

**KOSSUTH COUNTY**

**Algona, Iowa**

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

**June 30, 2009**

**KOSSUTH COUNTY, IOWA**  
**Algona, Iowa**

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**KOSSUTH COUNTY**  
**Algona, Iowa**

**OFFICIALS**

(Before January 2009)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Eugene Elsbecker .....	Board of Supervisors .....	January 2009
Jack Plathe .....	Board of Supervisors .....	January 2009
Donald Besch .....	Board of Supervisors .....	January 2011
Pam Wymore.....	Board of Supervisors .....	January 2011
Donald G. McGregor.....	Board of Supervisors .....	January 2011
Joann Bormann .....	County Auditor.....	January 2009
Nicholas P. Rahm.....	County Treasurer .....	January 2011
Karen Benschoter.....	County Recorder .....	January 2011
Paul Gronbach.....	County Sheriff .....	January 2009
Todd Holmes.....	County Attorney.....	January 2011
K. Donald Patton.....	County Assessor.....	January 2010

(After January 2009)

Donald Besch.....	Board of Supervisors .....	January 2011
Pam Wymore.....	Board of Supervisors .....	January 2011
Donald G. McGregor.....	Board of Supervisors .....	January 2011
Eugene Elsbecker .....	Board of Supervisors .....	January 2013
Jack Plathe .....	Board of Supervisors .....	January 2013
Amber Garman.....	County Auditor.....	January 2013
Nicholas P. Rahm.....	County Treasurer .....	January 2011
Karen Benschoter.....	County Recorder .....	January 2011
Steve Kollasch .....	County Sheriff .....	January 2013
Todd Holmes.....	County Attorney.....	January 2011
K. Donald Patton.....	County Assessor.....	January 2010



**Gardiner Thomsen**  
Certified Public Accountants

## **Independent Auditors' Report**

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To the Officials of Kossuth County  
Algona, Iowa

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Kossuth County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kossuth 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 respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kossuth County at June 30, 2009, and the respective changes in financial position and the cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2010 on our consideration of Kossuth County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 - 9 and 43 - 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kossuth County's basic financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except that portion marked "unaudited" (Schedule 5) on which we express no opinion, 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.

March 29, 2010

*Gardiner Thomsen, P.C.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management of Kossuth County provides this Management's Discussion and Analysis of Kossuth County's annual financial statements. This narrative overview and analysis of the financial activities of Kossuth County is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- County governmental funds revenue increased 15% or approximately \$2,480,578 from 2008 to 2009. Property taxes increased approximately \$355,036 and operating grants, contributions & restricted interest increased approximately \$588,877.
- County program expenses were 5% or approximately \$861,110 more in 2009 than in 2008. Administration expense increased approximately \$139,213.
- The county's net assets increased 2% or approximately \$1,358,685 at June 30, 2009.

### **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 statements.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Kossuth County as a whole and present an overall view of the County's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Kossuth County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Kossuth County acts solely as an agent or custodian for the benefit of those outside of Kossuth 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 governmental and the individual Agency Funds.

## **Reporting the County's Financial Activities**

### ***Government-wide Financial Statements***

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

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or 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 displayed 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, government services to residents, administration or general government, interest on long-term debt and other non-program activities. Property taxes and state and federal grants finance most of these activities.

### ***Fund Financial Statements***

The County has three kinds of funds:

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

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

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

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

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve overtime as a useful indicator of financial position.

The County's combined net assets were changed, increasing from \$46,384,420 to \$47,743,105. The analysis below focuses on net assets and changes in net assets of government activities.

**Net Assets of Governmental Activities**

	(Expressed in Thousands)	
	2009	2008
Current and Other Assets	\$19,000	\$17,435
Capital Assets	38,628	38,672
Total Assets	<u>57,628</u>	<u>56,107</u>
Long-Term Debt Outstanding	1,374	1,063
Other Liabilities	8,511	8,660
Total Liabilities	<u>9,885</u>	<u>9,723</u>
Net Assets:		
Invested in Capital Assets, Net of debt	38,686	38,258
Restricted	3,883	4,274
Unrestricted	5,174	3,852
Total Net Assets	<u>\$47,743</u>	<u>\$46,384</u>

Net assets of the County's governmental activities increased by approximately 2%, (from \$46,383,763 to \$47,743,105). The largest portion of the County's net assets is Invested in Capital Assets (infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased from approximately \$3,851,552 at June 30, 2008 to approximately \$5,174,008 at the end of this year, an increase of 34%.

**Changes in Net Assets of Governmental Activities**

	Expressed in Thousands	
	Year Ended June 30, 2009	2008
Program Revenues:		
Charges for service	\$1,748	\$973
Operating grants and contributions	6,009	5,420
Capital grants and contributions	1,810	548
Property taxes and State Credits	7,485	7,137
Unrestricted investments earnings	207	329
Other general revenues	979	1,350
Total revenues	<u>18,238</u>	<u>15,757</u>

	Year Ended June 30,	
	2009	2008
Program Expenses:		
Public safety and legal services	\$2,403	\$2,318
Physical health and social services	399	338
Mental health	2,019	2,248
County environment and education	816	1,185
Roads and transportation	7,808	7,824
Government services to residents	668	608
Administration or general government	1,546	1,407
Non-program	1,215	68
Interest on long-term debt	5	22
Total expenses	<u>16,879</u>	<u>16,018</u>
Increase in net assets	1,359	(261)
Net assets – beginning of year	<u>46,384</u>	<u>46,645</u>
Net assets – end of year	<u><u>\$47,743</u></u>	<u><u>\$46,384</u></u>

The County's revenue increased 15%, \$2,480,578. The total cost of programs and services increased 5%, \$861,110, with no new programs added this year.

#### **THE COUNTY'S INDIVIDUAL MAJOR FUNDS**

As the County completed the year, its governmental funds reported a 13% increase in combined fund balance.

The combined ending fund balance of the General and General Supplemental Funds decreased by \$344,401 from 2008 to 2009. This decrease in balance was due to a decrease in property tax revenue, charges for services and use of money and property revenues and increased expenditures of \$187,188.

The Mental Health fund balance increased from a deficit balance of \$359,741 to a positive balance of \$440,347. This was due to an increase in Property Tax and Intergovernmental revenues and a \$238,055 decrease in expenditures for 2009.

The Rural Services Fund balance increased slightly from \$962,501 in 2008 to \$986,538 at June 30, 2009.

The Secondary Road fund ended the 2009 year with a balance of \$2,830,326. This is higher than the \$2,348,882 balance one year ago, due to decreased road maintenance expenditures and capital projects.

#### **BUDGETARY HIGHLIGHTS**

The budget was amended on April 21, 2009 with an increase of revenue of \$681,200 and an increase of expenditures of \$279,500. The largest increase in expenditures was in the Mental Health function.

#### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

##### **Capital Assets**

At the end of 2009, the County had \$85,333,771 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$3,088,269 or 3% over last year.

**Capital Assets at Year End of Governmental Activities**

	(Expressed in Thousands)	
	2009	2008
Land	\$1,581	\$1,581
Buildings & Improvements	7,003	6,994
Machinery & Equipment	12,545	12,345
Construction in Progress	121	0
Infrastructure	64,084	61,328
Total	<u>\$85,334</u>	<u>\$82,248</u>

This year's major additions include

Law Enforcement Vehicles	\$56
Secondary Road Equipment	433
Infrastructure	<u>2,091</u>
	<u>\$2,580</u>

The County had depreciation expense of \$3,060,989 for the year ended June 30, 2009 and total accumulated depreciation as of June 30, 2009 of \$46,345,472.

The County's fiscal year 2009 capital expenditures totaled \$1,131,311 principally for the continued upgrading of secondary roads and bridges and various conservation projects. The County has no plans to issue additional debt to finance these projects.

**Debt Administration**

At year end, the County had \$1,374,089 in bonds and other debt compared to \$1,063,200 in bonds and other debt last year as shown below.

**Outstanding Debt at Year-End of Governmental Activities**

	(Expressed in Thousands)	
	2009	2008
Rural Development Notes	\$180	\$240
Capital Loan Notes	123	174
Drainage Warrants	658	329
Compensated Absences	316	320
OPEB Liability	97	0
	<u>\$1,374</u>	<u>\$1,063</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$63 million limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

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

When preparing the 2009-2010 Budget the elected and appointed officials considered the economy and what affects we may see in future years if we have a large increase in expenditures. Each department worked very diligently at keeping their budget the same as the 2008-2009 year, or if needed only a modest increase.

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

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the 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 County Auditor's Office, 114 W. State St., Algona, IA.

**KOSSUTH COUNTY**  
Algona, Iowa

**STATEMENT OF NET ASSETS**  
June 30, 2009

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash & Pooled Investments	\$10,135,320	\$259,453	\$10,394,773
Receivables:			
Property Tax:			
Delinquent	12,509	0	12,509
Succeeding Year	7,249,394	0	7,249,394
Interest & Penalty On Property Tax	26	0	26
Accounts	48,467	63,525	111,992
Accrued Interest	49,975	4,846	54,821
Drainage Assessments	79,050	0	79,050
Due From Other Governments	602,929	0	602,929
Inventories	462,268	0	462,268
Restricted Cash and Pooled Investments	0	559,642	559,642
Capital Assets (Net of Accumulated Depreciation)	38,988,299	857,187	39,845,486
<b>TOTAL ASSETS</b>	<b>57,628,237</b>	<b>1,744,653</b>	<b>59,372,890</b>
<b>LIABILITIES</b>			
Accounts Payable	662,510	52,900	715,410
Accrued Interest Payable	28,095	0	28,095
Closure Care Costs Payable	0	295,000	295,000
Salaries & Benefits Payable	236,864	10,375	247,239
Due To Other Governments	334,180	0	334,180
Deferred Revenue:			
Succeeding Year Property Tax	7,249,394	0	7,249,394
Long Term Liabilities:			
Portion Due or Payable Within One Year:			
Rural Development Loan	60,000	0	60,000
Capital Loan Notes	43,341	0	43,341
Drainage Warrants/Drainage Improvements			
Certificates Payable	658,247	0	658,247
Compensated Absences	315,839	8,871	324,710
Portion Due or Payable After One Year:			
Estimated Liability for Landfill Closure and			
Post Closure Care	0	704,700	704,700
Rural Development Loan	120,000	0	120,000
Capital Loan Notes	79,339	0	79,339
Net OPEB Liability	97,323	1,754	99,077
<b>TOTAL LIABILITIES</b>	<b>9,885,132</b>	<b>1,073,600</b>	<b>10,958,732</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	38,685,619	857,187	39,542,806
Restricted For:			
Mental Health Purposes	438,653	0	438,653
Secondary Roads Purposes	2,688,981	0	2,688,981
Other Purposes	755,844	0	755,844
Unrestricted	5,174,008	(186,134)	4,987,874
<b>TOTAL NET ASSETS</b>	<b>\$47,743,105</b>	<b>\$671,053</b>	<b>\$48,414,158</b>

See Notes To Financial Statements

**KOSSUTH COUNTY**  
**Algona, Iowa**

**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>
		Charges for Service
<b>FUNCTIONS/PROGRAMS:</b>		
Governmental Activities:		
Public Safety & Legal Services	\$2,403,106	\$115,199
Physical Health & Social Services	398,945	9,375
Mental Health	2,019,142	234,552
County Environment & Education	815,670	66,925
Roads & Transportation	7,807,872	135,087
Governmental Services to Residents	667,392	330,725
Administration	1,546,216	105,657
Non - Program	1,215,379	750,444
Interest and Fees on Long-Term Debt	5,225	0
Total Governmental Activities	16,878,947	1,747,964
Business-type Activities:		
Landfill/Transfer Station	951,819	721,336
Total	\$17,830,766	\$2,469,300

**GENERAL REVENUES (EXPENSES):**  
Property & Other County Tax Levied For:  
    General Purposes  
Penalties & Interest on Property Tax  
State Tax Credits  
Local Option Sales Tax  
Unrestricted Investment Earnings  
Miscellaneous  
Total General Revenues (Expenses)

**CHANGE IN NET ASSETS**

**NET ASSETS, BEGINNING OF YEAR**

**NET ASSETS, END OF YEAR**

See Notes To Financial Statements

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
\$78,042	\$0	\$(2,209,865)	\$0	\$(2,209,865)
232,473	0	(157,097)	0	(157,097)
1,429,488	0	(355,102)	0	(355,102)
23,702	0	(725,043)	0	(725,043)
4,164,086	1,810,376	(1,698,323)	0	(1,698,323)
7,753	0	(328,914)	0	(328,914)
0	0	(1,440,559)	0	(1,440,559)
73,651	0	(391,284)	0	(391,284)
0	0	(5,225)	0	(5,225)
6,009,195	1,810,376	(7,311,412)	0	(7,311,412)
0	0	0	(230,483)	(230,483)
\$6,009,195	\$1,810,376	(7,311,412)	(230,483)	(7,541,895)
		7,025,227	0	7,025,227
		40,235	0	40,235
		419,188	0	419,188
		809,389	0	809,389
		206,552	24,138	230,690
		169,506	20,600	190,106
		8,670,097	44,738	8,714,835
		1,358,685	(185,745)	1,172,940
		46,384,420	856,798	47,241,218
		\$47,743,105	\$671,053	\$48,414,158

**KOSSUTH COUNTY**

Algona, Iowa

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2009

	General	Special Revenue	
		Mental Health	Rural Services
<b>ASSETS</b>			
Cash and Pooled Investments	\$2,855,195	\$789,703	\$867,471
Receivables:			
Property Tax:			
Delinquent	8,953	2,147	1,409
Succeeding Year	4,326,223	1,037,620	1,885,551
Interest and Penalty on Property Tax	26	0	0
Accounts	42,614	0	0
Accrued Interest	16,847	0	0
Drainage Assessments	0	0	0
Due From Other Funds	23	0	0
Due From Other Governments	57,716	28,284	119,177
Inventories	0	0	0
<b>TOTAL ASSETS</b>	<b>\$7,307,597</b>	<b>\$1,857,754</b>	<b>\$2,873,608</b>

**LIABILITIES AND FUND BALANCES**

<b>Liabilities:</b>			
Accounts Payable	\$63,367	\$77,469	\$110
Accrued Interest	0	0	0
Salaries and Benefits Payable	48,092	1,528	0
Due to Other Funds	2,788	0	0
Due To Other Governments	35,043	298,656	0
Compensated Absences	0	0	0
<b>Deferred Revenue:</b>			
Succeeding Year Property Tax	4,326,223	1,037,620	1,885,551
Other	23,903	2,134	1,409
<b>Total Liabilities</b>	<b>4,499,416</b>	<b>1,417,407</b>	<b>1,887,070</b>

<b>Fund Balances:</b>			
<b>Reserved For:</b>			
Inventories	0	0	0
<b>Unreserved:</b>			
Designated for Nature Center	60,000	0	0
<b>Unreserved Reported In:</b>			
General Fund	2,748,181	0	0
Special Revenue Funds	0	440,347	986,538
Capital Projects Fund	0	0	0
<b>Total Fund Balances</b>	<b>2,808,181</b>	<b>440,347</b>	<b>986,538</b>

<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$7,307,597</b>	<b>\$1,857,754</b>	<b>\$2,873,608</b>
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See Notes To Financial Statements

<u>Special Revenue</u>		
<u>Secondary</u>		
<u>Roads</u>	<u>Nonmajor</u>	<u>Total</u>
\$2,412,009	\$448,108	\$7,372,486
0	0	12,509
0	0	7,249,394
0	0	26
4,639	1,214	48,467
0	1,667	18,514
0	79,050	79,050
2,788	0	2,811
324,101	73,651	602,929
462,268	0	462,268
<u>\$3,205,805</u>	<u>\$603,690</u>	<u>\$15,848,454</u>
\$185,655	\$148,042	\$474,643
0	28,095	28,095
187,244	0	236,864
23	0	2,811
481	0	334,180
2,076	0	2,076
0	0	7,249,394
0	152,701	180,147
<u>375,479</u>	<u>328,838</u>	<u>8,508,210</u>
462,268	0	462,268
0	0	60,000
0	0	2,748,181
2,368,058	274,852	4,069,795
0	0	0
<u>2,830,326</u>	<u>274,852</u>	<u>7,340,244</u>
<u>\$3,205,805</u>	<u>\$603,690</u>	<u>\$15,848,454</u>

**KOSSUTH COUNTY**  
**Algona, Iowa**

**RECONCILIATION OF THE BALANCE SHEET –**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
 June 30, 2009

**Total Governmental Fund Balances (pages 13-14)** \$7,340,244

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The costs of assets is \$85,333,771 and the accumulated depreciation is \$46,345,472. 38,988,299

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 180,147

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 2,599,869

Long-term liabilities, including bonds payable, compensated absences payable accrued interest payable, postclosure costs payable and drainage warrants and improvement certificates payable are not due and payable the current period and, therefore, are not reported in the funds. (1,365,454)

**Net Assets of Governmental Activities (page 10)** \$47,743,105

See Notes to Financial Statements.

**KOSSUTH COUNTY**

**Algona, Iowa**

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

**GOVERNMENTAL FUNDS**

Year Ended June 30, 2009

	General	Special Revenue	
		Mental Health	Rural Services
<b>REVENUES:</b>			
Property & Other County Tax	\$4,085,481	\$1,071,023	\$2,678,280
Interest & Penalty on Property Tax	40,079	0	0
Intergovernmental	557,420	1,694,996	111,890
Licenses & Permits	4,710	0	0
Charges for Services	551,779	32,890	0
Use of Money & Property	182,423	0	0
Miscellaneous	29,111	21,958	0
<b>Total Revenues</b>	<b>5,451,003</b>	<b>2,820,867</b>	<b>2,790,170</b>
<b>EXPENDITURES:</b>			
Operating:			
Public Safety & Legal Services	2,380,634	0	0
Physical Health & Social Services	408,594	0	0
Mental Health	0	2,020,779	0
County Environment & Education	579,234	0	199,909
Roads & Transportation	0	0	0
Governmental Services to Residents	638,802	0	0
Administration Services	1,554,793	0	0
Non-Program	67,639	0	0
Debt Service	0	0	0
Capital Projects	0	0	587,054
<b>Total Expenditures</b>	<b>5,629,696</b>	<b>2,020,779</b>	<b>786,963</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(178,693)	800,088	2,003,207
Other Financing Sources (Uses):			
Sale of Capital Assets	22,303	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(188,011)	0	(1,979,170)
Drainage Warrants Issued	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(165,708)</b>	<b>0</b>	<b>(1,979,170)</b>
Net Change in Fund Balances	(344,401)	800,088	24,037
Fund Balances – Beginning of Year	3,152,582	(359,741)	962,501
Increase in Reserve For Inventories	0	0	0
<b>Fund Balances – End of Year</b>	<b>\$2,808,181</b>	<b>\$440,347</b>	<b>\$986,538</b>

See Notes To Financial Statements

<u>Special Revenue</u>		
<u>Secondary Roads</u>	<u>Nonmajor</u>	<u>Total</u>
\$0	\$0	\$7,834,784
0	0	40,079
4,207,354	17,702	6,589,362
3,435	0	8,145
57,273	516,511	1,158,453
28,278	1,667	212,368
7,721	231,450	290,240
<u>4,304,061</u>	<u>767,330</u>	<u>16,133,431</u>
0	3,622	2,384,256
0	0	408,594
0	0	2,020,779
0	0	779,143
5,513,531	0	5,513,531
0	12,395	651,197
0	0	1,554,793
0	1,610,298	1,677,937
0	116,883	116,883
527,888	16,369	1,131,311
<u>6,041,419</u>	<u>1,759,567</u>	<u>16,238,424</u>
<u>(1,737,358)</u>	<u>(992,237)</u>	<u>(104,993)</u>
0	0	22,303
2,132,095	35,086	2,167,181
0	0	(2,167,181)
0	889,529	889,529
<u>2,132,095</u>	<u>924,615</u>	<u>911,832</u>
394,737	(67,622)	806,839
2,348,882	342,474	6,446,698
86,707	0	86,707
<u>\$2,830,326</u>	<u>\$274,852</u>	<u>\$7,340,244</u>

**KOSSUTH COUNTY**  
Algona, Iowa

**RECONCILIATION OF THE STATEMENT REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2009

<b>Net Change in Fund Balances - Total Governmental Funds (pages 16-17)</b>		<b>\$806,839</b>
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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	\$1,565,909	
Capital Assets Contributed by the Iowa Department of Transportation	1,810,376	
Depreciation Expense	<u>(3,060,989)</u>	315,296
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:		
Property Taxes	(53,209)	
Other	<u>126,538</u>	73,329
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. Current year repayments exceeded issuances as follows:		
Issued	(986,852)	
Repaid	<u>672,271</u>	(314,581)
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	5,768	
Interest on Long-Term Debt	<u>(135)</u>	5,633
Inventories in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenditures in the period that the corresponding net asset is exhausted.		86,707
The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.		<u>385,462</u>
<b>Change in Net Assets of Governmental Activities (pages 11-12)</b>		<b><u><u>\$1,358,685</u></u></b>

See Notes to Financial Statements

**KOSSUTH COUNTY**  
Algona, Iowa

STATEMENT OF NET ASSETS  
**PROPRIETARY FUND**  
June 30, 2009

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	Enterprise Fund Landfill/Transfer Station	Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$259,453	\$2,756,275
Receivables:		
Accounts Receivable	63,525	0
Accrued Interest	4,846	31,461
Total Current Assets	<u>327,824</u>	<u>2,787,736</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	559,642	0
Capital Assets, Net of Accumulated Depreciation	857,187	0
Total Non-Current Assets	<u>1,416,829</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u><u>\$1,744,653</u></u>	<u><u>\$2,787,736</u></u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	\$52,900	\$187,867
Closure Costs Payable	295,000	0
Salaries and Benefits Payable	10,375	0
Compensated Absences	8,871	0
Estimated Liability for Postclosure	36,264	0
Net OPED Liability	1,754	0
Total Current Liabilities	<u>405,164</u>	<u>187,867</u>
Non-Current Liabilities:		
Estimated Liabilities for Postclosure	668,436	0
<b>TOTAL LIABILITIES</b>	<u><u>\$1,073,600</u></u>	<u><u>\$187,867</u></u>
<b>NET ASSETS</b>		
Invested in Capital Assets	\$857,187	\$0
Unrestricted	<u>(186,134)</u>	<u>2,599,869</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$671,053</u></u>	<u><u>\$2,599,869</u></u>

See Notes To Financial Statements

**KOSSUTH COUNTY**  
Algona, Iowa

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
**PROPRIETARY FUND**  
Year Ended June 30, 2009

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	Enterprise Fund Landfill/Transfer Station	Internal Service Funds
<b>OPERATING REVENUES:</b>		
Charges for Service	\$721,336	\$0
Miscellaneous:		
Reimbursements From Operating Funds	0	1,285,035
Other Reimbursements	0	27,020
Total Operating Revenues	<u>721,336</u>	<u>1,312,055</u>
<b>OPERATING EXPENSES:</b>		
Governmental Activities:		
Medical Claims	0	778,192
Administrative Fees	0	199,652
Miscellaneous	0	34,099
Business-type Activities:		
Operations and Maintenance	791,204	0
Postclosure	119,201	0
Depreciation	41,414	0
Total Operating Expenses	<u>951,819</u>	<u>1,011,943</u>
Operating Income (Loss)	(230,483)	300,112
<b>NON-OPERATING REVENUES:</b>		
Interest on Investments	24,138	85,350
Gain on Sale of Capital Assets	20,600	0
Total Non-Operating Revenues	<u>44,738</u>	<u>85,350</u>
Net Income (Loss)	(185,745)	385,462
Net Assets Beginning of Year	<u>856,798</u>	<u>2,214,407</u>
Net Assets End of Year	<u>\$671,053</u>	<u>\$2,599,869</u>

See Notes To Financial Statements

**KOSSUTH COUNTY**  
Algona, Iowa

STATEMENT OF CASH FLOWS  
**PROPRIETARY FUND**  
Year Ended June 30, 2009

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	Enterprise Fund Landfill/Transfer Station	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received From Operating Fund Reimbursements	\$0	\$1,285,035
Cash Received From Employees and Others	0	27,020
Cash Received From Customers	765,321	0
Cash Payments to Suppliers For Services	(828,671)	(999,792)
Net Cash Provided by (Used in) Operating Activities	<u>(63,350)</u>	<u>312,263</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on Investments	<u>22,169</u>	<u>118,394</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Sale of Capital Assets	<u>20,600</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(20,581)	430,657
Cash and Cash Equivalents at Beginning of Year	<u>839,676</u>	<u>2,325,618</u>
Cash and Cash Equivalents at End of Year	<u>\$819,095</u>	<u>\$2,756,275</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$(230,483)	\$300,112
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	41,414	0
Decrease in Accounts Receivable	43,985	0
Increase in Accounts Payable and Other Current Liabilities	<u>81,734</u>	<u>12,151</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (63,350)</u>	<u>\$ 312,263</u>

See Notes To Financial Statements

**KOSSUTH COUNTY**  
**Algona, Iowa**

**STATEMENT OF FIDUCIARY ASSETS**  
**AGENCY FUNDS**  
June 30, 2009

**ASSETS**

Cash & Pooled Investments:	
County Treasurer	\$1,095,916
Other County Officials	8,376
Receivables:	
Property Tax:	
Delinquent	354
Succeeding Year	16,538,252
Accounts	18,883
Accrued Interest	604
Assessments	544,096
Due From Other Governments	6,690
<b>TOTAL ASSETS</b>	<b>18,213,171</b>

**LIABILITIES**

Accounts Payable	27,073
Drainage Warrants Payable	200,164
Due To Other Governments	17,918,093
Trusts Payable	46,543
Compensated Absences	21,298
<b>TOTAL LIABILITIES</b>	<b>18,213,171</b>

<b>NET ASSETS</b>	<b>\$0</b>
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See Notes To Financial Statements

# Notes to Financial Statements

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## Note 1: Summary of Significant Accounting Policies

Kossuth County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are presented in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

### A. REPORTING ENTITY

For financial reporting purposes, Kossuth County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Kossuth 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 unit is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, the same as the County. It is reported as part of the County and blended into the appropriate funds.

Five hundred ninety seven 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, some are controlled, managed and supervised by the Kossuth County Board of Supervisors. These drainage districts are reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. The financial transactions of these districts are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Kossuth County Auditor's office.

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### A. REPORTING ENTITY (CONTINUED)

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The Kossuth County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Kossuth County Assessor's Conference Board, Kossuth County Emergency Management Commission, and Kossuth County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

#### B. BASIS OF PRESENTATION

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

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

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are 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 that are 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.

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### B. BASIS OF PRESENTATION (CONTINUED)

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

Additionally the County reports the following funds:

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

Fiduciary Funds – Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units, and/or other funds.

#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

## Notes to Financial Statements (Continued)

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### *Note 1: Summary of Significant Accounting Policies (Continued)*

#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for the Internal Service Fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### D. ASSETS, LIABILITIES AND FUND EQUITY

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

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.

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Drainage Assessment Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2009, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, Buildings and Improvements	25,000
Equipment and Vehicles	5,000

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and Improvements	40 – 65
Infrastructure	15 – 65
Equipment and Vehicles	2 – 20

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

## **Notes to Financial Statements (Continued)**

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)**

Long-Term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

#### **E. BUDGETS AND BUDGETARY ACCOUNTING**

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

During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

### **Note 2: Cash and Pooled Investments**

The County's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$152,870 pursuant to Rule 20-7 under the Investment Company Act of 1940.

## Notes to Financial Statements (Continued)

### Note 2: Cash and Pooled Investments (Continued)

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

### Note 3: Due from and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue: Secondary Roads	\$23
Special Revenue: Secondary Roads	General Fund	<u>2,788</u>
		<u>\$2,811</u>

These balances resulted from the time lag between the dates that inter-fund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

### Note 4: Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue: Attorney Collection	General Fund	\$5,086
Secondary Roads	General Fund	152,925
Secondary Roads	Special Revenue: Rural Services	1,979,170
Waters Edge Nature Center	General Fund	<u>30,000</u>
Total		<u>\$2,167,181</u>

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

## Notes to Financial Statements (Continued)

### Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$1,581,462	\$0	\$0	\$1,581,462
Construction in Progress	0	120,312	0	120,312
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,581,462</b>	<b>120,312</b>	<b>0</b>	<b>1,701,774</b>
Capital Assets Being Depreciated:				
Buildings & Improvements	6,994,052	9,013	0	7,003,065
Machinery and Equipment	12,344,613	528,008	327,650	12,544,971
Infrastructure	61,327,375	2,756,586	0	64,083,961
<b>Total Capital Assets Being Depreciated</b>	<b>80,666,040</b>	<b>3,293,607</b>	<b>327,650</b>	<b>83,631,997</b>
Less Accumulated Depreciation for:				
Buildings & Improvements	2,072,316	154,478	0	2,226,794
Machinery and Equipment	7,528,277	815,686	290,016	8,053,947
Infrastructure	33,973,906	2,090,825	0	36,064,731
<b>Total Accumulated Depreciation</b>	<b>43,574,499</b>	<b>3,060,989</b>	<b>290,016</b>	<b>46,345,472</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>37,091,541</b>	<b>232,618</b>	<b>37,634</b>	<b>37,286,525</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$38,673,003</b>	<b>\$352,930</b>	<b>\$37,634</b>	<b>\$38,988,299</b>
Depreciation expense was charged to the following functions:				
Public Safety and Legal Services				\$118,959
Physical Health and Social Services				12,867
Mental Health				4,671
County Environment and Education				48,046
Roads and Transportation				2,814,691
Government Services to Residents				31,794
Administration				29,961
<b>Total Depreciation Expense – Governmental Activities</b>				<b>\$3,060,989</b>

## Notes to Financial Statements (Continued)

### Note 5: Capital Assets (Continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$261,000	\$0	\$0	\$261,000
Construction in Progress	0	0	0	0
Total Capital Assets Not Being Depreciated	261,000	0	0	261,000
Capital Assets Being Depreciated:				
Buildings	657,232	0	0	657,232
Equipment and Vehicles	742,425	0	125,074	617,351
Total Capital Assets Being Depreciated	1,399,657	0	125,074	1,274,583
Less Accumulated Depreciation for:				
Buildings	135,555	25,009	0	160,564
Equipment and Vehicles	626,501	16,405	125,074	517,832
Total Accumulated Depreciation	762,056	41,414	125,074	678,396
Total Capital Assets Being Depreciated, Net	637,601	(41,414)	0	596,187
Business-Type Activities Capital Assets, Net	\$898,601	\$(41,414)	\$0	\$857,187

### Note 6: Due to Other Governments

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

Fund	Description	Amount
General	Services	\$35,043
Special Revenue:		
Mental Health	Services	298,656
Secondary Roads		481
Total for Governmental Funds		\$334,180

## Notes to Financial Statements (Continued)

### Note 6: Due to Other Governments (Continued)

Fund	Description	Amount
Agency:		
Agricultural Extension	Collections	\$70,063
Assessor		410,098
Schools		11,620,701
Community Colleges		680,197
Corporations		3,596,805
Auto License & Use Tax		378,476
All Others		1,161,753
Total for Agency Funds		<u>\$17,918,093</u>

### Note 7: Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2009, is as follows:

	Rural Development Loan	Capital Loan Notes	Drainage Warrants	Compensated Absences	Total
Balance – Beginning of Year	\$240,000	\$174,266	\$329,403	\$319,531	\$1,063,200
Additions	0	0	889,529	0	889,529
Reductions	60,000	51,586	560,685	5,768	678,039
Balance – End of Year	<u>\$180,000</u>	<u>\$122,680</u>	<u>\$658,247</u>	<u>\$313,763</u>	<u>\$1,274,690</u>
Due Within One Year	<u>\$60,000</u>	<u>\$43,341</u>	<u>\$0</u>	<u>\$313,763</u>	<u>\$417,104</u>

#### Rural Development Loan

During the year ending June 30, 2006, the County entered into a Rural Economic Development Loan agreement with Corn Belt Power Cooperative. In an effort to provide local financing for projects to foster economic development, Corn Belt Power Cooperative loaned Kossuth County Conservation \$300,000 for the purpose of financing construction of a new Nature Center and Emergency Shelter at Smith's Lake County Park in rural Kossuth County. The loan bears no interest, semiannual payments of \$30,000 were due on September 1, 2007 and March 1, 2008 and continue until the loan is paid in full by March 1, 2010.

A summary of the County's June 30, 2009 rural development loan is as follows:

Year Ending June 30,	
2010	\$60,000
2011	60,000
2012	60,000
	<u>\$180,000</u>

## Notes to Financial Statements (Continued)

### Note 7: Changes in Long-Term Debt (Continued)

During the year ended June 30, 2009, the County retired \$60,000 of general obligation notes.

#### Capital Loan Notes

During the fiscal year ended June 30, 2007, the County entered into a loan agreement with Iowa State Bank of Algona, guaranteed by the United States Department of Agriculture. The purpose of the loan was to finance the construction of a new Nature Center at Smith's Lake in rural Kossuth County. The term of the note was originally five years at 3% interest, however, the County has paid more than was due on several occasions, and the scheduled payments were adjusted. As of June 30, 2009 the note matures in fiscal 2012.

A summary of the County's June 30, 2009 capital loan notes is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	3.00%	\$43,341	\$3,680	\$47,021
2011	3.00%	44,642	2,380	47,022
2012	3.00%	34,697	1,041	35,738
		<u>\$122,680</u>	<u>\$7,101</u>	<u>\$129,781</u>

During the year ended June 30, 2009, the County retired \$51,586 of capital loan notes.

#### Drainage Warrants

Drainage Warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage Warrants are paid from the Special Revenue fund solely from drainage assessments against benefitted properties.

A summary of change in long-term liabilities for business-type activities for the year ended June 30, 2009 is as follows:

	Landfill Closure and Postclosure Care	Compensated Absences	Total
Balance beginning of year	\$665,655	\$9,002	\$674,657
Increases	39,045	8,871	47,916
Decreases	0	9,002	9,002
Balance end of year	<u>\$704,700</u>	<u>\$8,871</u>	<u>\$713,571</u>

## Notes to Financial Statements (Continued)

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### Note 7: Changes in Long-Term Debt (Continued)

	Landfill Closure and Postclosure Care	Compensated Absences	Total
Due within one year	\$0	\$8,871	\$8,871

#### Closure and Postclosure Care Costs

To comply with Federal and State regulations, the County is required to complete a monitoring system plan, a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and 30 year postclosure requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for the changes due to inflation or deflation, technology or applicable laws and regulations.

The landfill was closed during fiscal year 2009 at an approximate cost of \$295,000 which is considerably more than the original \$143,100 closure cost estimate. The postclosure costs were estimated at \$704,700, and the total estimate has been recognized as of June 30, 2009. The liability represents the amount estimated to perform the remaining 29 years of maintenance, monitoring of groundwater and methane gas, and leachate collection and disposal.

## **Notes to Financial Statements (Continued)**

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### **Note 7: Changes in Long-Term Debt (Continued)**

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate postclosure care accounts to accumulate resources for the payment of postclosure care costs. The County has begun to accumulate resources to fund these costs and, at June 30, 2009, deposits of \$559,642 are held for these purposes, reserved for postclosure care. The Iowa Department of Natural Resources has granted a waiver to extend the pay in period to fully fund the postclosure costs until July 31, 2012. An annual deposit of \$36,265 is required until that time.

Also, pursuant to Section 567, Chapter 113.14(6) of the Iowa Administrative Code, (IAC), since the estimated postclosure funds are not fully funded, the County is required to demonstrate financial assurance for the unfunded costs. The County has adopted the local government financial test mechanism. Under this mechanism, the County must certify the following to the Iowa Department of Natural Resources:

- A ratio of cash and investments to total expenditures of greater than or equal to .05 for the previous two fiscal years.
- A ratio of annual debt service to total expenditures less than or equal to .20 for the previous two fiscal years.
- The County's financial statements are prepared in accordance with U.S. generally accepted accounting principles.
- The County is not in default on any outstanding general obligation bonds.
- The County has no outstanding general obligation debt rated lower than Baa.
- The County did not operate at a deficit equal to 5 percent or more of total annual revenue in each of the past two fiscal years.
- The County did not receive an adverse opinion or disclaimer of opinion on its financial statements in each of the past two fiscal years.

The County has demonstrated compliance with the above requirements.

### **Note 8: Pension and Retirement Benefits**

Kossuth County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$300,753, \$272,426 and \$256,197, respectively, equal to the required contributions for each year.

## Notes to Financial Statements (Continued)

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### Note 9: Risk Management

Kossuth County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expense and reinsurance expense due and payable in the current year, plus all of any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2009 were \$254,112.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2009, no liability has been recorded in the County's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

## **Notes to Financial Statements (Continued)**

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### **Note 9: Risk Management (Continued)**

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contributions, which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bonds in the amount of \$1,000,000 and \$20,000 (\$50,000 for the Treasurer), respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note 10: Employee Health Insurance Plan**

The Internal Service Self Insurance Fund, was established to account for the self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administrated through a Service Agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitations of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Self Insurance Fund are recorded as expenditures from the operating funds. Under the administrative service agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2009 was \$1,285,035.

### **Note 11: Related Party Transactions**

The County had business transactions between the County and the County officials during the year ended June 30, 2009.

### **Note 12: Other Postemployment Benefits (OPEB)**

Kossuth County implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2009.

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 113 active and 2 retired members in the plan. Employees must be age 55 or older at retirement.

## Notes to Financial Statements (Continued)

### Note 12: Other Postemployment Benefits (OPEB) (Continued)

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution of the County (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The table shows the components of the County's annual OPEB cost for June 30, 2009, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual required contribution	\$99,926
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	<u>99,926</u>
Contributions made	<u>(850)</u>
Increase in net OPEB obligation	99,076
Net OPEB obligation – beginning of the year	<u>0</u>
Net OPEB obligation – end of the year	<u><u>\$99,076</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2009.

For the fiscal year 2009, the County contributed \$850 to the medical plan. Plan members receiving benefits contributed \$1,700 or 66% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6-30-2009	\$99,926	0.85%	\$99,076

## Notes to Financial Statements (Continued)

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### *Note 12: Other Postemployment Benefits (OPEB) (Continued)*

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$954,271, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$954,271. The covered payroll (annual payroll of active employees covered by the plan) was \$4,252,668, and the ratio of the UAAL to the covered payroll was 22.43%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

As of July 1, 2008 actuarial date, the Frozen Entry Age Actuarial Cost method was used. The actuarial assumptions included a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2007.

The salary increase rate was assumed to be 4% per year. The UAAL is being amortized on a level dollar basis over 30 years.

## Notes to Financial Statements (Continued)

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### Note 13: Economic Development Loan

During the year ended June 30, 2004, the County sold the County Care Facility to Rabiner Treatment Center for \$90,000. Under the agreement, \$40,000 was paid to the County with the balance of \$50,000 considered an interest-free economic development loan from the County to Rabiner Treatment Center. The loan was to be payable to the County November 1, 2006. In July 2006, the payment date was extended to December 31, 2008. In December 2008, the payment date was extended to December 31, 2010. The balance due will be reduced by \$1,000 for each staff position created by Rabiner Treatment Center at the facility. Because the exact amount to be paid to the County is not known, a receivable has not been included in the County's financial statements at June 30, 2009.

**KOSSUTH COUNTY**  
**Algona, Iowa**

**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, 2009**

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
<b>RECEIPTS:</b>						
Property & Other County Tax	\$7,833,542	\$0	\$7,833,542	\$7,730,077	\$7,795,077	\$38,465
Interest & Penalty on Property Tax	40,131	0	40,131	32,100	32,100	8,031
Intergovernmental	6,568,896	0	6,568,896	5,947,962	6,551,662	17,234
Licenses & Permits	7,855	0	7,855	6,650	6,650	1,205
Charges for Services	1,188,350	512,154	676,196	602,031	604,531	71,665
Use of Money & Property	216,882	0	216,882	263,790	263,790	(46,908)
Miscellaneous	283,441	87,564	195,877	189,755	199,755	(3,878)
<b>Total Receipts</b>	<b>16,139,097</b>	<b>599,718</b>	<b>15,539,379</b>	<b>14,772,365</b>	<b>15,453,565</b>	<b>85,814</b>
<b>DISBURSEMENTS:</b>						
Public Safety & Legal Services	2,378,522	0	2,378,522	2,673,315	2,673,315	294,793
Physical Health & Social Services	386,449	0	386,449	454,794	461,794	75,345
Mental Health	2,270,957	0	2,270,957	2,044,645	2,274,145	3,188
County Environment & Education	785,931	0	785,931	776,594	802,794	16,863
Roads & Transportation	5,828,608	0	5,828,608	6,035,000	6,035,000	206,392
Governmental Services to Residents	652,344	0	652,344	729,187	729,187	76,843
Administrative Services	1,555,810	0	1,555,810	1,772,798	1,779,598	223,788
Non-Program	1,538,949	1,471,310	67,639	67,689	67,689	50
Debt Service	116,883	0	116,883	107,024	117,024	141
Capital Projects	1,121,253	0	1,121,253	1,460,000	1,460,000	338,747
<b>Total Disbursements</b>	<b>16,635,706</b>	<b>1,471,310</b>	<b>15,164,396</b>	<b>16,121,046</b>	<b>16,400,546</b>	<b>1,236,150</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(496,609)	(871,592)	374,983	(1,348,681)	(946,981)	1,321,964
Other Financing Services (Uses), Net	911,832	889,529	22,303	10,000	10,000	12,303
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	415,223	17,937	397,286	(1,338,681)	(936,981)	1,334,267
Balance Beginning of Year	6,957,263	201,739	6,755,524	5,583,993	6,755,524	0
Balance End of Year	\$7,372,486	\$219,676	\$7,152,810	\$4,245,312	\$5,818,543	\$1,334,267

See Accompanying Independent Auditors' Report

**KOSSUTH COUNTY**  
**Algona, Iowa**

**BUDGETARY COMPARISON SCHEDULE –**  
**BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
Year Ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$16,139,097	\$(5,666)	\$16,133,431
Expenditures	16,635,706	(397,282)	16,238,424
Net	(496,609)	391,616	(104,993)
Other Financing Sources, Net	911,832	0	911,832
Beginning Fund Balances	6,957,263	(510,565)	6,446,698
Increase in Reserve For:			
Inventories	0	86,707	86,707
<b>Ending Fund Balances</b>	<b>\$7,372,486</b>	<b>\$(32,242)</b>	<b>\$7,340,244</b>

See Accompanying Independent Auditors' Report

**Kossuth County**  
**Algona, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

The 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, Special Revenue Funds, Debt Service Fund and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$279,500. This budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

**Kossuth County  
Algona, Iowa**

Schedule of Funding Progress for the Retiree Health Plan (In Thousands)

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
7-1-2008	\$0	\$954	\$954	0%	\$4,253	22.43%

See Note 12 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB costs and Net OPEB Obligation, and the funded status and funding progress.

**KOSSUTH COUNTY**  
Algona, Iowa

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2009

	County Recorder's Records Management	Resource Enhancement & Protection	Conservation Reserve	Water's Edge Nature Center
<b>ASSETS</b>				
Cash & Pooled Investments	\$25,162	\$27,888	\$85,903	\$71,437
Receivables:				
Accounts	1,214	0	0	0
Accrued Interest	255	238	0	1,174
Drainage Assessments	0	0	0	0
Due from Other Governments	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$26,631</b>	<b>\$28,126</b>	<b>\$85,903</b>	<b>\$72,611</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$0	\$0	\$730	\$0
Accrued Interest	0	0	0	0
Deferred Revenue	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>730</b>	<b>0</b>
Fund Balances:				
Unreserved	26,631	28,126	85,173	72,611
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$26,631</b>	<b>\$28,126</b>	<b>\$85,903</b>	<b>\$72,611</b>

See Accompanying Independent Auditors' Report

**Schedule 1**

Special Response Team	DARE Program	Drug Forfeiture	County Attorney Collections	Drainage Districts	Total
\$409	\$19	\$5,114	\$12,500	\$219,676	\$448,108
0	0	0	0	0	1,214
0	0	0	0	0	1,667
0	0	0	0	79,050	79,050
0	0	0	0	73,651	73,651
<b>\$409</b>	<b>\$19</b>	<b>\$5,114</b>	<b>\$12,500</b>	<b>\$372,377</b>	<b>\$603,690</b>
\$0	\$0	\$0	\$0	\$147,312	\$148,042
0	0	0	0	28,095	28,095
0	0	0	0	152,701	152,701
0	0	0	0	328,108	328,838
409	19	5,114	12,500	44,269	274,852
<b>\$409</b>	<b>\$19</b>	<b>\$5,114</b>	<b>\$12,500</b>	<b>\$372,377</b>	<b>\$603,690</b>

**KOSSUTH COUNTY**

**Algona, Iowa**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2009**

	County Recorder's Records Management	Resource Enhancement & Protection	Conservation Reserve	Water's Edge Nature Center
<b>REVENUES:</b>				
Intergovernmental	\$0	\$17,702	\$0	\$0
Charges for Services	4,357	0	0	0
Use of Money & Property	255	238	0	1,174
Miscellaneous	0	0	31,370	110,221
<b>Total Revenues</b>	<b>4,612</b>	<b>17,940</b>	<b>31,370</b>	<b>111,395</b>
<b>EXPENDITURES:</b>				
Operating:				
Public Safety & Legal Services	0	0	0	0
Government Services to Residents	12,395	0	0	0
Non-Program	0	0	0	0
Debt Service	0	0	0	16,883
Capital Projects	0	70	16,299	0
<b>Total Expenditures</b>	<b>12,395</b>	<b>70</b>	<b>16,299</b>	<b>116,883</b>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(7,783)	17,870	15,071	(5,488)
<b>OTHER FINANCING SOURECES (USES)</b>				
Operating Transfers In	0	0	0	30,000
Drainage Warrant Proceeds	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,000</b>
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(7,783)	17,870	15,071	24,512
Fund Balances – Beginning of Year	34,414	10,256	70,102	48,099
Fund Balances – End of Year	\$26,631	\$28,126	\$85,173	\$72,611

See Accompanying Independent Auditors' Report

**Schedule 2**

Special Response Team	DARE Program	Drug Forfeiture	County Attorney Collections	Drainage Districts	Total
\$0	\$0	\$0	\$0	\$0	\$17,702
0	0	0	0	512,154	516,511
0	0	0	0	0	1,667
0	2,295	0	0	87,564	231,450
0	2,295	0	0	599,718	767,330
0	2,933	0	689	0	3,622
0	0	0	0	0	12,395
0	0	0	0	1,610,298	1,610,298
0	0	0	0	0	116,883
0	0	0	0	0	16,369
0	2,933	0	689	1,610,298	1,759,567
0	(638)	0	(689)	(1,010,580)	(992,237)
0	0	0	5,086	0	35,086
0	0	0	0	889,529	889,529
0	0	0	5,086	889,529	924,615
0	(638)	0	4,397	(121,051)	(67,622)
409	657	5,114	8,103	165,320	342,474
\$409	\$19	\$5,114	\$12,500	\$44,269	\$274,852

**KOSSUTH COUNTY**  
**Algona, Iowa**

**COMBINING SCHEDULE OF FIDUCIARY**  
**ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
June 30, 2009

	County Recorder	County Sheriff	Agricultural Extension Education	County Assessor
<b>ASSETS</b>				
Cash & Pooled Investments:				
County Treasurer	\$0	\$0	\$1,368	\$149,063
Other County Officials	734	7,642	0	0
Receivables:				
Property Tax:				
Delinquent	0	0	1	4
Succeeding Year	0	0	68,694	277,890
Accounts	443	0	0	0
Accrued Interest	0	0	0	0
Assessments	0	0	0	0
Due From Other Governments	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$1,177</b>	<b>\$7,642</b>	<b>\$70,063</b>	<b>\$426,957</b>
<b>LIABILITIES</b>				
Accounts Payable	\$0	\$0	\$0	\$286
Drainage Warrants Payable	0	0	0	0
Due to Other Governments	1,177	0	70,063	410,098
Trusts Payable	0	7,642	0	0
Compensated Absences	0	0	0	16,573
<b>TOTAL LIABILITIES</b>	<b>\$1,177</b>	<b>\$7,642</b>	<b>\$70,063</b>	<b>\$426,957</b>

See Accompanying Independent Auditors' Report

**Schedule 3**

Schools	Community Colleges	Corporations	Townships	County Hospital	Brucellosis & Tuberculosis Eradication
\$227,202	\$12,474	\$52,561	\$6,378	\$5,437	\$58
0	0	0	0	0	0
140	8	197	0	4	0
11,393,359	667,715	3,544,047	288,734	295,203	2,610
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<b>\$11,620,701</b>	<b>\$680,197</b>	<b>\$3,596,805</b>	<b>\$295,112</b>	<b>\$300,644</b>	<b>\$2,668</b>
\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0
11,620,701	680,197	3,596,805	295,112	300,644	2,668
0	0	0	0	0	0
0	0	0	0	0	0
<b>\$11,620,701</b>	<b>\$680,197</b>	<b>\$3,596,805</b>	<b>\$295,112</b>	<b>\$300,644</b>	<b>\$2,668</b>

**COMBINING SCHEDULE OF FIDUCIARY  
ASSETS AND LIABILITIES (CONTINUED)  
AGENCY FUNDS**

	City Special Assessments	Auto License & Use Tax	Drainage Districts	Employee Flex Plan
<b>ASSETS</b>				
Cash & Pooled Investments:				
County Treasurer	\$0	\$378,476	\$35,750	\$6,559
Other County Officials	0	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	0	0	0
Succeeding Year	0	0	0	0
Accounts	0	0	0	0
Accrued Interest	0	0	0	0
Assessments	46,521	0	497,575	0
Due From Other Governments	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$46,521</b>	<b>\$378,476</b>	<b>\$533,325</b>	<b>\$6,559</b>
<b>LIABILITIES</b>				
Accounts Payable	\$0	\$0	\$14,523	\$0
Drainage Warrants Payable	0	0	200,164	0
Due to Other Governments	46,521	378,476	318,638	0
Trusts Payable	0	0	0	6,559
Compensated Absences	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>\$46,521</b>	<b>\$378,476</b>	<b>\$533,325</b>	<b>\$6,559</b>

See Accompanying Independent Auditors' Report

**Schedule 3 (Continued)**

Civil Defense	E-911 Surcharge	County Recorder's Electronic Transaction Fee	Advance Tax	Total
\$21,046	\$166,494	\$708	\$32,342	\$1,095,916
0	0	0	0	8,376
0	0	0	0	354
0	0	0	0	16,538,252
0	18,440	0	0	18,883
0	604	0	0	604
0	0	0	0	544,096
6,690	0	0	0	6,690
<u>\$27,736</u>	<u>\$185,538</u>	<u>\$708</u>	<u>\$32,342</u>	<u>\$18,213,171</u>
\$3,727	\$8,537	\$0	\$0	\$27,073
0	0	0	0	200,164
19,284	177,001	708	0	17,918,093
0	0	0	32,342	46,543
4,725	0	0	0	21,298
<u>\$27,736</u>	<u>\$185,538</u>	<u>\$708</u>	<u>\$32,342</u>	<u>\$18,213,171</u>

**KOSSUTH COUNTY**

Algona, Iowa

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY  
ASSETS AND LIABILITIES – AGENCY FUNDS**

Year Ended June 30, 2009

	County Recorder	County Sheriff	Agricultural Extension Education	County Assessor
<b>ASSETS AND LIABILITIES</b>				
Balances – Beginning of Year	\$34,425	\$8,684	\$72,662	\$441,136
Additions:				
Property & Other County Tax	0	0	68,243	277,022
E911 Surcharge	0	0	0	0
State Tax Credits	0	0	4,213	16,311
Drivers License Fees	0	0	0	0
Office Fees & Collections	328,258	96,790	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	0	118,022	0	0
Miscellaneous	0	0	1	4,739
<b>Total Additions</b>	<b>328,258</b>	<b>214,812</b>	<b>72,457</b>	<b>298,072</b>
Deductions:				
Agency Remittances:				
To Other Funds	187,590	96,242	0	0
To Other Governments	173,916	548	75,056	312,251
Trusts Paid Out	0	119,064	0	0
<b>Total Deductions</b>	<b>361,506</b>	<b>215,854</b>	<b>75,056</b>	<b>312,251</b>
<b>Balances – End of Year</b>	<b>\$1,177</b>	<b>\$7,642</b>	<b>\$70,063</b>	<b>\$426,957</b>

See Accompanying Independent Auditors' Report

**Schedule 4**

Schools	Community Colleges	Corporations	Townships	County Hospital	Brucellosis & Tuberculosis Eradication
\$11,565,101	\$658,375	\$3,683,235	\$306,215	\$287,606	\$3,068
11,353,471	666,617	3,482,646	288,837	294,540	2,588
0	0	0	0	0	0
696,686	38,371	199,152	18,301	16,741	179
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
194	12	233	0	5	0
12,050,351	705,000	3,682,031	307,138	311,286	2,767
0	0	0	0	0	0
11,994,751	683,178	3,768,461	318,241	298,248	3,167
0	0	0	0	0	0
11,994,751	683,178	3,768,461	318,241	298,248	3,167
\$11,620,701	\$680,197	\$3,596,805	\$295,112	\$300,644	\$2,668

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY  
ASSETS AND LIABILITIES – AGENCY FUNDS (CONTINUED)**

<b>ASSETS AND LIABILITIES</b>	City Special Assessments	Auto License & Use Tax	Drainage Districts	Employee Flex Plan
Balances – Beginning of Year	\$54,683	\$316,320	\$355,474	\$6,766
Additions:				
Property & Other County Tax	0	0	0	0
E911 Surcharge	0	0	0	0
State Tax Credits	0	0	0	0
Drivers License Fees	0	125,952	0	0
Office Fees & Collections	0	0	0	0
Auto Licenses, Use Tax & Postage	0	4,517,033	0	0
Assessments	6,107	0	293,843	0
Trusts	0	0	0	47,603
Miscellaneous	0	0	1,484	0
Total Additions	6,107	4,642,985	295,327	47,603
Deductions:				
Agency Remittances:				
To Other Funds	0	181,100	0	0
To Other Governments	14,269	4,399,729	0	0
Trusts Paid Out	0	0	117,476	47,810
Total Deductions	14,269	4,580,829	117,476	47,810
Balances – End of Year	\$46,521	\$378,476	\$533,325	\$6,559

See Accompanying Independent Auditors' Report

**Schedule 4 (Continued)**

Civil Defense	E-911 Surcharge	County Recorder's Electronic Transaction Fee	Advance Tax	Tax Sale Redemption	Total
\$16,618	\$154,389	\$768	\$2,686	\$0	\$17,968,211
0	0	0	0	0	16,433,964
0	129,300	0	0	0	129,300
0	0	0	0	0	989,954
0	0	0	0	0	125,952
0	0	4,134	0	0	429,182
0	0	0	0	0	4,517,033
0	0	0	0	0	299,950
0	0	0	32,342	128,736	326,703
51,414	3,902	0	0	0	61,984
51,414	133,202	4,134	32,342	128,736	23,314,022
0	0	0	0	0	464,932
40,296	102,053	4,194	0	128,736	22,317,094
0	0	0	2,686	0	287,036
40,296	102,053	4,194	2,686	128,736	23,069,062
\$27,736	\$185,538	\$708	\$32,342	\$0	\$18,213,171

**KOSSUTH COUNTY**  
Algona, Iowa

**SCHEDULE OF REVENUES BY SOURCE AND  
EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS**

For the Last Five Years

	Unaudited				
	Modified Accrual Basis				
	2009	2008	2007	2006	2005
<b>Revenues:</b>					
Property & Other County Tax	\$7,834,784	\$7,493,247	\$7,666,342	\$7,576,865	\$7,803,670
Interest & Penalty On Property Tax	40,079	40,243	39,530	46,499	44,482
Intergovernmental	6,589,362	6,080,176	6,007,002	6,266,103	6,142,002
Licenses & Permits	8,145	29,902	7,785	7,400	5,380
Charges For Service	1,158,453	674,552	610,259	596,673	604,716
Use of Money & Property	212,368	478,890	361,022	412,230	900,243
Miscellaneous	290,240	609,209	690,931	672,894	456,074
<b>Total</b>	<b>\$16,133,431</b>	<b>\$15,406,219</b>	<b>\$15,382,871</b>	<b>\$15,578,664</b>	<b>\$15,956,567</b>
<b>Expenditures:</b>					
Operating:					
Public Safety & Legal Services	\$2,384,256	\$2,348,764	\$2,332,588	\$2,290,873	\$2,362,163
Physical Health & Social Services	408,594	344,962	350,398	364,265	331,503
Mental Health	2,020,779	2,258,834	2,167,352	2,045,768	1,936,360
County Environment & Education	779,143	774,854	721,554	652,165	614,154
Roads & Transportation	5,513,531	5,973,032	5,449,439	5,470,796	5,200,058
Governmental Services To Residents	651,197	625,926	592,362	697,018	702,475
Administrative Services	1,554,793	1,468,335	1,461,804	1,403,489	1,349,743
Non-Program	1,677,937	67,539	61,572	59,806	61,364
Debt Service	116,883	403,754	341,618	600,342	1,435,788
Capital Projects	1,131,311	2,003,380	2,075,484	1,701,461	2,188,798
<b>Total</b>	<b>\$16,238,424</b>	<b>\$16,269,380</b>	<b>\$15,554,171</b>	<b>\$15,285,983</b>	<b>\$16,182,406</b>

See Accompanying Independent Auditors' Report



**Gardiner Thomsen**  
Certified Public Accountants

**Independent Auditors' 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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To the Officials of Kossuth County  
Algona, Iowa

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Kossuth County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 29, 2010. 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 Kossuth 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 Kossuth County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kossuth County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in the 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, including deficiencies we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings to be material weaknesses, items A, B, and C.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financing reporting, items D and E.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kossuth County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance 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, 2009 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.

Kossuth 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 Kossuth 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 Kossuth County and other parties to whom Kossuth 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 Kossuth 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.

March 29, 2010

*Gardiner Thomsen, P.C.*

**Kossuth County  
Algona, Iowa**

**Schedule of Findings  
Year Ended June 30, 2009**

**Findings Related to the Financial Statements**

**SIGNIFICANT DEFICIENCIES:**

- 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.

*Recommendation* – We realize that with a limited number of office employees, segregation of duties is difficult. However, the County officials should review the operating procedures of each office to obtain the maximum internal control possible under the circumstances.

*Response*– We have reviewed the procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling functions currently performed by the one individual will be separated and spread among the County Official, Deputy, and Clerk.

*Conclusion* – Response accepted.

- B     FINANCIAL REPORTING – During our audit, we identified material amounts of receivables, inventory and capital assets not recorded or incorrectly recorded 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 receivables, inventory, and capital assets are identified and included in the County's financial statements.

*Response*– We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

*Conclusion* – Response accepted.

**Kossuth County  
Algona, Iowa**

**Schedule of Findings (Continued)  
Year Ended June 30, 2009**

**Findings Related to the Financial Statements (Continued)**

- C     PREPARATION OF FULL DISCLOSURE FINANCIAL STATEMENTS – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Kossuth County does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost of other considerations.

*Recommendation* – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles in preparing full-disclosure financial statement for external reporting purposes is difficult. However, we recommend that County officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

*Response* – We recognize our limitations, however, it is not fiscally responsible to add additional staff at this time.

*Conclusion* – Response acknowledged.

- D     TREASURER'S OFFICE – The Treasurer's Office has not been reconciling the bank accounts to the general ledger on a monthly basis. Also, a list of outstanding items has not been maintained. At June 30, 2009, there was a \$4,241.19 variance between the bank reconciliation and the general ledger that originated in January 2004.

*Recommendation* – The Treasurer's Office should reconcile the bank accounts to the general ledger on a monthly basis. A list of outstanding items should be prepared and maintained with the monthly reconciliations. The variance between the general ledger and the bank reconciliation should be resolved as soon as possible.

*Response* – We will reconcile the bank accounts to the general ledger on a monthly basis, including preparation and maintenance of an outstanding item list. The variance between the general ledger and the bank reconciliation has been corrected.

*Conclusion* – Response accepted.

**Kossuth County  
Algona, Iowa**

**Schedule of Findings (Continued)  
Year Ended June 30, 2009**

**Findings Related to the Financial Statements (Continued)**

- E     INFORMATION SYSTEMS – During our review of internal control, the existing control activities in the County’s computer based systems were evaluated in order to determine 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 County’s computer based systems were noted:

The County does not have written policies for password privacy and confidentiality.

The County does not have a written disaster recovery plan.

*Recommendation* – The County should develop written policies addressing the above items in order to improve the County’s control over computer based systems. A written disaster recovery plan should be developed.

*Response* – The County will comply in the future with these recommendations.

*Conclusion* – Response accepted.

**INSTANCE OF NON-COMPLIANCE:**

No matters were reported.

**Other Findings Related to Required Statutory Reporting**

1.     CERTIFIED BUDGET – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.

**Kossuth County  
Algona, Iowa**

**Schedule of Findings (Continued)  
Year Ended June 30, 2009**

**Other Findings Related to Required Statutory Reporting (Continued)**

2. QUESTIONABLE EXPENDITURES – Certain expenditures 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 were noted. These expenditures are detailed as follows:

Paid to	Purpose	Amount
<b>Wiltjens Jewelers Inc.</b>		
Two Invoices for Secondary Roads	Retirement Engravings	\$24
<b>Hy-Vee Inc.</b>		
One Invoice for Secondary Roads	Cookies for Safety Meeting	19
One Invoice for Conservation	Food for Program	118
<b>Daylights Donuts</b>		
One Invoice for Human Services	Sandwiches for Meeting	18

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 requirements for proper documentation.

*Response* –

Conservation – As recommended, a policy will be implemented as soon as possible.

Secondary Roads – As recommended, a policy will be implemented as soon as possible.

Human Services – The expenditure was for a one time meeting that won’t take place again, but they do have some consistent meetings where they provide refreshments. As recommended, a policy will be implemented as soon as possible.

*Conclusion* – Response accepted.

3. TRAVEL EXPENSE – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

**Kossuth County  
Algona, Iowa**

**Schedule of Findings (Continued)  
Year Ended June 30, 2009**

**Other Findings Related to Required Statutory Reporting (Continued)**

4. BUSINESS TRANSACTIONS – The following business transactions between the County and County officials or employees were noted:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
<b>Ruhnke Brothers</b> Norma Ruhnke, Auditor's Office Owned by Norma Ruhnke's Sons	Fuel and Repairs	\$7,568
<b>Bugs N Stuff</b> Cinnamon Mawdsley, Attorney's Office Owned by Cinnamon Mawdsley's Husband	Pest Control	1,146
<b>Hometown Distributing LLC</b> Karen Beschoter, County Recorder Owned by Karen Beschoter's Husband	Ice Melt and Car Cleaning Supplies	687

In accordance with Chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Ruhnke Brothers do not appear to represent conflicts of interest since Norma Ruhnke appears not to participate in acquiring the above services.

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Bugs N Stuff and Hometown Distributing do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

*Recommendation* – The County should refrain from business transactions with County officials or employees whenever possible. If the County wishes to do business with officials or employees, bids should be taken for the work to be done.

*Response* – We prefer to use local businesses, and with little competition, some of the businesses we use include related parties. As recommended, we will refrain from business transactions with County officials or employees whenever possible.

*Conclusion* – Response accepted.

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 coverage is adequate for current operations.

**Kossuth County  
Algona, Iowa**

**Schedule of Findings (Continued)  
Year Ended June 30, 2009**

**Other Findings Related to Required Statutory Reporting (Continued)**

6. BOARD MINUTES – No transactions were found that we believe should have been approved in the Board minutes but were not. However, it was noted that on July 1, 2008 and on August 5, 2008 there were one and two instances respectively where a Supervisor voted nay and the minutes did not properly document which Supervisor voted nay. On October 28, 2008 and November 18, 2008 the Board of Supervisors went into closed session and the board minutes did not document a roll call vote to close the session. Also, the minutes did not document final action taken in open session. On November 25, 2008, the Board of Supervisors went into closed session and the minutes did not document a roll call vote to close the session.

*Recommendation* – Chapter 21.3 of the Code of Iowa requires the minutes show information sufficient to indicate the vote of each member present. The minutes should indicate the vote of each member present. The Board of Supervisors should ensure all closed meetings comply with Chapter 21 of the Code of Iowa.

*Response* – This was an oversight. We will ensure that the minutes properly indicate the vote of each member present. We will ensure that all closed sessions comply with Chapter 21 of the Code of Iowa.

*Conclusion* – Response accepted.

7. DEPOSITS AND INVESTMENTS – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
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).
9. ECONOMIC DEVELOPMENT – During the year ended June 30, 2009, the County paid \$125,000 for economic development which appears to be an appropriate expenditure of public funds since the public benefits to be derived have been clearly documented.
10. COUNTY EXTENSION OFFICE – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County Operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2009 for the County Extension Office did not exceed the amount budgeted.

**Kossuth County  
Algona, Iowa**

**Schedule of Findings (Continued)  
Year Ended June 30, 2009**

**Other Findings Related to Required Statutory Reporting: (Continued)**

11. CREDIT CARD POLICY – Several departments have credit cards for use by various employees while on County business. The County does not have a written policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

*Recommendation* – The County should develop a written policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

*Response* – We have developed and implemented a written policy for FY 2010.

*Conclusion* – Response accepted.

## NEWS RELEASE

Gardiner Thomsen today released an audit report on Kossuth County, Iowa.

The County had local tax revenue of \$25,717,957 for the year ended June 30, 2009, which included \$1,409,142 in tax credits from the state. The County forwarded \$17,453,353 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$8,294,039 of the local tax revenue to finance County operations, a 4% increase from the prior year. Other revenues include charges for service of \$1,747,964, operating grants, contributions and restricted interest of \$6,009,195, unrestricted investment earnings of \$206,552 and other general revenues of \$169,506.

Expenses for County operations total \$16,878,947, a 5% increase from the prior year. Expenses included \$7,807,872 for Road and Transportation, \$2,403,106 for Public Safety and Legal Services and \$2,019,142 for Mental Health Services.

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

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