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NEWS RELEASE

FOR RELEASE: June 30, 2010

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De Noble & Company PC today released an audit report on Osceola County, Iowa.

The County had local tax revenue of \$9,178,236 for the year ended June 30, 2009, which included \$562,493 in tax credits from the state. The County forwarded \$6,583,691 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,594,545 of the local tax revenue to finance County operations, a \$69,467 or 2.8 percent increase from the prior year. Other revenues included charges for service of \$476,289; operating grants, contributions and restricted interest of \$2,860,947; capital grants, contributions and restricted interest of \$548,383; tax increment financing of \$349,325; unrestricted investment earnings of \$72,418 and other general revenues of \$109,866.

Expenses for County operations totaled \$6,344,417, a \$622,591, or 10.9 percent increase from the prior year. Expenses included \$2,617,968 for roads and transportation, \$1,008,692 for public safety and legal services, \$720,400 for administration and \$687,625 for mental health.

Overall, revenues decreased by \$505,623 or 6.7 percent. Despite the increase in property and other county taxes and a \$580,085 increase in operating grants, contributions and restricted interest, revenues decreased mainly due to a \$1,185,750 drop in capital grants, contributions and restricted interest. Functions that had the most significant increase in expenses included physical health and social services which increased by \$118,160, roads and transportation which increased by \$363,839 and capital projects which increased by \$189,180. The mental health function had a significant decrease in expenses of \$107,323.

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

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

JUNE 30, 2009

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Osceola County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2009)		
Daryl Streng	Board of Supervisors	December 31, 2008
Byron Lopau	Board of Supervisors	December 31, 2008
Darwin Beltman	Board of Supervisors	December 31, 2010
William Imhoff	Board of Supervisors	December 31, 2010
Larry Pedley	Board of Supervisors	December 31, 2010
Barbara Echter	County Auditor	December 31, 2008
Linda Carter	County Treasurer	December 31, 2010
Arlene Kuehl	County Recorder	December 31, 2010
Douglas Weber	County Sheriff	December 31, 2008
Robert Hansen	County Attorney	December 31, 2010
Sharon Wolter	County Assessor	December 31, 2009 (Appointed)
Thomas Snyder	County Engineer	Indefinite (Appointed)
Ronald Spengler	County Conservation Director	Indefinite (Appointed)
Debra Goettig	County Emergency Management Director	Indefinite (Appointed)
Jerry Johnson	Public Safety Commission Board Member	December 31, 2008
Mike Schulte	Public Safety Commission Board Member	December 31, 2008
Arlyn Pedley	Public Safety Commission Board Member	December 31, 2008
Robert Crist	Public Safety Commission Board Member	December 31, 2008
Gary Benz	Public Safety Commission Board Member	December 31, 2008
Dan Grote	Public Safety Commission Board Member	December 31, 2008
Byron Lopau	Public Safety Commission Board Member	December 31, 2008
Darwin Beltman	Public Safety Commission Board Member	December 31, 2008
(Beginning January 2009)		
Darwin Beltman	Board of Supervisors	December 31, 2010
William Imhoff	Board of Supervisors	December 31, 2010
Larry Pedley	Board of Supervisors	December 31, 2010
Philip Bootsma	Board of Supervisors	December 31, 2012
Michael Schulte	Board of Supervisors	December 31, 2012
Barbara Echter	County Auditor	December 31, 2012
Linda Carter	County Treasurer	December 31, 2010
Arlene Kuehl	County Recorder	December 31, 2010
Douglas Weber	County Sheriff	December 31, 2012
Robert Hansen	County Attorney	December 31, 2010

Sharon Wolter	County Assessor	December 31, 2015 (Appointed)
Thomas Snyder	County Engineer	Indefinite (Appointed)
Ronald Spengler	County Conservation Director	Indefinite (Appointed)
Debra Goettig	County Emergency Management Director	June 30, 2010 (Appointed)
Jerry Johnson	Public Safety Commission Board Member	December 31, 2009
Jayson Vandeholf	Public Safety Commission Board Member	December 31, 2009
Arlyn Pedley	Public Safety Commission Board Member	December 31, 2009
Robert Crist	Public Safety Commission Board Member	December 31, 2009
Gary Benz	Public Safety Commission Board Member	December 31, 2009
Dan Grote	Public Safety Commission Board Member	December 31, 2009
Michael Schulte	Public Safety Commission Board Member	December 31, 2009
Philip Bootsma	Public Safety Commission Board Member	December 31, 2009

DE NOBLE & COMPANY PC

Certified Public Accountants

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Independent Auditor's Report

To the Officials of Osceola County:

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the component unit of Osceola County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Osceola County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, the aggregate remaining fund information and the component unit of Osceola County at June 30, 2009, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2010 on our consideration of Osceola County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 15 and 47 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Osceola County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four fiscal years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Siebrecht Spitler & De Noble PC (Siebrecht Spitler & De Noble PC was formally dissolved and De Noble & Company PC is one of the two new companies that were formed directly from this dissolution) previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two fiscal years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

De Noble & Company PC

De Noble & Company PC
Certified Public Accountants

June 30, 2010

Management Discussion and Analysis

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

Fiscal Year 2009 Financial Highlights

- The County's governmental funds revenues for fiscal year 2009 were \$6,434,004 compared to \$5,764,421 in fiscal year 2008, an increase of \$669,583 or 11.6%. Property taxes and other county tax increased \$62,807 or 2.7% and intergovernmental increased by \$610,405 or 24.5%.
- The County's governmental funds expenditures for fiscal year 2009 were \$6,558,752 compared to \$7,047,393 in fiscal year 2008, a decrease of \$488,641 or 6.9%. Capital projects decreased by \$634,078 or 56.8%, mental health decreased by \$106,664 or 13.5%, physical health and social services increased by \$118,161 or 82.6% and roads and transportation increased by \$101,336 or 4.3%.
- The County's governmental funds fund balances for fiscal year 2009 were \$2,678,681 compared to \$2,760,743 in fiscal year 2008, a decrease of \$82,062 or 3.0%. The General Basic Fund had the largest fund balance decrease of \$122,576.
- The County's government-wide net assets for fiscal year 2009 were \$10,297,108 compared to \$9,629,752 in fiscal year 2008, an increase of \$667,356 or 6.9%.
- The County's governmental activities revenues for fiscal year 2009 were \$7,011,773 compared to \$7,517,396 in fiscal year 2008, a decrease of \$505,623 or 6.7%. Despite an increase in operating grants, contributions and restricted interest of \$580,085 or 25.4%, capital grants, contributions and restricted interest decreased by \$1,185,750 or 68.4%.
- The County's governmental activities expenses for fiscal year 2009 were \$6,344,417 compared to \$5,721,826 in fiscal year 2008, an increase of \$622,591 or 10.9%. Functions that had the most significant increase in expenses included physical health and social services which increased by \$118,160 or 82.6%, roads and transportation which increased by \$363,839 or 16.1% and capital projects which increased by \$189,180 or 222.5%. The mental health function had a significant decrease in expenses of \$107,323 or 13.5%

Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-Wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Osceola County as a whole and present an overall view of the County's finances, including data on the County's discretely presented component unit, the Public Safety Commission.

- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Osceola County's operations in more detail than the governmental-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Osceola County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds and the individual Agency Funds. In addition, financial statement and budgetary comparison information is presented for the Public Safety Commission.

Reporting the County's Financial Activities

Government-Wide Financial Statements

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

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

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and small (noncapitalized) capital projects. Property tax, tax increment financing and intergovernmental financing (grants) fund most of these activities. The County has no business type activities.

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

Fund Financial Statements

The County has two kinds of funds:

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

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

- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for the E911 Fund, Emergency Management Services Fund, the County Assessor's Funds and all the tax funds necessary to collect and distribute property taxes to schools, cities and all other taxing authorities, to name a few.

The required financial 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.

Component Unit

As discussed earlier, the Public Safety Commission is a component unit of the County. The Public Safety Commission does not issue separate financial statements, so basic financial statement information is included in the County's other supplementary information (schedules). This information is reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The information provides a detailed, short-term view of the governmental operations and the basic services it provides. This information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Public Safety Commission's programs. The Public Safety Commission adopts its budget on a cash basis.

Some of the financial highlights for fiscal year 2008 for the Public Safety Commission include:

- The discretely presented component unit – Public Safety Commission's government-wide net assets for fiscal year 2009 were \$436,624 compared to \$412,087 in fiscal year 2008, an increase of \$24,537 or 6.0%. The Public Safety Commission's governmental activities revenues for fiscal year 2009 were \$955,724 compared to \$903,140 in fiscal year 2008, an increase of \$52,584 or 5.8%. The Public Safety Commission's governmental activities expenses for fiscal year 2009 were \$931,187 compared to \$942,437 in fiscal year 2008, a decrease of \$11,250 or 1.2%.

Revenues increased due to charges for services. Expenses remained consistent with the prior year.

- The Public Safety Commission’s modified accrual basis revenues for fiscal year 2009 were \$960,476 compared to \$901,642 in fiscal year 2008, an increase of \$58,834 or 6.5%. The largest increase in revenues was from the unified law levy and city contributions.
- The Public Safety Commission’s modified accrual basis expenditures for fiscal 2009 were \$910,046 compared to \$931,229 in fiscal year 2008, a decrease of \$21,183 or 2.3%. Expenditures decreased primarily in the uniformed patrol services area.
- The Public Safety Commission’s fund balance for fiscal year 2009 was \$288,936 compared to \$238,506 in fiscal year 2008, an increase of \$50,430 or 21.1%.
- The Public Safety Commission did not exceed its final budgeted disbursements for fiscal year 2009. The Public Safety Commission did amend its budget once during fiscal year 2009. The budget amendment increased budgeted disbursements by \$45,200. The Public Safety Commission’s actual disbursements would have exceeded its original budget by \$5,513 without this amendment. For fiscal year 2009, the Public Safety Commission’s actual ending cash balance of \$276,590 was \$16,021 higher than the final budget’s anticipated ending cash balance of \$260,569.

Government-Wide Financial Analysis

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

	Net Assets			
	Governmental Activities		Public Safety Commission	
	June 30,		June 30,	
	2009	2008	2009	2008
Current and Other Assets	\$ 6,148,545	6,083,881	\$ 296,822	256,763
Capital Assets	10,088,134	9,629,153	198,684	208,477
Total Assets	<u>16,236,679</u>	<u>15,713,034</u>	<u>495,506</u>	<u>465,240</u>
Other Liabilities	3,234,384	3,141,229	6,283	11,903
Long-term Liabilities	2,705,187	2,942,053	52,599	41,250
Total Liabilities	<u>5,939,571</u>	<u>6,083,282</u>	<u>58,882</u>	<u>53,153</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	9,635,613	9,135,413	198,684	208,477
Restricted	(6,601)	(260,195)	0	0
Unrestricted	668,096	754,534	237,940	203,610
Total Net Assets	<u>\$ 10,297,108</u>	<u>9,629,752</u>	<u>\$ 436,624</u>	<u>412,087</u>

The largest portion of Osceola County’s net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Of the total net assets for the County's governmental activities, invested in capital assets increased by \$500,200 or 5.5%, restricted net assets increased by \$253,594 (mainly due to increases in amounts restricted for mental health and urban renewal district 1 plan area purposes), and unrestricted net assets decreased by \$86,438 or 11.5%.

	Changes in Net Assets			
	Governmental Activities		Public Safety Commission	
	Year Ended		Year Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Revenues:				
Program Revenues:				
Charges for Service	\$ 476,289	425,000	\$ 944,137	890,211
Operating Grants, Contributions and Restricted Interest	2,860,947	2,280,862	11,587	12,929
Capital Grants, Contributions and Restricted Interest	548,383	1,734,133	0	0
General Revenues:				
Property Tax Levied for:				
General Purposes	2,155,125	2,114,462	0	0
Unified Law	277,004	256,209	0	0
Tax Increment Financing	349,325	323,713	0	0
Penalty and Interest on Property Tax	21,984	18,198	0	0
State Tax Credits	162,416	154,407	0	0
Grants and Contributions Not Restricted to Specific Purposes	15,327	16,013	0	0
Unrestricted Investment Earnings	72,418	160,044	0	0
Rents	38,306	26,363	0	0
Drainage Assessments	5,010	2,947	0	0
Miscellaneous	29,239	5,045	0	0
Total Revenues	<u>7,011,773</u>	<u>7,517,396</u>	<u>955,724</u>	<u>903,140</u>
Program Expenses:				
Public Safety and Legal Services	1,008,692	1,004,221	0	0
Physical Health and Social Services	261,230	143,070	0	0
Mental Health	687,625	794,948	0	0
County Environment and Education	365,662	403,469	0	0
Roads and Transportation	2,617,968	2,254,129	0	0
Governmental Services to Residents	303,130	237,711	0	0
Administration	720,400	689,084	0	0
Interest on Long-term Debt	105,609	110,213	0	0
Capital Projects	274,101	84,981	0	0
Public Safety Commission	0	0	931,187	942,437
Total Expenses	<u>6,344,417</u>	<u>5,721,826</u>	<u>931,187</u>	<u>942,437</u>
Increase in Net Assets	667,356	1,795,570	24,537	(39,297)
Net Assets Beginning of Year	<u>9,629,752</u>	<u>7,834,182</u>	<u>412,087</u>	<u>451,384</u>
Net Assets End of Year	<u>\$ 10,297,108</u>	<u>9,629,752</u>	<u>\$ 436,624</u>	<u>412,087</u>

The portion of governmental activities costs financed by users (charges for service) increased by \$51,289 or 12.1% (mainly in the roads and transportation function). Operating grants, contributions and restricted interest increased by \$580,085 or 25.4% (mainly in the physical health and social services, mental health and roads and transportation functions). Capital grants, contributions and restricted interest decreased by \$1,185,750 or 68.4% (mainly in the roads and transportation function). General revenues increased by \$48,753 or 1.6% (mainly due to property and other county taxes, tax increment financing and miscellaneous).

Program expenses for governmental activities this fiscal year increased by \$622,591 or 10.9%. Physical health and social services increased by \$118,160 or 82.6% (due mainly to sanitation, health administration and services to the elderly). Mental health decreased by \$107,323 or 13.5% (due mainly to decreases in services needed), roads and transportation increased by \$363,839 or 16.1% (due mainly to an increase in materials/supplies and depreciation amounts), and capital projects increased by \$189,120 or 222.5% (due mainly to an increase in noncapitalizable road and drainage repair projects).

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Major Fund Highlights

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

As Osceola County completed fiscal year 2009, its governmental funds reported a combined fund balance of \$2,678,681. This is in comparison to fiscal year 2008, when the combined fund balance was \$2,760,743. This is a \$82,062 decrease from last year. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

GENERAL FUND: The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The general operating expenses are paid from this fund. The fiscal year 2009 General Fund ending fund balance was \$875,351. This is in comparison to last fiscal year when the fund balance was \$997,927. This is a \$122,576 decrease from last year or 12.3%. For fiscal year 2009, expenditures totaled \$2,325,860 (fiscal year 2008 = \$2,691,031), a decrease of \$365,171 or 13.6% from last year and revenues totaled \$2,187,299 (fiscal year 2008 = \$2,025,058), an increase of \$162,241 or 8.0% from last year.

The revenues are mainly higher due to intergovernmental flow-through grants received for the Osceola Community Hospital and Osceola Community Health Services and a grant received for election equipment. The main reason expenditures decreased was there were large capital projects and a large donation last fiscal year but not this fiscal year.

MENTAL HEALTH FUND: The Mental Health Fund is used to account for property tax and other revenues designated to be used for mental health, mental retardation, and developmental disabilities services. The fiscal year 2009 Mental Health ending fund balance was \$(18,890). This is in comparison to last fiscal year when the fund balance was \$(81,090). This is a \$62,200 increase from last year. For fiscal year 2009, expenditures totaled \$685,581 (fiscal year 2008 = \$792,245), a decrease from last year of \$106,664 or 13.5%, and revenues totaled \$747,781 (fiscal year 2008 = \$629,623), an increase over last year of \$118,158 or 18.8%. The revenues increased mainly due to the amount of state grants and entitlements received. The expenditures decreased due mainly to fewer services needed/allowed in fiscal year 2009.

RURAL SERVICES FUND: The Rural Service Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas, including secondary road services, but excluding services financed by other statutory funds. The fiscal year 2009 Rural Services ending fund balance was \$196,467. This is in comparison to last fiscal year when the fund balance was \$210,515. This is a \$14,048 decrease from last year. For fiscal year 2009, expenditures totaled \$45,700 (fiscal year 2008 = \$45,685), an increase over last year of \$15 and revenues totaled \$598,656 (fiscal year 2008 = \$595,273), an increase over last year of \$3,383. The County transferred \$567,004 from the Rural Services Fund to the Secondary Roads Fund in fiscal year 2009 (compared to \$575,202 in fiscal year 2008). Overall, revenues and expenditures remained constant compared to fiscal year 2008.

SECONDARY ROADS FUND: The Secondary Roads Fund is used to account for secondary road construction and maintenance. The fiscal year 2009 Secondary Roads ending fund balance was \$1,193,633. This is in comparison to last fiscal year when the fund balance was \$1,192,261. This is a \$1,372 increase from last year. For fiscal year 2009, expenditures totaled \$2,798,638 (fiscal year 2008 = \$2,922,345), a decrease from last year of \$123,707 or 4.2% and revenues totaled \$2,206,305 (fiscal year 2008 = \$1,854,790), an increase over last year of \$351,515 or 19.0%. Operating transfers in were \$567,004 for fiscal year 2009 (all of the transfers in were from the Rural Services Fund). For fiscal year 2009, sale of capital assets was \$26,701.

Revenues were higher mainly due to an increase in road use tax funding. The decrease in expenditures was due mainly to fewer capital projects (mainly roadway paving).

URBAN RENEWAL DISTRICT 1 PLAN AREA REVENUE FUND: The Urban Renewal District 1 Plan Area Revenue Fund is used to account for the collection of tax increment financing from Otter Creek Ethanol, LLC. The tax increment financing proceeds are being collected in order to satisfy urban renewal revenue capital loan note debt service requirements. For fiscal year 2009, this fund had revenues of \$351,524 (compared to \$327,419 in fiscal year 2008), transfers out of \$351,067 (compared to \$328,493 in fiscal year 2008), a beginning fund balance of \$175 and an ending fund balance of \$632.

URBAN RENEWAL DISTRICT 1 PRINCIPAL AND INTEREST SINKING FUND: The Urban Renewal District 1 Principal and Interest Sinking Fund is used to account for the payment of principal and interest on the urban renewal revenue capital loan notes. This fund for fiscal year 2009 had net transfers in of \$295,512 (compared to \$303,800 in fiscal year 2008), expenditures of \$295,512 (compared to \$303,800 in fiscal year 2008) and a beginning and ending fund balance of \$0.

OTHER SPECIAL REVENUE FUNDS: The other Special Revenue Funds, which include Recorder's Records Management, Sheriff Asset Forfeiture, Conservation Land Acquisition Trust, Unified Law Levy, Urban Renewal District 1 Plan Area Project, Drainage Districts, County Attorney Incentive Fund, and Urban Renewal District 1 Revenue Reserve are classified as nonmajor Special Revenue Funds. Nonmajor special revenue funds fund balances decreased during fiscal year 2009 by \$9,467 or 2.2%.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except blended component units and Agency Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, Osceola County amended its budget five times. The dates of the budget amendments, the amounts changed and the most significant reasoning for the changes are follows:

<u>Budget Amendment Date</u>	<u>Amounts Changed</u>	<u>Reasoning for Changes</u>
November 18, 2008	Receipts = \$40,622 Increase Sale of Fixed Assets = \$15,950 Increase Disbursements = \$71,972 Increase	Public health flow-through grant and Hawkeye Point of sale of assets and costs.
February 17, 2009	Receipts = \$7,273 Increase Disbursements = \$36,234 Increase	Equipment transactions and various operating cost adjustments.
March 3, 2009	Disbursements = \$148,872 Decrease	Reduction in Secondary Road construction costs.
April 7, 2009	Receipts = \$61,615 Increase Disbursements = \$61,615 Increase	Osceola Community Hospital flow-through grant.
May 5, 2009	Receipts = \$167,264 Increase Disbursements = \$168,062 Increase	Approval for authority to spend grant proceeds and equipment purchase.

The County ended up exceeding its budgeted revenues by \$160,206, coming in below its budgeted disbursements by \$287,420 and exceeding its other financing sources by \$26,736. The actual ending cash basis balance was \$343,497 higher than budgeted.

Capital Assets and Debt Administration

Capital Assets

Osceola County concluded fiscal year 2009 with \$13,203,532 invested in a broad range of capital assets. The Public Safety Commission concluded fiscal year 2008 with \$429,319 invested in a broad range of capital assets. The capital assets include public safety/secondary roads/conservation equipment, buildings, land, roads and bridges. See Note to the Financial Statements (5) for more information about the County's and Public Safety Commission's capital assets.

	Capital Assets at Year End			
	<u>Governmental Activities</u>		<u>Public Safety Commission</u>	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Land	\$ 1,507,154	1,507,156	\$ 0	0
Construction in Progress	420,095	396,440	0	0
Buildings and Improvements	954,378	954,378	0	0
Machinery, Equipment and Vehicles	4,939,728	4,838,814	429,319	404,552
Infrastructure	5,382,175	4,778,357	0	0
Total	\$ 13,203,532	12,475,145	\$ 429,319	404,552

This fiscal year's major additions for the County's governmental activities included radios, a mower, voting machines, a loader, bridge and road work; dispositions included a loader, a mower, a lawn tractor and voting machines. The Public Safety Commission purchased a Ford Explorer during the fiscal year.

The County's governmental activities had depreciation expense of \$371,603 in fiscal year 2009 and total accumulated depreciation of \$3,115,398 on June 30, 2009. The Public Safety Commission had depreciation expense of \$34,560 in fiscal year 2009 and total accumulated depreciation of \$230,635 on June 30, 2009.

Long-Term Debt

At June 30, 2009, the County had the following debt issuances outstanding:

	Urban Renewal Revenue Capital Loan Notes	OCEDC General Obligation Loan	Osceola Electric Coop General Obligation Loan
July 1, 2008	\$ 2,365,000	\$ 138,982	\$ 369,000
Principal Payments (FY 2009)	(195,000)	(18,561)	(36,900)
June 30, 2009	\$ 2,170,000	\$ 120,421	\$ 332,100

The urban renewal revenue capital loan notes were issued for the purpose of paying the costs of aiding in the planning, undertaking and carrying out of an urban renewal project, including road improvements, traffic and rail control devices and a grant to Otter Creek Ethanol, LLC, in the Osceola County Urban Renewal District 1 Plan Area. The notes are payable solely from the income and proceeds of the Special Revenue, Urban Renewal District 1 Plan Area Revenue Fund and the taxes paid into the fund in accordance with Chapter 403.19 of the Code of Iowa.

The loan with the Osceola County Economic Development Commission was used to purchase real estate known as "Hawkeye Point". This loan is being repaid through the General Fund.

The loan with the Osceola Electric Cooperative, Inc. (Rural Economic Development Loan and Grant Program) was used to assist in the purchase of 41 acres of land near Highways 9 and 60. This land was purchased for economic development purposes. This loan is being repaid through the General Fund.

The Constitution of the State of Iowa limits the amount of debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits (this figure is 100% valuation less military exemptions). Osceola County's outstanding debt is significantly below its constitutional debt limit of approximately \$20.8 million. Additional information about the County's long-term debt, including information on the urban renewal revenue capital loan notes and general obligation loans provisions, is presented in Note to the Financial Statements (7).

Economic Factors and Next Year's Budgets and Rates

Osceola County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and the fees for various County activities. Factors include the economy, state funding levels and property valuations for fiscal year 2010. Unemployment in Osceola County is 5.7%. This compares with the state unemployment rate of 5.5% and a national rate of 7.2%. Inflation in the State of Iowa continues to be, as it has in the past, somewhat lower than the national Consumer Price Index increase.

These indicators were taken into account when adopting the County's budget for fiscal year 2010. The fiscal year 2009 actual figures, the final adopted budget for fiscal year 2009, and the original adopted budget for fiscal year 2010 for receipts and disbursements are as follows:

	Fiscal Year 2009 Actual	Fiscal Year 2009 Final Amended Budget	Fiscal Year 2010 Original Adopted Budget
Receipts:			
Property and Other County Tax	\$ 2,781,927	\$ 2,771,361	\$ 2,984,743
Interest and Penalty on Property Tax	18,317	0	0
Intergovernmental	3,002,986	2,988,357	2,812,626
Licenses and Permits	13,285	10,100	13,050
Charges for Service	281,811	204,280	263,275
Use of Money and Property	129,933	170,252	123,258
Miscellaneous	113,867	37,570	33,414
Total Receipts	\$ 6,342,126	\$ 6,181,920	\$ 6,230,366
Disbursements			
Public Safety and Legal Services	\$ 998,924	\$ 1,043,707	\$ 1,053,773
Physical Health and Social Services	213,039	281,821	212,938
Mental Health	752,300	780,078	670,200
County Environment and Education	381,048	441,012	415,626
Roads and Transportation	2,604,032	2,620,000	2,355,000
Governmental Services to Residents	228,828	245,174	247,876
Administration	745,083	787,586	716,134
Debt Service	356,750	303,800	287,226
Capital Projects	366,658	430,904	400,000
Total Disbursements	\$ 6,646,662	\$ 6,934,082	\$ 6,358,773

The property taxation by type and tax rates per \$1,000 taxable valuation for fiscal year 2010 and 2009 are as follows:

Property Taxation by Type

	Fiscal Year 2010	Fiscal Year 2009
Countywide Levies	\$ 1,737,622	\$ 1,640,712
Rural Only Levies	\$ 919,052	\$ 857,654
TIF Tax Revenues	\$ 392,514	\$ 320,185
Utility Replacement Excise Tax	\$ 97,102	\$ 107,258

Tax Rates per \$1,000 Taxable Valuation

	Fiscal Year 2010	Fiscal Year 2009
Urban Areas	5.60869	5.58877
Rural Areas	9.47620	9.41597

Contacting the County's Financial Management

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

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

Osceola County
Basic Financial Statements

Osceola County

Statement of Net Assets

June 30, 2009

	Primary Government Governmental Activities	Component Unit Public Safety Commission
Assets		
Cash and Pooled Investments	\$ 2,277,176	\$ 276,590
Receivables:		
Property Tax:		
Delinquent	8,171	0
Succeeding Year	2,577,627	0
Tax Increment Financing:		
Succeeding Year	389,348	0
Interest and Penalty on Property Tax	16,288	0
Accounts	1,159	583
Accrued Interest	15,667	0
Due from Primary Government	0	7,993
Due from County's Agency Funds	209,058	605
Due from Other Governments	216,667	0
Inventories	403,656	0
Prepaid Insurance	33,728	11,051
Capital Assets (Net of Accumulated Depreciation)	10,088,134	198,684
Total Assets	16,236,679	495,506
Liabilities		
Accounts Payable	163,828	5,416
Salaries and Benefits Payable	41,276	867
Due to Component Unit	7,993	0
Due to Other Governments	46,732	0
Accrued Interest Payable	7,580	0
Deferred Revenue:		
Succeeding Year Property Tax	2,577,627	0
Succeeding Year Tax Increment Financing	389,348	0
Long-Term Liabilities:		
Portion Due or Payable Within One Year:		
Compensated Absences	82,666	52,599
Urban Renewal Revenue Capital Loan Notes	195,000	0
OCEDC General Obligation Loan	4,000	0
Osceola Electric Coop. General Obligation Loan	36,900	0

Osceola County

Statement of Net Assets

June 30, 2009

	Primary Government Governmental Activities	Component Unit Public Safety Commission
Liabilities (Continued)		
Portion Due or Payable After One Year:		
Urban Renewal Revenue Capital Loan Notes	1,975,000	0
OCEDC General Obligation Loan	116,421	0
Osceola Electric Coop. General Obligation Loan	295,200	0
Total Liabilities	5,621,005	6,283
Net Assets		
Invested in Capital Assets, Net of Related Debt	9,635,613	198,684
Restricted for:		
Supplemental Levy Purposes	215,359	0
Resource Enhancement and Protection Purposes	102,831	0
Jail Improvements/Courthouse Security	91,181	0
Mental Health Purposes	(14,962)	0
Rural Services Purposes	198,498	0
Secondary Roads Purposes	1,145,952	0
Urban Renewal District 1 Plan Area Purposes	(1,935,977)	0
Other Purposes	190,517	0
Unrestricted	668,096	237,940
Total Net Assets	\$ 10,297,108	\$ 436,624

See notes to financial statements.

Osceola County

Statement of Activities

Year Ended June 30, 2009

	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental Activities:				
Public Safety and Legal Services	\$ 1,008,692	222,120	50,161	77,088
Physical Health and Social Services	261,230	300	121,324	0
Mental Health	687,625	2,915	554,913	0
County Environment and Education	365,662	23,869	16,609	0
Roads and Transportation	2,617,968	84,291	2,117,719	420,095
Governmental Services to Residents	303,130	133,973	56	51,200
Administration	720,400	8,821	165	0
Interest on Long-Term Debt	105,609	0	0	0
Capital Projects	274,101	0	0	0
Total Primary Government	\$ 6,344,417	476,289	2,860,947	548,383
Component Unit:				
Public Safety Commission	\$ 931,187	944,137	11,587	0
General Revenues:				
Property and Other County Tax Levied for:				
General Purposes				
Unified Law				
Tax Increment Financing				
Penalty and Interest on Property Tax				
State Tax Credits				
Grants and Contributions Not Restricted to Specific Purpose				
Unrestricted Investment Earnings				
Rents				
Drainage Assessments				
Miscellaneous				
Total General Revenues				
Change in Net Assets				
Net Assets Beginning of Year				
Net Assets End of Year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets	
Primary Government Governmental Activities	Component Unit Public Safety Commission
(659,323)	0
(139,606)	0
(129,797)	0
(325,184)	0
4,137	0
(117,901)	0
(711,414)	0
(105,609)	0
(274,101)	0
<u>(2,458,798)</u>	<u>0</u>
 0	 24,537
 2,155,125	 0
277,004	0
349,325	0
21,984	0
162,416	0
15,327	0
72,418	0
38,306	0
5,010	0
29,239	0
<u>3,126,154</u>	<u>0</u>
 667,356	 24,537
<u>9,629,752</u>	<u>412,087</u>
<u>\$ 10,297,108</u>	<u>\$ 436,624</u>

Exhibit C

Osceola County

Balance Sheet
Governmental Funds

June 30, 2009

	Special Revenue							Total
	General	Mental Health	Rural Services	Secondary Roads	Urban Renewal District 1 Plan Area Revenue	Nonmajor Special Revenue		
Assets								
Cash and Pooled Investments	\$ 866,740	53,866	196,444	693,673	475	465,978	2,277,176	
Receivables:								
Property Tax:								
Delinquent	4,570	549	2,054	0	0	998	8,171	
Succeeding Year	1,501,544	180,478	602,815	0	0	292,790	2,577,627	
Tax Increment Financing:								
Succeeding Year	0	0	0	0	389,348	0	389,348	
Interest and Penalty on Property Tax Accounts	16,288	0	0	0	0	0	16,288	
Accrued Interest	1,117	0	0	42	0	0	1,159	
Due from Other Governmental Fund	15,180	0	0	0	157	330	15,667	
Due from Agency Funds	0	0	0	0	0	9,900	9,900	
Due from Other Governments	209,058	0	0	0	0	0	209,058	
Inventories	63,985	6,031	0	146,030	0	621	216,667	
Prepaid Insurance	0	0	0	403,656	0	0	403,656	
	19,796	0	0	13,932	0	0	33,728	
Total Assets	\$ 2,698,278	240,924	801,313	1,257,333	389,980	770,617	6,158,445	

Liabilities and Fund Balances

Liabilities:										
Accounts Payable	\$ 64,171	32,253	0	29,058	0	38,346	163,828			
Salaries and Benefits Payable	7,142	0	0	34,134	0	0	41,276			
Due to Other Governmental Fund	9,900	0	0	0	0	0	9,900			
Due to Component Unit	0	0	0	0	0	7,006	7,006			
Due to Other Governments	3,069	43,155	0	508	0	0	46,732			
Deferred Revenue:										
Succeeding Year Property Tax	1,501,544	180,478	602,815	0	0	292,790	2,577,627			
Succeeding Year Tax Increment Financing	0	0	0	0	0	389,348	389,348			
Other	237,101	3,928	2,031	0	0	987	244,047			
Total Liabilities	1,822,927	259,814	604,846	63,700	389,348	339,129	3,479,764			
Fund Balances:										
Reserved for:										
Supplemental Levy Purposes	214,938	0	0	0	0	0	214,938			
Resource Enhancement and Protection	102,831	0	0	0	0	0	102,831			
Jail Improvements/Courthouse Security	50,155	0	0	0	0	0	50,155			
Unreserved:										
Undesignated, Reported In:										
General Fund	507,427	0	0	0	0	0	507,427			
Special Revenue Funds	0	(18,890)	196,467	1,193,633	632	431,488	1,803,330			
Total Fund Balances	875,351	(18,890)	196,467	1,193,633	632	431,488	2,678,681			
Total Liabilities and Fund Balances	\$ 2,698,278	240,924	801,313	1,257,333	389,980	770,617	6,158,445			

See notes to financial statements.

Osceola County

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Assets

June 30, 2009

Total Governmental Fund Balances (pages 21-22) \$ 2,678,681

*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 governmental funds. The cost of assets is \$13,203,532 and the accumulated depreciation is \$3,115,398. 10,088,134

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 244,047

Long-term liabilities, which include the due to component unit (the deferred revenue portion of the unified law levy), accrued interest payable, compensated absences payable, urban renewal revenue capital loan notes and general obligation loans, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (2,713,754)

Net Assets of Governmental Activities (pages 17-18) \$ 10,297,108

See notes to financial statements.

Osceola County

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2009

	Special Revenue										Total
	General	Mental Health	Rural Services	Secondary Roads	Urban Renewal District 1		District 1 Principal and Interest Sinking	Nonmajor Special Revenue			
					Plan Area Revenue						
Revenues:											
Property and Other County Tax	\$ 1,413,100	180,985	561,542	0	0	0	0	277,033	0	2,432,660	
Tax Increment Financing	0	0	0	0	349,325	0	0	0	0	349,325	
Interest and Penalty on Property Tax	18,319	0	0	0	0	0	0	0	0	18,319	
Intergovernmental	358,231	563,881	36,964	2,117,719	0	0	0	22,391	0	3,099,186	
Licenses and Permits	2,170	0	150	14,260	0	0	0	0	0	16,580	
Charges for Service	277,702	2,878	0	64	0	0	0	2,113	0	282,757	
Use of Money and Property	96,467	0	0	4,342	2,199	0	0	14,318	0	117,326	
Miscellaneous	21,310	37	0	69,920	0	0	0	26,584	0	117,851	
Total Revenues	2,187,299	747,781	598,656	2,206,305	351,524	0	0	342,439	0	6,434,004	
Expenditures:											
Operating:											
Public Safety and Legal Services	697,218	0	0	0	0	0	0	296,259	0	993,477	
Physical Health and Social Services	261,231	0	0	0	0	0	0	0	0	261,231	
Mental Health	0	685,581	0	0	0	0	0	0	0	685,581	
County Environment and Education	295,081	0	45,700	0	0	0	0	0	0	340,781	
Roads and Transportation	0	0	0	2,436,760	0	0	0	0	0	2,436,760	
Governmental Services to Residents	280,276	0	0	0	0	0	0	0	0	280,276	
Administration	722,417	0	0	0	0	0	0	0	0	722,417	
Debt Service	61,238	0	0	0	0	0	295,512	0	0	356,750	
Capital Projects	8,399	0	0	361,878	0	0	0	111,202	0	481,479	
Total Expenditures	2,325,860	685,581	45,700	2,798,638	0	0	295,512	407,461	0	6,558,752	

Excess (Deficiency) of Revenues Over (Under) Expenditures	(138,561)	62,200	552,956	(592,333)	351,524	(295,512)	(65,022)	(124,748)
Other Financing Sources (Uses):								
Sale of Capital Assets	15,985	0	0	26,701	0	0	0	42,686
Operating Transfers In	0	0	0	567,004	0	295,512	55,555	918,071
Operating Transfers Out	0	0	(567,004)	0	(351,067)	0	0	(918,071)
Total Other Financing Sources (Uses)	15,985	0	(567,004)	593,705	(351,067)	295,512	55,555	42,686
Net Change in Fund Balances	(122,576)	62,200	(14,048)	1,372	457	0	(9,467)	(82,062)
Fund Balances Beginning of Year	997,927	(81,090)	210,515	1,192,261	175	0	440,955	2,760,743
Fund Balances End of Year	\$ 875,351	(18,890)	196,467	1,193,633	632	0	431,488	2,678,681

See notes to financial statements.

Osceola County
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances –
 Governmental Funds to the Statement
 of Activities
 Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds (pages 24-25) \$ (82,062)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 419,111	
Capital assets contributed by the Iowa Department of Transportation	420,095	
Capital assets contributed by E911	77,088	
Depreciation expense	(371,603)	544,691

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition of capital assets as an increase in financial resources. (85,710)

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 tax	(530)	
Other	53,391	52,861

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

Repaid		250,461
--------	--	---------

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

Compensated absences	(13,595)	
Interest on long-term debt	681	
Unified law levy (Paid to the Public Safety Commission)	29	(12,885)

Change in Net Assets of Governmental Activities (page 19-20) \$ 667,356

See notes to financial statements.

Osceola County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2009

Assets

Cash and Pooled Investments:

County Treasurer	\$ 654,053
Other County Officials	79,080

Receivables:

Property Tax:

Delinquent	16,634
Succeeding Year	6,361,289

Tax Increment Financing:

Succeeding Year	4,104
-----------------	-------

Accounts	137,063
----------	---------

Special Assessments	821
---------------------	-----

Accrued Interest	30
------------------	----

Due from Other Governments	13,562
----------------------------	--------

Prepaid Insurance	1,554
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Total Assets	<u>7,268,190</u>
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Liabilities

Salaries and Benefits Payable	74
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Due to Primary Government	209,058
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Due to Component Unit	605
-----------------------	-----

Due to Other Governments	7,012,444
--------------------------	-----------

Trusts Payable	35,223
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Compensated Absences	10,786
----------------------	--------

Total Liabilities	<u>7,268,190</u>
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Net Assets	<u>\$ 0</u>
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See notes to financial statements.

Osceola County

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

Osceola County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. Appointed/hired officials that assist the Board of Supervisors include the Conservation Director and Engineer. Osceola County contracts with Lyon County for the Central Point Coordinator position. The County provides numerous services to citizens, including law enforcement (in conjunction with the Public Safety Commission), health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

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

A. Reporting Entity

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

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

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

Fifty-one drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate

from the County, they are controlled, managed and supervised by the Osceola County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Osceola County Auditor's office.

Discretely Presented Component Unit – The Public Safety Commission is presented in a separate column to emphasize that it is legally separate from the County, but is financially accountable to the County, or whose relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. The Public Safety Commission helps to provide law enforcement for Osceola County. Osceola County approves the Public Safety Commission's tax rates and levies a tax on behalf of the Commission. Osceola County collected and expended \$295,269 (\$295,551 on the cash basis) to the Public Safety Commission for the unified law levy for the fiscal year. Osceola County's expenditure for its contribution for contract law enforcement to the Public Safety Commission was \$238,469 for the fiscal year. In addition, the County provided the Public Safety Commission with bookkeeping and payroll services (which, in exchange for providing these services, the County gets to keep all investment income earned on Public Safety Commission funds). The financial statements for the Public Safety Commission are presented in this audit report as a discretely presented component unit and more detailed financial information is reported as other supplementary information in the schedules.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Osceola County Assessor's Conference Board, Osceola County Emergency Management Commission, Osceola County Joint E911 Service Board, the Northwest Iowa Area Solid Waste Agency, the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County, except for the Northwest Iowa Area Solid Waste Agency, the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority, which are not included at all in the County's financial statements. During the year ended June 30, 2009, the County did not contribute any money to the County Assessor, E911, the Northwest Iowa Area Solid Waste Agency, the Hazardous Material Response Commission, the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority; while the County expended \$30,000 in support for the Emergency Management Services. In addition, the County provided the County Assessor, Emergency Management and E911 with bookkeeping and payroll services (which, in exchange for providing these services, the County gets to keep all investment income earned on County Assessor and Emergency Management funds).

Joint Venture – The County is a participant with the cities in Osceola County in a joint venture to manage the Osceola County Economic Development Commission, a

Chapter 28E Organization. The Commission is governed by a six-member board composed of one representative from each governmental entity. The purpose of the Commission is to develop new economic opportunities in Osceola County. The County has an ongoing financial responsibility to provide funding to the Commission for the Commission's continued existence. During the year ended June 30, 2009, the amount of money expended by the County for the Commission amounted to \$48,700 in support. Please see Note to the Financial Statements (7) for information on a loan that the Osceola County Economic Development Commission has with the County. Financial information on the Commission is not included with the County's financial statements. Financial statements for the Commission may be obtained from the Commission's office in the Osceola County Courthouse in Sibley, Iowa.

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Urban Renewal District 1 Plan Area Revenue Fund is used to account for the collection of tax increment financing. The tax increment financing proceeds are being collected for the County's urban renewal revenue capital loan notes debt service requirements.

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The separate financial statements for the discretely present component unit – Public Safety Commission in the schedules are also reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County and Public Safety Commission consider revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), charges for services, interest and certain miscellaneous revenues associated with the current fiscal year are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County and the Public Safety Commission.

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

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

The County, as well as the Public Safety Commission, maintains its financial records on the cash basis. The financial statements of the County, including the Public Safety Commission, are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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

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

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

Property tax and tax increment financing revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; are based on January 1, 2007 assessed property valuations; are for the tax accrual period July 1, 2008 through June 30, 2009 and reflect 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.

Accounts Receivable – Accounts receivable represents money owed to the County and Public Safety Commission, mainly for services provided by the County and the Public Safety Commission, which was not paid as of June 30, 2009. The accounts receivable in the County Offices Funds (Agency Funds) total includes \$68,227 in jail fees receivables and \$58,234 in ambulance charges receivables. These jail fees and ambulance charges receivables are owed by the County Offices Fund to the County's General Fund. It is possible that a large portion of these jail fees and ambulance charges receivables may not be collected within one year.

Due from Primary Government, Due from County's Agency Funds, Due from Other Governmental Funds, Due to Component Unit, Due to Other Governmental Funds and Due to Primary Government – During the course of its normal operations, the County has numerous transactions between the County's governmental funds, agency funds and the Public Safety Commission. To the extent that certain transactions between the County's governmental funds, agency funds and the Public Safety Commission had not been paid or received as of June 30, 2009, balances of interfund amounts receivable or payable have been recorded in the financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Secondary Roads Fund consist mainly of expendable supplies held for consumption and some supplies available for resale. Inventories of the Secondary Roads Fund are recorded as expenses/expenditures when consumed or sold rather than when purchased.

Prepaid Insurance – Prepaid insurance represents insurance coverages which will benefit a future fiscal year. Prepayments are recorded as expenses/expenditures when utilized rather than when paid for.

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

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

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

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

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

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

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

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivables that will not be recognized as revenue until the year for which they are levied.

Compensated Absences – County and Public Safety Commission employees accumulate a limited amount of earned but unused vacation hours and compensatory time for subsequent use or for payment upon termination, death, or retirement. Sick pay is also accumulated on a limited basis by employees for subsequent use, but is not paid upon termination, death, or retirement. A liability for the cost of vacation and compensatory time termination accumulations is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for the cost of vacation and compensatory time termination accumulations is reported in governmental fund financial statements and the separate financial statements for the discretely presented component unit – Public Safety Commission in the schedules only for employees that have resigned, retired or employment has terminated for another reason. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities of the County will be paid primarily by the General and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and any other long-term obligations are reported as liabilities in the applicable governmental activities and discretely presented component unit – Public Safety Commission Statement of Net Assets.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose (including inmate room and board collections reserved for jail improvements/courthouse security in accordance with Chapter 356.7 (5) of the Code of Iowa and REAP

funds required to be maintained in accordance with Chapter 455 A.19 (1)(b)(6) of the Code of Iowa). Designations of fund balance, which there are none for the County, represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the debt service function but did not exceed the amounts appropriated in any department.

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

The County had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$550,800 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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

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

The details of the receivables and payables between the County's governmental funds (primary government) and the discretely presented component unit – Public Safety Commission as of June 30, 2009 are as follows:

Component Unit	Payable Fund	Amount
<u>Statement of Net Assets (Accrual Basis):</u>		
Public Safety Commission	Special Revenue:	
	Unified Law Levy	\$ 7,993
<u>Balance Sheet (Modified Accrual Basis):</u>		
Public Safety Commission	Special Revenue:	
	Unified Law Levy	\$ 7,006

These balances result from the time lag between the unified law levy proceeds are received, the transactions are recorded in the accounting system and the resulting payments are made to the Public Safety Commission.

The detail of receivables and payables between the County's different governmental funds, between agency funds and the County's governmental funds and between agency funds and the Public Safety Commission for transactions at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
General	Agency:	
	County Offices (Recorder, Sheriff, Ambulance)	\$ 203,564
	Auto License and Use Tax	5,431
	Other (Flex Spending)	63
	Total	\$ 209,058
Special Revenue:		
Conservation Land Acquisition Trust	General (REAP)	\$ 9,900
Public Safety Commission	Agency:	
	County Offices (Sheriff)	\$ 605

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

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 567,004
Urban Renewal District 1 Principal and Interest Sinking	Urban Renewal District 1 Plan Area Revenue	295,512
Urban Renewal District 1 Revenue Reserve	Urban Renewal District 1 Plan Area Revenue	<u>55,555</u>
Total		<u>\$ 918,071</u>

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

(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
County Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,507,156	0	0	1,507,156
Construction in Progress	396,440	420,095 (396,440)	420,095
Total Capital Assets Not Being Depreciated	<u>1,903,596</u>	<u>420,095 (</u>	<u>396,440)</u>	<u>1,927,251</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	954,378	0	0	954,378
Machinery, Equipment and Vehicles	4,838,814	288,821 (187,907)	4,939,728
Infrastructure	4,778,357	603,818	0	5,382,175
Total Capital Assets Being Depreciated	<u>10,571,549</u>	<u>892,639 (</u>	<u>187,907)</u>	<u>11,276,281</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	397,644	22,261	0	419,905
Machinery, Equipment and Vehicles	2,258,055	199,763 (102,197)	2,355,621
Infrastructure	190,293	149,579	0	339,872
Total Accumulated Depreciation	<u>2,845,992</u>	<u>371,603 (</u>	<u>102,197)</u>	<u>3,115,398</u>
Total Capital Assets Being Depreciated, Net	<u>7,725,557</u>	<u>521,036 (</u>	<u>85,710)</u>	<u>8,160,883</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,629,153</u>	<u>941,131 (</u>	<u>482,150)</u>	<u>10,088,134</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Public Safety and Legal Services	\$	12,582
Mental Health		2,044
County Environment and Education		19,201
Roads and Transportation		318,626
Governmental Services to Residents		11,692
Administration		7,458
		<u>7,458</u>
 Total Depreciation Expense – Governmental Activities	 \$	 <u>371,603</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Discretely Presented Component Unit –				
Public Safety Commission:				
Capital Assets Depreciated:				
Machinery, Equipment and Vehicles	\$ 404,552	24,767	0	429,319
Less Accumulated Depreciation For:				
Machinery, Equipment and Vehicles	196,075	34,560	0	230,635
				<u>230,635</u>
Public Safety Commission				
Capital Assets, Net	\$ 208,477	(9,793)	0	198,684
				<u>198,684</u>

(6) **Due to Other Governments**

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

Fund	Description	Amount
General	Services/Utilities	\$ 3,069
Special Revenue:		
Mental Health	Services	43,155
Secondary Roads	Utilities	508
		<u>43,663</u>
Total for Governmental Funds		<u>\$ 46,732</u>

Agency:		
County Offices (Recorder)	Collections	\$ 171
Agricultural Extension Education		92,341
County Assessor		112,921
County Assessor – Special Appraisers		260,758
Schools		4,620,762
Community Colleges		206,477
Corporations		1,269,928
Townships		132,951
Auto License and Use Tax		126,337
E911 Surcharge		157,358
Emergency Management		29,807
All Other		<u>2,633</u>
Total for Agency Funds		<u>\$ 7,012,444</u>

(7) Changes in Long-Term Liabilities

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

County	Compensated Absences	Urban Renewal Revenue Capital Loan Notes	OCEDC General Obligation Loan	Osceola Electric Coop. General Obligation Loan	Total
Balance Beginning of Year	\$ 69,071	2,365,000	138,982	369,000	2,942,053
Increases	80,306	0	0	0	80,306
Decreases	(66,711)	(195,000)	(18,561)	(36,900)	(317,172)
Balance End of Year	\$ 82,666	2,170,000	120,421	332,100	2,705,187
Due Within One Year	\$ 82,666	195,000	4,000	36,900	318,566
<u>Component Unit-Public Safety Commission</u>	<u>Compensated Absences</u>				
Balance Beginning of Year	\$ 41,250				
Additions	27,366				
Reductions	(16,017)				
Balance End of Year	\$ 52,599				
Due Within One Year	\$ 52,599				

Urban Renewal Revenue Capital Loan Notes

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	4.25-3.40%	\$ 195,000	75,625	270,625
2011	3.40%	195,000	67,150	262,150
2012	3.40%	195,000	60,520	255,520
2013	3.40%	195,000	53,890	248,890
2014	3.40%	195,000	47,260	242,260
2015 – 2019	*3.40%	995,000	135,830	1,130,830
2020	*3.40%	200,000	6,800	206,800
Total		\$ 2,170,000	447,075	2,617,075

During the year ended June 30, 2009, the County retired \$195,000 in urban renewal revenue capital loan notes and paid interest of \$100,512 on these notes. The \$295,512 in debt service requirement for these notes was recorded as an expenditure in the debt service function. These urban renewal revenue capital loan notes are being redeemed through the Urban Renewal District 1 Principal and Interest Sinking Fund.

The interest rate on the urban renewal revenue capital loan notes was adjusted on July 7, 2009 from 4.25% to 3.40%.

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

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

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

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

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

- (a) Principal and Interest Sinking Fund. The amount to be deposited in the Sinking Fund in any year shall be an amount equal to the interest and principal coming due on the notes during the fiscal year. Money in the Sinking Fund shall be used solely for the purpose of paying principal and interest on the notes as the notes become due and payable.
- (b) Reserve Fund. Money in the Revenue Fund shall next be disbursed to maintain a debt service reserve in an amount equal to the "Reserve Fund Requirement".

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

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

Osceola County Economic Development Commission (OCEDC) General Obligation Loan

On February 28, 2008, the County entered into a loan agreement with the Osceola County Economic Develop Commission (OCEDC) for \$140,000. This loan was used to purchase real estate known as the "Highpoint of Iowa" or "Hawkeye Point". This note payable carries a 4.5% interest rate. Payments are scheduled to be made on this note payable quarterly based on a 25 year payback schedule with a balloon payment due after 10 years. A summary of the County's June 30, 2009, OCEDC note payable indebtedness is a follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	4.50%	\$ 4,000	5,338	9,338
2011	4.50%	4,184	5,154	9,338
2012	4.50%	4,362	4,976	9,338
2013	4.50%	4,576	4,762	9,338
2014	4.50%	4,787	4,551	9,338
2015 – 2018	4.50%	98,512	14,738	113,250
Total		\$ 120,421	39,519	159,940

During the year ended June 30, 2009, the County paid off principal of \$18,561 and interest of \$5,777 on this note. The OCEDC loan proceeds were recorded in the General Fund and are being repaid through the General Fund in the debt service function.

If default is made in the payment of this note, or if the OCEDC believes itself insecure, the entire principal and accrued interest may be declared due and payable by the OCEDC. The interest rate during the default period is 10%. This note is secured by a real estate mortgage on the "Hawkeye Point" property. The "Hawkeye Point" property is recorded as a capital asset on the County's financial statements with a June 30, 2009 book value (capitalized cost less accumulated depreciation) of \$121,453.

Osceola Electric Cooperative, Inc. General Obligation Loan

On September 14, 2007, the County entered into a loan agreement with the Osceola Electric Cooperative, Inc. for \$369,000 at a 0% interest rate through the Cooperative's revolving loan fund (Rural Economic Development Loan and Grant Program). The loan is payable in ten annual payments of \$36,900. The \$369,000 in loan proceeds was actually received in December 2007. The proceeds of the loan were used to purchase 41 acres of land near Highways 9 and 60 for economic development and to repay the County's OCEDC short-term loan. Additionally, in September 2007, as a matching requirement for this 0% interest loan, the County made a \$69,000 contribution to the Osceola Electric Cooperative, Inc. out of the General Basic Fund. A summary of the County's June 30, 2009, Osceola Electric Cooperative, Inc. note payable indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal
2010	0%	\$ 36,900
2011	0%	36,900
2012	0%	36,900
2013	0%	36,900
2014	0%	36,900
2015 – 2018	0%	147,600
Total		\$ 332,100

During the year ended June 30, 2009, the County paid off principal of \$36,900 on this note (there is no interest). The Osceola Electric Cooperative, Inc. loan proceeds were recorded in the General Fund and are being repaid through the General Fund in the debt service function.

If any payment is made more than ten days after the due date, a late charge will be computed. If default is made in the payment of this note, the entire principal and a calculated accrued interest amount may be declared due and payable by the Cooperative.

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County and Public Safety Commission are 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 \$106,299, \$95,194 and \$87,018, respectively, equal to the required contributions for each year. The Public Safety Commission's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$42,888, \$42,021 and \$38,200, respectively, equal to the required contributions for each year.

(9) Risk Management

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

(10) Intergovernmental Agreement

The County has entered into an agreement with the Northwest Iowa Area Solid Waste Agency, a political subdivision created in accordance with Chapter 28E of the Code of Iowa, for disposal of solid waste produced or generated from within the County. The County did not have to make any payments under this agreement for the fiscal year ended June 30, 2009.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County by resolution has approved to

act as a "Local Government Guarantee" in order to provide a financial assurance mechanism instrument for the Agency. The closure and postclosure costs to the Agency have been estimated at \$1,992,775 as of June 30, 2009 and the portion of the liability that has been recognized by the Agency as of June 30, 2009 is \$1,073,033. The estimated remaining life of the landfill is 30 years and the capacity used at June 30, 2009 is approximately 54 percent. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2009, assets of \$1,418,821 are restricted for these purposes and the Agency has fully demonstrated financial assurance for closure and postclosure care costs as required by Chapter 111 of the Iowa Administrative Code. No estimate has been made as to any possible future assessments to the County.

(11) Deficit Fund Balance

The Mental Health Fund had a deficit fund balance of \$18,890 at June 30, 2009. Demand for Mental Health related services has exceeded the available revenue. The County is continuing evaluation of what options are available to address the financial stress of the Mental Health Fund.

(12) Commitments

The County has an agreement with the City of Sioux City, Iowa for the provision of hazardous materials response services. This agreement is in effect until June 30, 2017, unless terminated for cause earlier. The County is committed to pay or reimburse the City of Sioux City for all costs incurred by the City to staff and equip a HAZMAT team to respond to hazardous condition emergencies in the County. The County is also responsible for an annual base charge. The annual base charges for fiscal years ending June 30, 2010-2011 are \$5,690 per year for a total of \$11,380. In fiscal years ending June 30, 2012 and June 30, 2013, the annual base charge will be revised to adjust for program costs and the estimated U.S. Census Bureau data from 2010. In fiscal year ending June 30, 2014 to June 30, 2016, the annual base charge will be revised to adjust to the actual U.S. Census Bureau population figures from 2010. In fiscal year ending June 30, 2017, the annual base charge will be adjusted to reflect the estimated U.S. Census Bureau population data for 2015. Assuming no revisions to the agreement for program costs or population base, the annual base charges for fiscal years ending June 30, 2012-17 would be \$5,690 per year for a total of \$34,140. The payments for these charges are scheduled to be paid through the General Fund or the Osceola County Emergency Management Services. The General Fund paid \$5,690 per the agreement during the fiscal year ended June 30, 2009.

In July 2008, the County approved contributing \$1,500/year from the General Fund to Northwest Iowa Community College in fiscal years 2009/2010 and 2010/2011.

In March 2009, the County entered into a construction agreement with the City of Ashton for the Main Street bridge in the City of Ashton. The total cost of the project is \$182,366 (\$145,893 of the cost will be paid by Federal funding through the State of Iowa and \$36,473 of the cost will be paid by the City of Ashton). The entire contract will initially be paid by the County. The County will then be reimbursed by the State of Iowa and the City of Ashton for each entity's respective share of the costs. The City of Ashton will reimburse the County at approximately \$6,000 per year. This agreement is being done through the Secondary Roads Fund.

In April 2009, the County entered into agreement with the Iowa Department of Transportation for improvements to the railroad crossing by the Poet ethanol plant. The cost of the project is to be \$146,210. The State will pay for 90% and the County will pay for 10% of the total costs. The railroad company will be responsible for any further upkeep/maintenance. This agreement is being done through the Urban Renewal District 1 Plan Area Project Fund.

(13) Contingency

The County, the Sheriff and the Sheriff's department were named as defendants in a class action lawsuit. The plaintiffs were claiming infringement of constitutional rights to keep and bear arms, due process and equal protection. In June 2010, a ruling on this lawsuit was received in favor of the plaintiffs. The ruling resulted in an award of attorney fees reimbursement to the plaintiffs. The County does carry commercial insurance that should cover the entire cost of the unfavorable ruling; therefore, there is no amount to accrue or disclose as a liability.

(14) Subsequent Events

Events that have occurred subsequent to June 30, 2009 include the following:

- a. In fiscal year 2009/2010, the County paid \$182,366 out of the Secondary Roads Fund for the Main Street bridge project in the City of Ashton. The County received \$145,893 from the State of Iowa and will be paid back approximately \$6,000 per year by the City of Ashton.
- b. In September 2009, the County paid \$14,621 out of the Urban Renewal District 1 Plan Area Project Fund for improvements to the railroad crossing by the Poet ethanol plant.
- c. In September 2009, a new truck was purchased for \$27,172 for Conservation out of the General Fund.
- d. In November 2009, the Public Safety Commission purchased a new truck for \$23,648.
- e. In December 2009, the County approved an assessment to be issued for costs on Drainage District #1. The cost of repairs totaled \$92,102. This cost is to be shared with Dickinson County with Osceola County's share equal to \$53,362.
- f. In January 2010, the County purchased a truck/chasis for \$92,510 out of the Secondary Roads Fund.
- g. In March and May 2010, the County purchased a dump body and trailer totaling \$81,313 out of the Secondary Roads Fund.

(15) Estimates

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

Osceola County

Required Supplementary Information

Osceola County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances—
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year Ended June 30, 2009

	All County Governmental Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final Budget to Net Variance
				Original	Final	
Receipts:						
Property and Other County Tax	\$ 2,781,927	0	2,781,927	2,771,361	2,771,361	10,566
Interest and Penalty on Property Tax	18,317	0	18,317	0	0	18,317
Intergovernmental	3,002,986	0	3,002,986	2,718,090	2,988,357	14,629
Licenses and Permits	13,285	0	13,285	10,100	10,100	3,185
Charges for Service	281,811	0	281,811	204,280	204,280	77,531
Use of Money and Property	131,049	1,116	129,933	170,252	170,252	(40,319)
Miscellaneous	118,877	5,010	113,867	31,063	37,570	76,297
Total Receipts	6,348,252	6,126	6,342,126	5,905,146	6,181,920	160,206
Disbursements						
Public Safety and Legal Services	998,924	0	998,924	1,029,412	1,043,707	44,783
Physical Health and Social Services	213,039	0	213,039	163,350	281,821	68,782
Mental Health	752,300	0	752,300	630,750	780,078	27,778
County Environment and Education	381,048	0	381,048	421,953	441,012	59,964
Roads and Transportation	2,604,032	0	2,604,032	2,276,171	2,620,000	15,968
Governmental Services to Residents	228,828	0	228,828	243,924	245,174	16,346
Administration	745,083	0	745,083	755,711	787,586	42,503
Debt Service	356,750	0	356,750	303,800	303,800	(52,950)
Capital Projects	441,389	74,731	366,658	920,000	430,904	64,246
Total Disbursements	6,721,393	74,731	6,646,662	6,745,071	6,934,082	287,420

Deficiency of Receipts Under Disbursements	(373,141)	(68,605)	(304,536)	(839,925)	(752,162)	447,626
Other Financing Sources, Net	42,686	0	42,686	0	15,950	26,736
Deficiency of Receipts and Other Financing Sources Under Disbursements and Other Financing Uses	(330,455)	(68,605)	(261,850)	(839,925)	(736,212)	474,362
Balances Beginning of Year	2,607,631	126,201	2,481,430	2,612,295	2,612,295	(130,865)
Balances End of Year	\$ 2,277,176	57,596	2,219,580	1,772,370	1,876,083	343,497

See accompanying independent auditor's report.

Osceola County

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	\$ 6,348,252	85,752	6,434,004
Expenditures	6,721,393	(162,641)	6,558,752
Net	(373,141)	248,393	(124,748)
Other Financing Sources, Net	42,686	0	42,686
Beginning Fund Balances	2,607,631	153,112	2,760,743
Ending Fund Balances	\$ 2,277,176	401,505	2,678,681

See accompanying independent auditor's report.

Osceola County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund (if any) and the Capital Projects Funds (if any). Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, five budget amendments increased budgeted disbursements by a total of \$189,011. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board, for Emergency Management Services by the County Emergency Management Commission and for the Public Safety Commission by the Public Safety Commission Board. Please see Schedule 9 for information on the Public Safety Commission budget.

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the debt service function.

Osceola County
Other Supplementary Information

Osceola County

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2009

	County Recorder's Records Management	Unified Law Levy	Sheriff's Asset Forfeiture	County Attorney Incentive
Assets				
Cash and Pooled Investments	\$ 21,025	6,995	6,977	15,305
Receivables:				
Property Tax:				
Delinquent	0	998	0	0
Succeeding Year	0	292,790	0	0
Accrued Interest	13	0	0	0
Due from Other Governmental Fund	0	0	0	0
Due from Other Governments	0	0	0	621
Total Assets	\$ 21,038	300,783	6,977	15,926
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ -	0	0	0
Due to Component Unit	0	7,006	0	0
Deferred Revenue:				
Succeeding Year Property Tax	0	292,790	0	0
Other	0	987	0	0
Total Liabilities	0	300,783	0	0
Fund Balances:				
Unreserved	21,038	0	6,977	15,926
Total Liabilities and Fund Balances	\$ 21,038	300,783	6,977	15,926

See accompanying independent auditor's report.

Urban Renewal District 1 Plan Area Project	Urban Renewal District 1 Revenue Reserve	Drainage Districts	Conservation Land Acquisition Trust	Total
147,609	93,114	57,596	117,357	465,978
0	0	0	0	998
0	0	0	0	292,790
248	0	45	24	330
0	0	0	9,900	9,900
0	0	0	0	621
147,857	93,114	57,641	127,281	770,617
0	0	38,346	0	38,346
0	0	0	0	7,006
0	0	0	0	292,790
0	0	0	0	987
0	0	38,346	0	339,129
147,857	93,114	19,295	127,281	431,488
147,857	93,114	57,641	127,281	770,617

Osceola County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds

Year Ended June 30, 2009

	County Recorder's Management	Unified Law Levy	Sheriff's Asset Forfeiture	County Attorney Incentive	Urban Renewal District 1 Plan Area Project	Urban Renewal District 1 Revenue Reserve	Drainage Districts	Conservation Land Acquisition Trust	Total
Property and Other County Tax Intergovernmental	\$ -	277,033	0	0	0	0	0	0	277,033
Charges for Service	0	18,236	0	4,155	0	0	0	0	22,391
Use of Money and Property	2,113	0	0	0	0	0	0	0	2,113
Miscellaneous	57	0	0	0	2,189	0	1,028	11,044	14,318
	0	0	0	0	0	0	5,010	21,574	26,584
Total Revenues	2,170	295,269	0	4,155	2,189	0	6,038	32,618	342,439

Revenues:									
Property and Other County Tax									
Intergovernmental									
Charges for Service									
Use of Money and Property									
Miscellaneous									
Total Revenues									
Expenditures:									
Operating:									
Public Safety and Legal Services	0	295,269	0	990	0	0	0	0	296,259
Capital Projects	0	0	0	0	0	0	111,202	0	111,202
Total Expenditures	0	295,269	0	990	0	0	111,202	0	407,461

Excess (Deficiency) of Revenues Over (Under) Expenditures	2,170	0	0	3,165	2,189	0	(105,164)	32,618	(65,022)
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Other Financing Source: Operating Transfer In	0	0	0	0	0	55,555	0	0	55,555
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Net Change in Fund Balances	2,170	0	0	3,165	2,189	55,555	(105,164)	32,618	(9,467)
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Fund Balances Beginning of Year	18,868	0	6,977	12,761	145,668	37,559	124,459	94,663	440,955
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Fund Balance End of Year	\$ 21,038	-	6,977	15,926	147,857	93,114	19,295	127,281	431,488
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See accompanying independent auditor's report.

Osceola County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers	Schools	Community Colleges
Assets						
Cash and Pooled Investments:						
County Treasurer	\$ 0	1,975	29,518	166,405	95,136	4,574
Other County Officials	78,933	0	0	0	0	0
Receivables:						
Property Tax:						
Delinquent	0	274	265	286	12,702	650
Succeeding Year	0	90,092	87,225	94,067	4,512,924	201,253
Tax Increment Financing:						
Succeeding Year	0	0	0	0	0	0
Accounts	127,074	0	0	0	0	0
Special Assessments	0	0	0	0	0	0
Accrued Interest	0	0	0	0	0	0
Due from Other Governments	0	0	31	0	0	0
Prepaid Insurance	0	0	1,036	0	0	0
Total Assets	\$ 206,007	92,341	118,075	260,758	4,620,762	206,477
Liabilities						
Salaries and Benefits Payable	0	0	74	0	0	0
Due to Primary Government	203,564	0	0	0	0	0
Due to Component Unit	605	0	0	0	0	0
Due to Other Governments	171	92,341	112,921	260,758	4,620,762	206,477
Trusts Payable	1,667	0	0	0	0	0
Compensated Absences	0	0	5,080	0	0	0
Total Liabilities	\$ 206,007	92,341	118,075	260,758	4,620,762	206,477

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	E911 Surcharge	Emergency Management Services	Future Tax Collections	Other	Total
18,500	2,994	131,768	142,094	26,709	32,901	1,479	654,053
0	0	0	0	0	0	147	79,080
1,935	519	0	0	0	0	3	16,634
1,245,389	129,438	0	0	0	0	901	6,361,289
4,104	0	0	0	0	0	0	4,104
0	0	0	9,979	10	0	0	137,063
0	0	0	0	0	0	821	821
0	0	0	30	0	0	0	30
0	0	0	5,255	8,276	0	0	13,562
0	0	0	0	518	0	0	1,554
<u>1,269,928</u>	<u>132,951</u>	<u>131,768</u>	<u>157,358</u>	<u>35,513</u>	<u>32,901</u>	<u>3,351</u>	<u>7,268,190</u>
0	0	0	0	0	0	0	74
0	0	5,431	0	0	0	63	209,058
0	0	0	0	0	0	0	605
1,269,928	132,951	126,337	157,358	29,807	0	2,633	7,012,444
0	0	0	0	0	32,901	655	35,223
0	0	0	0	5,706	0	0	10,786
<u>1,269,928</u>	<u>132,951</u>	<u>131,768</u>	<u>157,358</u>	<u>35,513</u>	<u>32,901</u>	<u>3,351</u>	<u>7,268,190</u>

Osceola County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year Ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers	Schools
Assets and Liabilities					
Balances Beginning of Year	\$ 159,705	88,270	96,703	210,026	4,403,388
Additions:					
Property and Other County Tax	0	89,800	86,978	93,739	4,331,519
State Tax Credits	0	5,781	5,202	6,270	277,642
Intergovernmental Replacements, Grants and Revenues	14,509	65	129	71	3,125
Contribution from Osceola County	0	0	0	0	0
Reimbursement from E911 Surcharge	0	0	0	0	0
E911 Surcharge	0	0	0	0	0
Office Fees and Collections	508,116	0	823	0	0
Electronic Transaction Fee	0	0	0	0	0
Auto & Drivers Licenses, Use Tax and Postage	0	0	0	0	0
Assessments	0	0	0	0	0
Interest	239	0	0	0	0
Trusts	13,438	0	0	0	0
Donations	3,500	0	0	0	0
Miscellaneous	534	0	0	0	0
Total Additions	540,336	95,646	93,132	100,080	4,612,286
Deductions:					
Agency Remittances:					
To Other Funds/Component Unit	257,412	0	0	0	0
To Other Governments	223,802	91,575	71,760	49,348	4,394,912
Trusts Paid Out	12,820	0	0	0	0
Total Deductions	494,034	91,575	71,760	49,348	4,394,912
Balances End of Year	\$ 206,007	92,341	118,075	260,758	4,620,762

See accompanying independent auditor's report.

Schedule 4

Community Colleges	Corporations	Townships	Auto License and Use Tax	E911 Surcharge	Emergency Management Services	Future Tax Collections	Other	Total
204,720	1,158,349	126,236	114,047	177,650	31,866	20,673	7,497	6,799,130
200,506	1,251,302	128,876	0	0	0	0	894	6,183,614
13,370	83,725	8,020	0	0	0	0	67	400,077
150	1,975	57	0	29,999	22,592	0	1	72,673
0	0	0	0	0	30,000	0	0	30,000
0	0	0	0	0	10,000	0	0	10,000
0	0	0	0	58,332	0	0	0	58,332
0	0	0	0	16	0	0	0	508,955
0	0	0	0	0	0	0	2,113	2,113
0	0	0	1,605,024	0	0	0	0	1,605,024
0	0	0	0	0	0	0	5,094	5,094
0	0	0	0	1,469	0	0	0	1,708
0	0	0	0	0	0	33,481	50,812	97,731
0	0	0	0	0	0	0	0	3,500
0	0	0	0	0	10	0	0	544
214,026	1,337,002	136,953	1,605,024	89,816	62,602	33,481	58,981	8,979,365
0	0	0	64,297	10,000	0	0	5,290	336,999
212,269	1,225,423	130,238	1,523,006	100,108	58,955	0	7,611	8,089,007
0	0	0	0	0	0	21,253	50,226	84,299
212,269	1,225,423	130,238	1,587,303	110,108	58,955	21,253	63,127	8,510,305
206,477	1,269,928	132,951	131,768	157,358	35,513	32,901	3,351	7,268,190

Osceola County

Balance Sheet
 Component Unit – Public Safety Commission

June 30, 2009

Assets	
Cash and Pooled Investments	\$ 276,590
Accounts Receivable	583
Due from Primary Government	7,006
Due from County's Agency Funds	605
Prepaid Insurance	<u>11,051</u>
Total Assets	<u><u>\$ 295,835</u></u>
Liabilities and Fund Balance	
Liabilities:	
Accounts Payable	\$ 5,416
Salaries and Benefits Payable	867
Deferred Revenue:	
Other	<u>616</u>
Total Liabilities	6,899
Fund Balance:	
Unreserved:	
Undesignated	<u>288,936</u>
Total Liabilities and Fund Balance	<u><u>\$ 295,835</u></u>

See accompanying independent auditor's report.

Osceola County

Reconciliation of the Balance Sheet
to the Statement of Net Assets
Component Unit – Public Safety Commission

June 30, 2009

Total Component Unit Fund Balance (page 60) \$ 288,936

Amounts reported for the component unit in the Statement of Net Assets are

Capital assets used in the component unit are not current financial resources and, therefore, are not reported in the Commission's Balance Sheet. The cost of assets is \$429,319 and the accumulated depreciation is \$230,635. 198,684

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the Commission's Balance Sheet. 616

The County's deferred revenue portion of the unified levy tax that is collected by the County and remitted to the Public Safety Commission is not available to pay current period expenditures and, therefore, not reported in the Commission's Balance Sheet. 987

Long-term liabilities, which include compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the Commission's Balance Sheet. (52,599)

Net Assets of Component Unit (pages 17-18) \$ 436,624

See accompanying independent auditor's report.

Osceola County

Schedule of Revenues, Expenditures and
Change in Fund Balance
Component Unit – Public Safety Commission

Year Ended June 30, 2009

Revenues:

Intergovernmental	\$ 930,885
Charges for Service	23,962
Miscellaneous	5,629
Total Revenues	<u>960,476</u>

Expenditures:

Operating:

Uniformed Patrol Services	519,494
Law Enforcement Communications	181,136
Administration	190,665
Data Processing Services	400
Tort Liability and Safety of the Workplace	18,351
Total Expenditures	<u>910,046</u>

Net Change in Fund Balance	50,430
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Fund Balance Beginning of Year	<u>238,506</u>
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Fund Balance End of Year	<u><u>\$ 288,936</u></u>
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See accompanying independent auditor's report.

Osceola County

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

Year Ended June 30, 2009

Net Change in Fund Balance - Component Unit (page 62) \$ 50,430

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

The component unit reports capital outlays as expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balance while the component unit in the Statement of Activities reports depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures were exceeded by depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 24,767	
Depreciation expense	<u>(34,560)</u>	(9,793)

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

Osceola County's unified law levy	(29)	
Other	<u>(4,722)</u>	(4,751)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Statement of Revenues, Expenditures and Change in Fund Balance as follows:

Compensated absences		<u>(11,349)</u>
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Change in Net Assets of Component Unit (pages 19-20) \$ 24,537

See accompanying independent auditor's report.

Osceola County

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

Year Ended June 30, 2009

Budget to Actual Comparison:

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
County Contribution	\$ 238,469	242,469	242,469	(4,000)
City Contribution	382,867	376,963	376,963	5,904
Unified Law Levy	295,551	292,513	292,513	3,038
Other Receipts	45,271	35,000	35,000	10,271
Total Receipts	962,158	946,945	946,945	15,213
Disbursements:				
Uniformed Patrol Services	526,246	510,225	548,725	22,479
Law Enforcement Communications	180,179	184,700	189,700	9,521
Administration	192,662	195,500	197,200	4,538
Other	18,351	21,500	21,500	3,149
Total Disbursements	917,438	911,925	957,125	39,687
Net Change in Fund Balance	44,720	35,020	(10,180)	54,900
Balances Beginning of Year	231,870	270,749	270,749	(38,879)
Balances End of Year	\$ 276,590	305,769	260,569	16,021

Note: Although the budget document presents disbursements by category, the legal level of control is at the aggregated total of all disbursements, not by category. During the year, one budget amendment increased budgeted disbursements by \$45,200. The budget amendment is reflected in the final budgeted amount.

Reconciliation:

	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 962,158	(1,682)	960,476
Expenditures	917,438	(7,392)	910,046
Net	44,720	5,710	50,430
Beginning Fund Balances	231,870	6,636	238,506

See accompanying independent auditor's report.

Osceola County

Schedule of Revenues By Source and Expenditures By Function --
All Governmental Funds

For the Last Seven Years

	Modified Accrual Basis						
	2009	2008	2007	2006	2005	2004	2003
Revenues:							
Property and Other County Tax	\$ 2,432,660	2,369,853	2,329,758	2,221,623	2,049,051	2,157,197	2,119,252
Tax Increment Financing	349,325	323,713	320,185	210,292	0	0	0
Interest and Penalty on Property Tax	18,319	15,725	14,166	13,275	8,324	10,054	9,823
Intergovernmental	3,099,186	2,488,781	2,384,880	2,331,151	2,339,771	2,310,475	2,231,754
Licenses and Permits	16,580	20,973	17,210	10,750	9,113	6,023	6,167
Charges for Service	282,757	258,441	271,659	225,263	250,401	226,598	191,636
Use of Money and Property	117,326	197,159	207,348	177,756	123,817	84,301	99,577
Miscellaneous	117,851	89,776	69,472	28,752	31,509	38,024	43,735
Total	\$ 6,434,004	5,764,421	5,614,678	5,218,862	4,811,986	4,832,672	4,701,944
Expenditures:							
Operating:							
Public Safety and Legal Services	\$ 993,477	989,801	982,964	930,874	850,645	782,569	780,412
Physical Health and Social Services	261,231	143,070	129,747	126,981	121,043	130,769	136,127
Mental Health	685,581	792,245	678,848	532,029	524,588	481,889	488,561
County Environment and Education	340,781	434,717	300,820	379,376	2,684,018	249,974	250,575
Roads and Transportation	2,436,760	2,335,424	1,900,778	2,250,666	1,644,789	1,913,113	1,823,134
Governmental Services to Residents	280,276	222,734	198,224	307,555	197,544	151,508	136,365
Administration	722,417	706,932	605,044	598,664	557,568	559,522	635,482
Debt Service	356,750	306,913	312,088	210,913	110,836	68,411	0
Capital Projects	481,479	1,115,557	506,008	462,538	251,478	184,549	936,418
Total	\$ 6,558,752	7,047,393	5,614,521	5,799,596	6,942,509	4,522,304	5,187,074

See accompanying independent auditor's report.

Osceola County

Schedule of Revenues By Source and Expenditures By Program –
Component Unit – Public Safety Commission

For the Last Seven Years

	Modified Accrual Basis						
	2009	2008	2007	2006	2005	2004	2003
Revenues:							
Intergovernmental	\$ 930,885	868,725	842,103	875,389	801,430	781,815	776,257
Charges for Service	23,962	22,958	29,534	24,531	19,090	22,173	23,948
Miscellaneous	5,629	9,959	22,729	4,875	1,630	2,849	714
Total	\$ 960,476	901,642	894,366	904,795	822,150	806,837	800,919
Expenditures:							
Operating:							
Uniformed Patrol Services	\$ 519,494	563,796	530,450	501,156	506,787	515,636	505,115
Investigations	0	500	183	2,992	0	0	0
Law Enforcement Communications	181,136	179,810	162,298	160,028	190,821	184,783	178,910
Adult Correction Service	0	0	15	0	0	0	0
Administration	190,665	171,432	163,332	156,285	163,196	137,625	144,945
Data Processing Services	400	1,873	798	319	4,731	3,042	0
Tort Liability and Safety of the Workplace	18,351	13,818	11,891	11,855	13,331	12,914	19,060
Total	\$ 910,046	931,229	868,967	832,635	878,866	854,000	848,030

See accompanying independent auditor's report.

Osceola County

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

DE NOBLE & COMPANY PC

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

To the Officials of Osceola County:

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the component unit of Osceola County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated June 30, 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 Osceola County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Osceola County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Osceola County's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 09-A, B, D, E, G, L, N and O are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Osceola County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Osceola County and other parties to whom Osceola County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Osceola County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



De Noble & Company PC
Certified Public Accountants

June 30, 2010

Osceola County
Schedule of Findings

Osceola County
Schedule of Findings
Year Ended June 30, 2009

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

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

Checks do not require dual signatures to be issued. Time sheets are not always being prepared by all personnel. There is a lack of signatures by the employee's supervisor on some of the timesheets.

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

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

Osceola County
Schedule of Findings
Year Ended June 30, 2009

- f. Authorization of transactions, handling of source documents and custody of assets should be segregated. Billings for services, the recordkeeping of accounts receivable and the handling of cash receipts should also be segregated.
- g. Reconciliations and investigations of unusual reconciling items in the accounting records should be reviewed and approved by a person who is not responsible for receipts and disbursements.
- h. Long-term debt records should be maintained by an individual who does not perform any cash functions. Notes/loans that have been paid should be reconciled to the note/loan records by an independent person.
- i. All checks issued should be analyzed by an independent person to verify that the numerical sequence is accurate and all checks are accounted for. This should apply to both computer generated and handwritten checks.
- j. Payroll records, including comp time, vacation and sick leave earned and accumulated, should be maintained or reviewed by an independent person. Timesheets should be prepared and signed to attest to the accuracy of the timesheets by all personnel. The timesheets should be reviewed and approved by a supervisor or an independent person before issuing payment for the payroll period. Formal proof of the review and approval of a timesheet should be established by having the independent person initial each timesheet.
- k. Complete, detailed personnel records should be maintained outside the payroll section. The personnel records should periodically be compared to the actual payroll by an independent person.

We realize that with a limited number of office employees, segregation of duties is difficult. However, each official or person in-charge should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official or person in-charge should utilize current personnel in their office or from another office to provide additional control through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review. These recommendations, as applicable, do apply to the Emergency Management, E911, County Assessor, County Extension and the Public Safety Commission also.

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

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

Osceola County
Schedule of Findings
Year Ended June 30, 2009

09-B Capital Assets/Inventory – During our audit, we came across capital assets that needed to be added to and deleted from the capital assets subsidiary records. We also came across capital assets where the book value, net of accumulated depreciation, had to be adjusted to reconcile with the prior fiscal year’s records. There is no periodic inspection of capital assets/inventory formally being performed by an independent person. Capital assets are not marked for identification purposes.

Recommendation – Each County office, the Public Safety Commission, the County Assessor, Emergency Management and E911 should be responsible for assisting the Auditor’s Office, on a monthly basis, with accumulating the necessary information in order to keep the capital assets records current. Procedures need to be established to ensure the capital asset records reconcile properly between fiscal years. On a yearly basis, an authorized independent person should be responsible for verifying the existence of the capital assets/inventory under each office’s control. Any capital assets disposed of or sold should be adequately documented. Capital assets should be marked for identification purposes to assist in the existence and accountability functions.

Response – We will try to develop a system that will implement all the components of this recommendation.

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

09-C Accounting Procedures Manuals – The County does not have updated accounting procedures manuals for all aspects of the County’s accounting systems.

Recommendation – Accounting procedures manuals should be prepared/updated and implemented for all aspects of the County’s accounting systems.

Response – We will attempt to have each appropriate office work on preparation of an accounting procedures manual that is current with existing procedures.

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

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

There are no written policies that require:

Osceola County
Schedule of Findings
Year Ended June 30, 2009

- daily off-site storage for backup tapes for all aspects of the County's accounting systems.
- requiring password changes because software does not require the user to change log-ins/passwords periodically.
- requiring password length to be set at a minimum of at least six characters and require use of multiple characters on the keyboard.
- automatic log-off provisions when left unattended for a period of time. Upon log-off, the user should have to again enter a password to re-access information.

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

Response – We will work on implementing these computer related policies in all offices.

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

09-E Job Rotations – Financial personnel's duties are not always rotated for a period of time each fiscal year.

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

Response – We will have each office/entity work on rotating duties and cross-training within economic constraints.

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

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

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

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

Osceola County
Schedule of Findings
Year Ended June 30, 2009

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

09-G Collection Procedures – The County does not have any written policies or procedures on collecting delinquent accounts receivable.

Recommendation – The County needs to develop written policies and procedures regarding collection of delinquent accounts receivable.

Response – We will attempt to develop policies and procedures for collection of receivables.

Conclusion – Response acknowledged. Please attempt to implement this recommendation in a timely manner.

09-H Lease Agreements – The County has entered into several arrangements to lease land to interested individuals. A couple of the lease arrangements need to be updated or are not evidenced by a formal written document.

Recommendation – A formal, written lease agreement should be legally prepared and signed by the County and each tenant for all land lease arrangements. These written lease agreements should be kept current.

Response – We will have the County Attorney work with the appropriate department heads to get each of the land lease agreements in writing and current.

Conclusion – Response acknowledged. Please do have the County Attorney work on getting and keeping each of the leases current.

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

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

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

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

09-J Vehicle Usage/Fuel Test – When filling County vehicles with fuel, the vehicle's identification and the mileage at the time of fueling are not always noted on the receipt.

Osceola County
Schedule of Findings
Year Ended June 30, 2009

Vehicle mileage should be compared to fuel consumption on a regular basis by an independent person.

Recommendation – When filling County vehicles with fuel, the vehicle’s identification and the mileage at the time of fueling should be noted on the receipt. Mileage logs should be kept on each vehicle, tested against the fuel charged to each vehicle to verify reasonableness and any differences/variations noted should be investigated.

Response – We will have the appropriate County departments address this.

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

09-K Ambulance Run Reports – The ambulance run reports are not prenumbered.

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

Response – We will have the ambulance employee address this.

Conclusion – Response acknowledged. Please do have the ambulance employee check into this.

09-L Ambulance Billings/Receivables – A complete reconciliation of beginning ambulance receivables, new billings, Medicare/Medicaid write-offs, other write-offs, payments received and ending ambulance receivables was not prepared. Ambulance collections were not reconciled to deposits. Also, a listing of the outstanding accounts receivable isn’t being provided to the Board of Supervisors twice a year and all write-offs of accounts receivable, for other than Medicare/Medicaid purposes, are not being approved by the Board of Supervisors.

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

Response – The ambulance employee is working toward full implementation of your recommendation.

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

Osceola County
Schedule of Findings
Year Ended June 30, 2009

- 09-M Payroll Issues – An employee received a payroll increase due to having an increase in work load. This increase was never formally approved in the Board minutes and the employee’s time sheet did not reflect any increase in hours worked. Two employees were allowed without formal Board approval to carryover vacation time in excess of the amount of hours allowable per the union agreement/employee handbook.
- Recommendation – All payroll changes need to be formally approved in the controlling Board’s minutes. If the payroll change is contingent upon an expectation, the expectation needs to be clearly communicated. Vacation time should only be allowed to be carried over in accordance with the employee handbook or union agreement unless formal approval is given by the controlling Board. This approval should be documented in the controlling Board’s minutes.
- Response – We will document payroll changes in the Board minutes and discuss the need to get Board approval for excess vacation carryover with department heads.
- Conclusion – Response accepted.
- 09-N Financial Reporting – During the audit, we identified material amounts of assets, liabilities, net assets/fund balances, revenues and expenses/expenditures not recorded properly in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.
- Recommendation – The County should implement procedures to ensure all assets, liabilities, net assets/fund balances, revenues and expenses/expenditures are identified and included in the County’s financial statements. Management should be reviewing the financial records on a regular basis to help ensure the accuracy of the financial records.
- Response – We will review our procedures to identify areas where we can improve on our financial records.
- Conclusion – Response accepted. Please do review your procedures.
- 09-O Management Procedures – Based on findings during the audit, we identified that there appears to be a lack of oversight by management over developing internal control, compliance and antifraud procedures; monitoring existing procedures that are in place to ensure the procedures are enforced; and communicating the County’s expected ethics.
- Recommendation – County management needs to establish policies and procedures that ensure effective internal control, compliance and antifraud procedures are in place and monitored on a regular basis. County management needs to review audit findings identified, assess the level of risk associated with each finding, and incorporate this assessed level of risk into its development of policies and procedures. County management also needs to communicate the County’s expected ethics and hold County employees accountable to those expected ethics.

Osceola County
Schedule of Findings
Year Ended June 30, 2009

Response – We will address your recommendation.

Conclusion – Response accepted. Please address this recommendation.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Osceola County
Schedule of Findings
Year Ended June 30, 2009

Other Findings Related to Required Statutory Reporting:

09-1 Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the debt service function.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will work on making sure we amend the budget when required.

Conclusion – Response accepted.

09-2 Questionable Expenditures – Certain expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented or the necessary documentation to support the expenditure was not present. These expenditures are detailed as follows:

The only support for several credit card charges was a copy of a credit card slip (there was no detailed receipt/supporting documentation). We noted several credit card charges and employee reimbursements which did not have any supporting documentation/invoice. Additionally, we noted some instances where sales tax was paid on purchases that appear to be exempt from sales tax for the County and Public Safety Commission. Each of these issues affect the County and the Public Safety Commission. Also, a County department incurred some credit card finance charges.

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

Recommendation – The Board of Supervisors and the Public Safety Commission Board should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirement for proper documentation. All disbursements, including credit card charges and employee reimbursements, should be supported by an actual receipt/invoice that supports the charge in detail. Please make sure you are only paying sales tax on required purchases.

Response – We will stress to employees the need to obtain and retain invoices that support all expenditures, keep receipts on all credit card charges and make sure sales tax is not being charged when not required. We will stress to all departments that charges need to be submitted timely in order to avoid finance charges.

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

Osceola County
Schedule of Findings
Year Ended June 30, 2009

09-3 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted. However, please see “Other Findings Related to Required Statutory Reporting: 09-2” for a possible related comment.

09-4 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rick Echter, Husband of Barb Echter – County Auditor Owner of Echter’s Greenhouse	Lawn products, plants and office décor	\$ 675
Michael Schulte, Board of Supervisor Owner of S S Mobile Glass	Auto windshield work	250

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

Name, Title and Business Connection	Transaction Description	Amount
Arlyn Pedley, Public Safety Commission Board Member Owner of The Press	Publications, advertising and office supplies	\$ 1,892

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Echter’s Greenhouse and S S Mobile Glass do not appear to represent conflicts of interest since the total transactions with each were less than \$1,500 during the fiscal year. The transactions with The Press do not appear to represent conflicts of interest since The Press is considered an “official” Public Safety Commission newspaper and the majority of the costs were for required publications/advertising.

09-5 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

09-6 Board of Supervisors Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not except as noted already in other findings.

09-7 Deposits and Investments – The County complied with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy.

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09-8 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3). However, the “Certification of County Conservation Purposes Support by County Property Taxes” report for the fiscal year ended June 30, 2009 was not properly filed as the report contained some errors.

Recommendation – The “Certification of County Conservation Purposes Support by County Property Taxes” report should be corrected and refiled.

Response – We will make the necessary corrections and refile the report.

Conclusion – Response accepted.

09-9 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

The listing of checks approved by the Extension Council does not include the name of the person/entity the check is being paid to.

The bank signature card is missing some of the authorized signers’ signatures.

The County Extension needs to review the “Findings Related to the Financial Statements” for reportable conditions that could improve the Extension’s internal control also.

Recommendations – A listing of all approved checks by check number, name of payee and amount of each check that are approved for payment need to be included in the Extension’s minutes. The bank signature card needs to be made and kept current and have the signatures of all authorized signers for the bank’s records.

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

Conclusion – Response accepted.

09-10 Financial Condition – The Mental Health Fund had a deficit fund balance at June 30, 2009 of \$18,890.

Recommendation – The County should investigate alternatives to eliminate this deficit fund balance in order to return this fund to a sound financial position.

Osceola County
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Response – We are making every effort to keep Mental Health related claims stay within the available revenues. We did improve the financial condition by \$62,200 during the fiscal year.

Conclusion – Response accepted.

09-11 E911 Service Board Budgets – The Joint E911 Service Board’s fiscal year July 1, 2008 to June 30, 2009 budget contained several errors (the County Auditor’s certification reported some improper numbers, the Operating Fund is reporting incorrect amounts and the E911 Surcharge Fund’s supplemental detail amounts do not reconcile to the E911’s records). Additionally, the original budget was not timely published. The budget publication must be not less than ten nor more than twenty days before the budget public hearing. The budget publication was only a day before the public hearing.

Recommendation – The July 1, 2008 to June 30, 2009 budget should be corrected for the errors. The corrected budget should be resubmitted to the Iowa Department of Management and the Iowa Department of Public Defense/Emergency Management Division. Budget publications need to be done timely in accordance with Chapter 331.434 of the Code of Iowa. Care should be taken when preparing future budgets in order to ensure the budgets are prepared properly and published timely.

Response – We will contact the Iowa Department of Management and the Iowa Department of Public Defense/Emergency Management Division about the errors on the fiscal year ending June 30, 2009 budget. We will use due diligence in preparing future budgets and budget publications.

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

09-12 Conservation Minutes – The Conservation Board minutes were not properly signed by the Conservation director or by the Board chairman or any other Board member.

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

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

Conclusion – Response accepted.

09-13 Public Safety Commission Funding – The Public Safety Commission is currently using more of a “how much can each entity afford to contribute” approach for member funding rather than the statutory allowed funding methods.

Osceola County
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Year Ended June 30, 2009

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

Response – The Public Safety Commission will consider this issue.

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

09-14 Assessor's Boards Minutes – We noted there were minutes of a couple meetings of the Assessor's Conference and Review Boards that were not signed by the Board chairman or any other Board member.

Recommendation – The Assessor's Conference and Review Boards should have the minutes of its meetings properly signed by a Board member as soon as the Board approves the minutes. Signing of the minutes by a Board member is needed to attest to the accuracy of the minutes.

Response – We will communicate to the Assessor's Boards the need to make sure that their minutes are properly signed.

Conclusion – Response accepted.

09-15 Official Depositories – Ambulance – The ambulance exceeded the amount of the depository resolution at the Melvin Savings Bank from August 2008 to October 2008.

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

Response – We have approved an updated resolution that increases the ambulance's amount at the Melvin Savings Bank. We believe the new amount is sufficient for the ambulance.

Conclusion – Response accepted.

09-16 Public Safety Commission – Board Minutes – We noted there were a couple instances where items were discussed/approved that weren't readily apparent based on the tentative agenda and the minutes may not have properly reflected the entire proceedings of the meetings.

Osceola County
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Year Ended June 30, 2009

Recommendation – The Public Safety Commission should consult with legal counsel to ensure proper public notice is being provided in accordance with Chapter 21.4 of the Code of Iowa and that minutes' documentation is deemed adequate.

Response – We have already discussed this issue with legal counsel and have implemented the recommendations provided.

Osceola County

Listing of Auditors

This audit was performed by:

David De Noble, CPA, Senior Auditor
Carmen Austin, CPA, Senior Auditor
Curt Robison, Assistant Auditor
Craig Hoekstra, Assistant Auditor
Dustin Bosch, Assistant Auditor

De Noble & Company PC
Certified Public Accountants

