the amount budgeted in any function or the amount appropriated in any department. However, one budget amendment was not published timely in accordance with the Code of Iowa. The publication was only six days before the public hearing (publications are to be not less than ten nor more than twenty days before the public hearing).

Osceola County
Other Supplementary Information

Osceola County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2007

	County Recorder's Records Management	Unified Law Levy	County Government Assistance	Sheriff's Asset Forfeiture
Assets				
Cash and Pooled Investments	\$ 16,639	4,801	1	2,153
Receivables:				
Property Tax:				
Delinquent	0	859	0	0
Succeeding Year	0	259,012	0	0
Accrued Interest	30	0	0	0
Due from Other Funds	0	0	0	0
Due from Other Governments	0	0	0	0
Total Assets	\$ 16,669	264,672	1	2,153
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 0	0	0	0
Due to Component Unit	0	4,804	0	0
Deferred Revenue:				
Succeeding Year Property Tax	0	259,012	0	0
Other	0	856	0	0
Total Liabilities	0	264,672	0	0
Fund Equity:				
Fund Balances:				
Unreserved	16,669	0	1	2,153
Total Liabilities and Fund Balances	\$ 16,669	264,672	1	2,153

See accompanying independent auditor's report.

Schedule 1

County Attorney Incentive	Urban Renewal District 1 Plan Area Project	Urban Renewal District 1 Revenue Reserve	Drainage Districts	Conservation Land Acquisition Trust	Total
0	140,893	12,866	133,241	67,026	377,620
0	0	0	0	0	859
0	0	0	0	0	259,012
0	410	0	245	270	955
395	0	0	0	0	395
4,450	0	0	0	0	4,450
4,845	141,303	12,866	133,486	67,296	643,291
0	0	0	2,327	0	2,327
0	0	0	0	0	4,804
0	0	0	0	0	259,012
0	0	0	0	0	856
0	0	0	2,327	0	266,999
4,845	141,303	12,866	131,159	67,296	376,292
4,845	141,303	12,866	133,486	67,296	643,291

Osceola County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2007

	County Recorder's Records Management	Unified Law Levy	County Government Assistance	Sheriff's Asset Forfeiture
Revenues:				
Property and Other County Tax	\$ 0	237,319	0	0
Intergovernmental	0	15,728	0	307
Charges for Service	1,855	0	0	0
Use of Money and Property	118	0	0	0
Miscellaneous	0	0	0	280
Total Revenues	1,973	253,047	0	587
Expenditures:				
Operating:				
Public Safety and Legal Services	0	253,047	0	0
County Environment and Education	0	0	0	0
Governmental Services to Residences	0	0	0	0
Administration	0	0	0	0
Capital Projects	0	0	0	0
Total Expenditures	0	253,047	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,973	0	0	587
Other Financing Sources:				
Operating Transfer In	0	0	0	0
Net Change in Fund Balances	1,973	0	0	587
Fund Balances Beginning of Year	14,696	0	1	1,566
Fund Balance End of Year	\$ 16,669	0	1	2,153

See accompanying independent auditor's report.

County Attorney Incentive	Urban Renewal District 1 Plan Area Project	Urban Renewal District 1 Revenue Reserve	Drainage Districts	Conservation Land Acquisition Trust	Total
0	0	0	0	0	237,319
4,845	31,734	0	0	0	52,614
0	0	0	0	0	1,855
0	5,754	0	2,989	16,820	25,681
0	0	0	396	12,731	13,407
4,845	37,488	0	3,385	29,551	330,876
0	0	0	0	0	253,047
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	224,434	0	7,991	6,515	238,940
0	224,434	0	7,991	6,515	491,987
4,845	(186,946)	0	(4,606)	23,036	(161,111)
0	0	12,866	0	0	12,866
4,845	(186,946)	12,866	(4,606)	23,036	(148,245)
0	328,249	0	135,765	44,260	524,537
4,845	141,303	12,866	131,159	67,296	376,292

Osceola County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers
Assets				
Cash and Pooled Investments:				
County Treasurer	\$ 0	1,693	32,156	111,401
Other County Officials	39,681	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	278	276	56
Succeeding Year	0	84,231	83,621	16,847
Tax Increment Financing:				
Succeeding Year	0	0	0	0
Accounts	107,977	0	0	0
Accrued Interest	0	0	0	0
Due from Other Governments	0	0	38	0
Prepaid Expenses	0	0	966	0
Total Assets	\$ 147,658	86,202	117,057	128,304
Liabilities				
Accounts Payable	\$ 0	0	192	0
Due to Primary Government	146,765	0	0	0
Due to Other Governments	92	86,202	112,732	128,304
Trusts Payable	801	0	0	0
Compensated Absences	0	0	4,133	0
Total Liabilities	\$ 147,658	86,202	117,057	128,304

Schedule 3

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax
74,644	3,830	30,812	2,439	122,176
0	0	0	0	0
12,313	650	2,702	509	0
3,925,967	191,296	1,052,649	120,415	0
0	0	169,894	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
4,012,924	195,776	1,256,057	123,363	122,176
0	0	0	0	0
0	0	0	0	4,536
4,012,924	195,776	1,256,057	123,363	117,640
0	0	0	0	0
0	0	0	0	0
4,012,924	195,776	1,256,057	123,363	122,176

Schedule 3 (Continued)

Osceola County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

	E911 Surcharge	Emergency Management Services	Other	Total
Assets				
Cash and Pooled Investments:				
County Treasurer	\$ 116,193	29,801	38,587	563,732
Other County Officials	0	0	3,507	43,188
Receivables:				
Property Tax:				
Delinquent	0	0	3	16,787
Succeeding Year	0	0	983	5,476,009
Tax Increment Financing:				
Succeeding Year	0	0	0	169,894
Accounts	9,831	0	0	117,808
Accrued Interest	461	0	0	461
Due from Other Governments	4,716	1,810	0	6,564
Prepaid Expenses	0	483	0	1,449
Total Assets	\$ 131,201	32,094	43,080	6,395,892
Liabilities				
Accounts Payable	\$ 103	117	0	412
Due to Primary Government	0	0	469	151,770
Due to Other Governments	131,098	27,089	1,539	6,192,816
Trusts Payable	0	0	41,072	41,873
Compensated Absences	0	4,888	0	9,021
Total Liabilities	\$ 131,201	32,094	43,080	6,395,892

See accompanying independent auditor's report.

Osceola County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers
Assets and Liabilities				
Balances Beginning of Year	\$ 153,248	83,790	113,922	137,639
Additions:				
Property and Other County Tax	0	85,103	84,489	17,001
State Tax Credits	0	5,787	5,774	964
Intergovernmental Replacements, Grants & Revenues	5,358	70	159	12
Contribution from Osceola County	0	0	0	0
Transfer from Special Appraisers Fund	0	0	20,000	0
E911 Surcharge	0	0	0	0
Office Fees and Collections	450,004	0	863	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	651	0	0	0
Trusts	12,747	0	0	0
Insurance Proceeds	5,560	0	0	0
Donations	2,000	0	0	0
Miscellaneous	552	0	0	0
Total Additions	476,872	90,960	111,285	17,977
Deductions:				
Agency Remittances:				
To Other Funds/Component Unit	278,603	0	0	20,000
To Other Governments	191,913	88,548	108,150	7,312
Trusts Paid Out	11,946	0	0	0
Total Deductions	482,462	88,548	108,150	27,312
Balances End of Year	\$ 147,658	86,202	117,057	128,304

Osceola County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 Year Ended June 30, 2007

	E911 Surcharge	Emergency Management Services	Other	Total
Assets and Liabilities				
Balances Beginning of Year	\$ 139,686	40,986	38,481	6,211,208
Additions:				
Property and Other County Tax	0	0	993	5,529,171
State Tax Credits	0	0	77	375,976
Intergovernmental Replacements, Grants & Revenues	20,000	24,661	1	55,737
Contribution from Osceola County	0	30,000	0	30,000
Transfer from Special Appraisers Fund	0	0	0	20,000
E911 Surcharge	63,426	0	0	63,426
Office Fees and Collections	58	0	0	450,925
Electronic Transaction Fee	0	0	1,855	1,855
Auto & Drivers Licenses, Use Tax and Postage	0	0	0	1,566,948
Assessments	0	0	0	5,498
Interest	5,310	0	0	5,961
Trusts	0	0	76,829	89,576
Insurance Proceeds	0	0	0	5,560
Donations	0	0	0	2,000
Miscellaneous	0	0	0	552
Total Additions	88,794	54,661	79,755	8,203,185
Deductions:				
Agency Remittances:				
To Other Funds/Component Unit	5,000	1,030	0	362,475
To Other Governments	92,279	62,523	2,966	7,571,890
Trusts Paid Out	0	0	72,190	84,136
Total Deductions	97,279	63,553	75,156	8,018,501
Balances End of Year	\$ 131,201	32,094	43,080	6,395,892

See accompanying independent auditor's report.

Osceola County

Balance Sheet
 Component Unit – Public Safety Commission
 June 30, 2007

Assets	
Cash and Pooled Investments	\$ 254,744
Accounts Receivable	4,358
Due from Primary Government	4,804
Due from Other Governments	4,137
Prepaid Insurance	8,671
Prepaid Expenditures	<u>1,823</u>
Total Assets	<u><u>\$ 278,537</u></u>
Liabilities and Fund Balance	
Liabilities:	
Accounts Payable	\$ 6,915
Salaries and Benefits Payable	1,600
Deferred Revenue:	
Other	<u>4,000</u>
Total Liabilities	12,515
Fund Balance:	
Unreserved:	
Undesignated	<u>266,022</u>
Total Liabilities and Fund Balance	<u><u>\$ 278,537</u></u>

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, 2007

Total Component Unit Fund Balance (page 61)	\$	266,022
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Amounts reported for the component unit in the Statement of Net Assets are different because:

Capital assets used in the component unit are not current financial resources and, therefore, are not reported in the fund (Balance Sheet). The cost of assets is \$426,484 and the accumulated depreciation is \$187,505.		238,979
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the fund (Balance Sheet).		4,000
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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 (Balance Sheet).		856
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Long-term liabilities, which include compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the fund (Balance Sheet).		(58,473)
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Net Assets of Component Unit (pages 16 - 17)	\$	<u>451,384</u>
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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, 2007

Revenues:	
Intergovernmental	\$ 842,103
Charges for Service	29,534
Miscellaneous	22,729
Total Revenues	<u>894,366</u>
Expenditures:	
Operating:	
Uniformed Patrol Services	530,450
Investigations	183
Law Enforcement Communications	162,298
Adult Correction Service	15
Administration	163,332
Data Processing Services	798
Tort Liability and Safety of the Workplace	11,891
Total Expenditures	<u>868,967</u>
Excess of Revenues Over Expenditures	25,399
Other Financing Sources:	
Sale of Capital Assets	<u>1,778</u>
Net Change in Fund Balance	27,177
Fund Balance Beginning of Year	<u>238,845</u>
Fund Balance End of Year	<u><u>\$ 266,022</u></u>

See accompanying independent auditor's report.

Osceola County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Component Unit – Public Safety Commission
Year Ended June 30, 2007

Net Change in Fund Balances – Total Component Unit (page 63) \$ 27,177

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	\$ 55,286	
Depreciation expense	(35,474)	19,812

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 disposition of capital assets are reported as an increase in financial resources.

(7,664)

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	186	
Other	(1,378)	(1,192)

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		(18,143)
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Change in Net Assets of Component Unit (pages 18 - 19) \$ 19,990

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, 2007

<u>Budget to Actual Comparison:</u>	Actual	Budget	Budget to Actual Variance
Receipts:			
County Contribution	\$ 234,000	234,793	(793)
City Contribution	359,451	344,705	14,746
Unified Law Levy	252,032	250,000	2,032
Other Receipts	51,916	26,000	25,916
Total Receipts	897,399	855,498	41,901
Disbursements:			
Uniformed Patrol Services	503,593	501,000	2,593
Investigations	183	0	183
Law Enforcement Communications	162,209	162,200	9
Administration	162,826	180,940	(18,114)
Other	13,974	22,300	(8,326)
Total Disbursements	842,785	866,440	(23,655)
Excess (Deficiency) of Receipts Over (Under) Disbursements	54,614	(10,942)	65,556
Other Financing Source	1,778	0	1,778
Balances Beginning of Year	198,352	195,813	2,539
Balances End of Year	\$ 254,744	184,871	69,873

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.

<u>Reconciliation:</u>	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 897,399	(3,033)	894,366
Expenditures	842,785	26,182	868,967
Net	54,614	(29,215)	25,399
Other Financing Source	1,778	0	1,778
Beginning Fund Balances	198,352	40,493	238,845
Ending Fund Balances	\$ 254,744	11,278	266,022

See accompanying independent auditor's report.

Osceola County

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

	Modified Accrual Basis				
	2007	2006	2005	2004	2003
Revenues:					
Property and Other County Tax	\$ 2,329,758	2,221,623	2,049,051	2,157,197	2,119,252
Tax Increment Financing	320,185	210,292	0	0	0
Interest and Penalty on Property Tax	14,166	13,275	8,324	10,054	9,823
Intergovernmental	2,384,880	2,331,151	2,339,771	2,310,475	2,231,754
Licenses and Permits	17,210	10,750	9,113	6,023	6,167
Charges for Service	271,659	225,263	250,401	226,598	191,636
Use of Money and Property	207,348	177,756	123,817	84,301	99,577
Miscellaneous	69,472	28,752	31,509	38,024	43,735
Total	\$ 5,614,678	5,218,862	4,811,986	4,832,672	4,701,944
Expenditures:					
Operating:					
Public Safety and Legal Services	\$ 982,964	930,874	850,645	782,569	780,412
Physical Health and Social Services	129,747	126,981	121,043	130,769	136,127
Mental Health	678,848	532,029	524,588	481,889	488,561
County Environment and Education	300,820	379,376	2,684,018	249,974	250,575
Roads and Transportation	1,900,778	2,250,666	1,644,789	1,913,113	1,823,134
Governmental Services to Residents	198,224	307,555	197,544	151,508	136,365
Administration	605,044	598,664	557,568	559,522	635,482
Debt Service	312,088	210,913	110,836	68,411	0
Capital Projects	506,008	462,538	251,478	184,549	936,418
Total	\$ 5,614,521	5,799,596	6,942,509	4,522,304	5,187,074

See accompanying independent auditor's report.

Osceola County

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

	Modified Accrual Basis				
	2007	2006	2005	2004	2003
Revenues:					
Intergovernmental	\$ 842,103	875,389	801,430	781,815	776,257
Charges for Service	29,534	24,531	19,090	22,173	23,948
Miscellaneous	22,729	4,875	1,630	2,849	714
Total	\$ 894,366	904,795	822,150	806,837	800,919
Expenditures:					
Operating:					
Uniformed Patrol Services	\$ 530,450	501,156	506,787	515,636	505,115
Investigations	183	2,992	0	0	0
Law Enforcement Communications	162,298	160,028	190,821	184,783	178,910
Adult Correction Service	15	0	0	0	0
Administration	163,332	156,285	163,196	137,625	144,945
Data Processing Services	798	319	4,731	3,042	0
Tort Liability and Safety of the Workplace	11,891	13,331	11,855	13,331	19,060
Total	\$ 868,967	832,635	878,866	854,000	848,030

See accompanying independent auditor's report.

Osceola County

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

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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, 2007, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated June 30, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Osceola County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Osceola County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Osceola County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Osceola County's financial statements that is more than inconsequential will not be prevented or detected by Osceola County's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Osceola County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-A, B, D, E, G, K, L, N, O, P and Q 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, 2007 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.

Osceola County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Osceola County's responses and, accordingly, we express no opinion on them.

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

De Noble & Company PC
Certified Public Accountants

June 30, 2008

Osceola County
Schedule of Findings

Osceola County
Schedule of Findings
Year Ended June 30, 2007

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

07-A Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in several offices may have control over financial transactions, record-keeping and reconciling functions, for which no compensating controls exist.

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

- a. All cash receipts should be handled by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The list should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared by an independent person to the cash receipt records and to the actual deposit made.
- b. Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.
- c. A person in the office who has no responsibility for custody of investments should periodically inspect investments, verify County ownership of investments and reconcile documents to the investment records. In addition, reconciliations of delinquencies, abatement of taxes and monthly auto license and use tax reports should be done by independent people.
- d. Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve payment. Dual signatures should be required on all checks.
- e. Supplies and capital assets ordered should be received by someone other than the person who initiated the order.
- f. Authorization of transactions, handling of source documents and custody of assets should be segregated. Billings for services, the recordkeeping of accounts receivable and the handling of cash receipts should also be segregated.
- g. Reconciliations and investigations of unusual reconciling items in the accounting records should be reviewed and approved by a person who is not responsible for receipts and disbursements.

Osceola County
Schedule of Findings
Year Ended June 30, 2007

- h. Note debt records should be maintained by an individual who does not perform any cash functions. Notes that have been paid should be reconciled to the note records by an independent person.
- i. The person responsible for making sure 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 a supervisor or 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.

07-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. We also came across capital assets where the carrying value had to be adjusted. There is no periodic

Osceola County
Schedule of Findings
Year Ended June 30, 2007

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.

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

07-C

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.

07-D

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, Attorney’s, Conservation’s and Assessor’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

Osceola County
Schedule of Findings
Year Ended June 30, 2007

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.
- 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.

07-E

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.

07-F

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

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.

Osceola County
Schedule of Findings
Year Ended June 30, 2007

- 07-G 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.
-
- 07-H Lease Agreements – The County has entered into several arrangements through the Conservation Office to lease land to interested individuals. Some of the lease arrangements need to be updated or 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. These written lease agreements should be kept current.
- Response – We will have the County Attorney and the Conservation Office continue to work on getting each of the land lease agreements in writing and current.
- Conclusion – Response acknowledged. Please do have the County Attorney and the Conservation Office work on each of the leases.
-
- 07-I 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.
-
- 07-J Vehicle Usage/Fuel Test – When filling County 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 by an independent person.

Osceola County
Schedule of Findings
Year Ended June 30, 2007

Recommendation – When filling County 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 address this.

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

07-K 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.

07-L Ambulance Billings/Receivables – 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, a listing of the outstanding accounts receivable isn’t being provided to the Board of Supervisors twice a year and all write-offs of accounts receivable, 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. A listing of outstanding accounts receivable should be provided to the Board of Supervisors twice a year. All write-offs of accounts receivable, for other than Medicare/Medicaid purposes, should be approved by the Board of Supervisors.

Response – We will have the ambulance personnel work on implementing this.

Conclusion – Response accepted. Please do have the ambulance personnel attempt to implement this.

Osceola County
Schedule of Findings
Year Ended June 30, 2007

07-M 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 have started to implement your recommendation.

Conclusion – Response accepted.

07-N Disbursement/Payroll Procedures – We noted an instance when an invoice had been paid twice, an instance where there was no signed authorization on file in the employee’s personnel records for a payroll deduction, and several instances where there was no supporting documentation on file or where the only support for some credit card charges was a copy of the credit card slips (there was no additional supporting documentation/invoice).

Recommendation – All disbursements, including employee reimbursements and credit card charges, need to be supported by an actual receipt or invoice that supports the disbursement in detail. This receipt or invoice needs to be marked “paid” or otherwise cancelled upon payment to avoid duplicate payments and needs to be retained and filed as proof for the disbursement. Employees’ personnel records need to be reviewed to ensure all written authorization forms are on file for payroll deductions.

Response – We will evaluate our disbursement and payroll procedures in an attempt to identify ways we can eliminate these issues.

Conclusion – Response accepted.

07-O Reconciliation of Jailstay Billings – A proper reconciliation of beginning jailstay receivables, new billings, payments received, write-offs and ending jailstay receivables was not prepared and compared to a detailed subsidiary listing of jailstay receivables.

Recommendation – Procedures should be established by the Sheriff’s office personnel to reconcile in writing beginning jailstay receivables, new billings, payments received, write-offs and ending jailstay receivables. This written reconciliation needs to agree with a detailed subsidiary listing of jailstay receivables.

Response – We will have the Sheriff’s office address this.

Conclusion – Response accepted.

Osceola County
Schedule of Findings
Year Ended June 30, 2007

07-P Financial Reporting – During the audit, we identified material amounts of assets, liabilities, net assets/fund balances, revenues/receipts and expenses/expenditures/disbursements not recorded properly in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all assets, liabilities, net assets/fund balances, revenues/receipts and expenses/expenditures/disbursements are identified and included in the County’ financial statements. Management should be reviewing the financial records on a regular basis to help ensure the accuracy of the financial records.

Response – We will review our procedures to identify areas where we can improve on our financial records.

Conclusion – Response accepted.

07-Q Management Procedures – Based on findings during the audit, we identified that there appears to be a lack of oversight by management over developing internal control, compliance and antifraud procedures; monitoring existing procedures that are in place to ensure the procedures are enforced; and communicating the County’s expected ethics.

Recommendation – County management needs to establish policies and procedures that ensure effective internal control, compliance and antifraud procedures are in place and monitored on a regular basis. County management needs to review audit findings identified, assess the level of risk associated with each finding, and incorporate this assessed level of risk into its development of policies and procedures. County management also needs to communicate the County’s expected ethics and hold County employees accountable to those expected ethics.

Response – We will address your recommendations.

Conclusion – Response accepted.

07-R Off-Site Storage of Manual Records – Some manual records maybe should be duplicated and the copies stored at an off-site location.

Recommendation – Sensitive manual records should be evaluated for needed protection and a copy stored at an off-site location.

Response – We will have each office evaluate the manual records and attempt to get any sensitive material duplicated and stored off-site.

Conclusion – Response accepted. Please do attempt to evaluate the manual records.

Osceola County
Schedule of Findings
Year Ended June 30, 2007

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Osceola County
Schedule of Findings
Year Ended June 30, 2007

Other Findings Related to Required Statutory Reporting:

07-1 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amount budgeted in any of the functions or the amount appropriated in any of the departments. However, the December 2006 budget amendment was not published timely in accordance with Chapter 331.434 of the Code of Iowa. The publication was only six days before the public hearing.

Recommendation – All budget publications should be in accordance with Chapter 331.434 of the Code of Iowa, which requires that notice of the public hearing on budget amendments must be published not less than ten nor more than twenty days before the hearing.

Response – We will make sure in the future that budget amendments are published timely in accordance with the Code of Iowa.

Conclusion – Response accepted.

07-2 Questionable Expenditures – Certain expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 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:

The only support for several credit card charges for employee meals was a copy of a credit card slip (there was no detailed receipt/supporting documentation). Additionally, we noted an employee reimbursement for mileage, a hotel invoice and a payment to the Clerk of Courts which did not have any supporting documentation/invoice.

A County department spent \$100 in total on food certificates for two families for the “adopt a family” program at Christmas time. Also, a County department incurred \$31 in credit card finance charges.

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 Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirement for proper documentation. All disbursements, including credit card charges and employee reimbursements, should be supported by an actual receipt/invoice that supports the charge in detail.

Osceola County
 Schedule of Findings
 Year Ended June 30, 2007

Response – We will stress to employees the need to obtain and retain 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.

07-3 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted. However, please see “Other Findings Related to Required Statutory Reporting: 07-2” for a possible related comment.

07-4 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rick Echter, Husband of Barb Echter – County Auditor Owner of Echter’s Greenhouse	Lawn products and plants	\$ 1,024
John Corbett, Conservation Board Member Owner of Corbett Plumbing & Hardware	Plumbing work and supplies/materials	2,659

Business transactions between the Public Safety Commission and Public Safety Commission Board members or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Arlyn Pedley, Public Safety Commission Board Member Owner of The Press	Publications/advertising and office supplies	\$ 1,285

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

The transactions with Corbett Plumbing & Hardware may represent a conflict of interest in accordance with Chapter 331.342(10) of the Code of Iowa since total transactions were more than \$1,500 during the fiscal year and were not entered into through competitive bidding.

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

Response – We will have the Conservation Board address this.

Conclusion – Response accepted.

Osceola County
Schedule of Findings
Year Ended June 30, 2007

07-5 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

07-6 Board Minutes – No transactions were found that we believe should have been approved in the Board of Supervisors minutes but were not, except the County is not properly reporting and publishing the payroll related claims that are not employee wages (health insurance, deferred compensation, payroll taxes, IPERS, flex spending, etc...) in the Board minutes. Also, we noted there were some instances where items were approved that weren't on the tentative agenda.

Recommendation – The County should be reporting and publishing the payroll related claims that are not employee wages in the Board minutes in order to comply with Chapter 349.18 of the Code of Iowa. Also, 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.

Response –The Board of Supervisors has consulted with the Attorney General regarding agenda amendments and will be complying with Chapter 21.4 based on guidance provided. We will implement your recommendation regarding the publishing of payroll related items.

Conclusion – Response accepted.

07-7 Deposits and Investments – The County complied with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy.

07-8 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).

07-9 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, 2007, for the County Extension Office did not exceed the amount budgeted.

All personnel of the County Extension Office were not covered by surety bond coverage prior to January 1, 2007.

Osceola County
Schedule of Findings
Year Ended June 30, 2007

During the fiscal year, the County Extension paid \$22 for a funeral arrangement given as a memorial. Also, we noted that the County Extension incurred some overdraft fees and a late fee on a copier contract.

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 07-11” for an additional County Extension comment.

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 surety bond coverage for the entire fiscal year.

The Council should determine and document the public purpose served by giving a memorial before authorizing any further payments. If this practice is continued, the Extension Council should establish written policies and procedures, including requirements for proper documentation.

The County Extension needs to develop a system of paying and approving disbursements so that late fees and overdraft fees are not incurred.

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

Conclusion – Response accepted.

07-10 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 in the recent past, at this time and for the foreseeable future. Please consult with the County Attorney regarding this issue.

Response – This recommendation has been noted.

Conclusion – Response acknowledged. Please implement this recommendation.

07-11 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 required by Chapter 554D.114(5) of the Code of Iowa for the ambulance bank accounts. Also, the flex spending and Extension bank accounts did not receive and

Osceola County
Schedule of Findings
Year Ended June 30, 2007

maintain the back (endorsement) side of electronically retained check images until October 2006.

Recommendation – County and Extension personnel should be receiving and maintaining the back (endorsement) side of electronically retained check images of all checks that have cleared the bank on all bank accounts.

Response – We will comply with the Iowa Code by requesting that we receive the back (endorsement) side of the check images on all bank accounts for the entire fiscal year.

Conclusion – Response accepted.

07-12

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.

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. Please make sure this is addressed.

07-13

E911 Service Board Budget – The Joint E911 Service Board’s fiscal year July 1, 2006 to June 30, 2007 budget contained numerous errors (the operating fund figures are wrong, the FYE 6-30-06 actual and estimated figures are wrong, the County Auditor’s certification is improper, the approved surcharge is not stated, the ending fund balance reserve and designated itemizations isn’t completed, and the ending fund balance reserve/designation contains errors). Additionally, the October 10, 2006 amendment to the budget was not prepared properly. The amendments are listed by individual line items rather than by fund totals. The amended budget should be prepared using fund totals.

Recommendation – The July 1, 2006 to June 30, 2007 budget and the October 10, 2006 budget amendment should be corrected for the errors. The corrected budget and budget amendment 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 and budget amendments in order to ensure the budgets are proper.

Response – We will correct the fiscal year ending June 30, 2007 budget and budget amendment. We will use due diligence in preparing future budgets and budget amendments.

Osceola County
Schedule of Findings
Year Ended June 30, 2007

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

07-14 Emergency Management Commission's Budget – The May 23, 2007 amendment to the Emergency Management Commission's fiscal year June 30, 2007 budget was not prepared properly. The amendments are listed by individual line items rather than by fund totals. The amended budget should be prepared using fund totals.

Recommendation – The May 23, 2007 budget amendment should be corrected for the errors. The corrected budget amendment should be resubmitted to the Iowa Department of Management. Care should be taken when preparing future budget amendments in order to ensure the amended budget is proper by using fund totals, not individual line item totals.

Response – We will correct the fiscal year ending June 30, 2007 budget amendment. We will use due diligence in preparing future budget amendments.

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

07-15 Veteran Affairs Meetings – Public notice was not provided for the Veteran Affairs meetings prior to November 2006.

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 – Starting in November 2006, the agenda has been posted in the courthouse entrance bulletin board.

Conclusion – Response accepted.

07-16 Official Depositories – Ambulance – The ambulance did not have a depository resolution for its bank account until February 6, 2007. Since February 6, 2007, the passed resolution amount at the approved depository was not exceeded through the end of the fiscal year.

Recommendation – The resolution adopted by the Board of Supervisors should be in amounts sufficient to cover anticipated balances at all approved depositories at all times throughout the fiscal year.

Response – We have approved an updated resolution that includes the ambulance in amounts deemed sufficient.

Osceola County
Schedule of Findings
Year Ended June 30, 2007

Conclusion – Response accepted.

07-17

Emergency Management and E911 Board Minutes and Proceedings – We noted the minutes of one meeting each for the Emergency Management and E911 Boards were not signed by the Board chairman or any other Board member. The Emergency Management director’s wage is not approved by the Board in the minutes. Additionally, we noted that there is no approval of the director’s time sheets and no monitoring of compensated absences (vacation, sick leave or comp time).

Recommendation – The Emergency Management and E911 Boards should have the minutes of its meetings properly signed by a Board member as soon as the Board approves the minutes. Signing of the minutes by a Board member is needed to attest to the accuracy of the minutes.

The Emergency Management director’s wage should be noted as approved by the Board in the minutes. Also, the Board should be approving the director’s time sheets and monitoring compensated absences, especially in regard to comp time earned/used.

Response – We will make sure that in the future all minutes are signed timely by a Board member upon Board approval. We will have the Emergency Management Board work to implement the additional procedures as recommended.

Conclusion – Response accepted.

07-18

Emergency Management and Assessor Claims – The Emergency Management reimbursed an employee \$23 for food for a Board meeting. The Emergency Management paid sales tax on one purchase even though the purchase should have been exempt from sales tax in Iowa. An Assessor’s employee was reimbursed for an office print without having any supporting documentation/invoice.

Recommendation – The Emergency Management Commission should determine and document the public purpose served by providing food at a meeting before authorizing any further payments. If this practice is continued, the Commission should establish written policies and procedures, including requirement for proper documentation.

The Emergency Management Commission needs to review invoices thoroughly for accuracy before making any payment.

The Assessor needs to make sure all disbursements, including employee reimbursements, need to be supported by an actual receipt or invoice that supports the disbursement in detail. The supporting documentation needs to be marked “paid” and retained as proof for the disbursement.

Response – Emergency Management and the Assessor will work on implementing these recommendations.

Osceola County
Schedule of Findings
Year Ended June 30, 2007

Conclusion – Response accepted.

07-19

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. Additionally, the County budgeted for and paid \$234,000 to the Public Safety Commission for fiscal year end June 30, 2007, rather than the agreed upon amount of \$234,793 (the County does not plan on paying the additional \$793).

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. Also, the County should pay the amount as agreed upon with the Public Safety Commission and the Public Safety Commission needs to develop procedures on how to proceed when an entity member fails to pay the agreed upon amount.

Response – The Public Safety Commission and the County will consider these issues.

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

07-20

Public Safety Commission Insurance Coverage – Section 9 of the law enforcement contract between Osceola County and the Public Safety Commission states that Osceola County will provide the Public Safety Commission with certain levels and types of insurance coverage, will name the Commission and each individual member of the Commission as an additional insured, and will provide the Commission and each of its members a certificate of insurance as evidence of compliance. While the levels and types of insurance coverages appear to satisfy this agreement, it is unclear if the Public Safety Commission is paying for a portion of the premiums for general, liability and umbrella coverages that the County per the agreement is suppose to be paying for. Also, the insurance policies do not name the Commission and each individual member of the Commission as an additional insured and no certificate of insurance is being provided to the Commission and each of the members.

Recommendation – The County Attorney and the County’s insurance agent need to review section 9 of the law enforcement contract and make recommendations to the Board of Supervisors on how the County can be in compliance with this contract provision.

Response – We will have the County Attorney and the County’s insurance agent address this and we will implement accordingly.

Conclusion – Response accepted.

Osceola County

Listing of Auditors

This audit was performed by:

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

De Noble & Company PC
Certified Public Accountants



BARB ECHTER, AUDITOR
ROCHELLE VANTILBURG, 1ST DEPUTY
MARGARET DOYLE, 2ND DEPUTY



OSCEOLA COUNTY

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NEWS RELEASE

FOR RELEASE: June 30, 2008

CONTACT: Barbara Echter, County Auditor
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De Noble & Company PC today released an audit report on Osceola County, Iowa.

The County had local tax revenue of \$8,395,495 for the year ended June 30, 2007, which included \$535,320 in tax credits from the state. The County forwarded \$5,905,147 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,490,348 of the local tax revenue to finance County operations, an \$111,738 or 4.7 percent increase from the prior year. Other revenues included charges for service of \$391,690; operating grants, contributions and restricted interest of \$2,154,427; capital grants, contributions and restricted interest of \$628,354; tax increment financing of \$320,185; unrestricted investment earnings of \$172,289 and other general revenues of \$58,162.

Expenses for County operations totaled \$5,451,702, a 3.1 percent increase from the prior year. Expenses included \$2,136,036 for roads and transportation, \$988,176 for public safety and legal services, \$681,552 for mental health and \$616,291 for administration.

Overall, revenues increased by \$568,202 or 10.1%. Besides the increase in property and other county taxes, charges for service increased by \$94,174 or 31.7%, capital grants, contributions and restricted interest increased by \$179,604 or 40.0%, and tax increment financing increased by \$109,893 or 52.3%. Functions that had the most significant change in expenses included public safety and legal services which increased by \$55,354 or 5.9%, mental health which increased by \$149,523 or 28.1%, capital projects which increased by \$41,947 or 18.9%, and county environment and education which decreased by \$63,820 or 17.7%.

The audit report also includes financial data and information about the Osceola County Public Safety Commission. A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.