

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

JUNE 30, 2010

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Osceola County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2010)		
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, 2009 (Appointed)
Thomas Snyder	County Engineer	Indefinite (Appointed)
Ronald Spengler	County Conservation Director	June 30, 2010 (Appointed)
Debra Goettig	County Emergency Management Director	June 30, 2010 (Appointed)
Jerry Johnson	Public Safety Commission Board Member	December 31, 2009
Jayson Vandehoef	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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Beginning January 2010)		
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)
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Ronald Spengler	County Conservation Director	June 30, 2010 (Appointed)
Debra Goettig	County Emergency Management Director	June 30, 2010 (Appointed)
Jerry Johnson	Public Safety Commission Board Member	December 31, 2010
Jayson Vandehoef	Public Safety Commission Board Member	December 31, 2010
Arlyn Pedley	Public Safety Commission Board Member	December 31, 2010
Jeff Loring	Public Safety Commission Board Member	December 31, 2010
Gary Benz	Public Safety Commission Board Member	December 31, 2010
Dan Grote	Public Safety Commission Board Member	December 31, 2010
Michael Schulte	Public Safety Commission Board Member	December 31, 2010
Philip Bootsma	Public Safety Commission Board Member	December 31, 2010

DE NOBLE & COMPANY PC

Certified Public Accountants

MEMBERS

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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, 2010, 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, 2010, 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 29, 2011 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 50 through 54 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 five fiscal years ended June 30, 2009 (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
Certified Public Accountants

June 29, 2011

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, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Fiscal Year 2010 Financial Highlights

- The County's governmental funds revenues for fiscal year 2010 were \$6,570,535 compared to \$6,434,004 in fiscal year 2009, an increase of \$136,531 or 2.12%. Property taxes and other county tax increased \$141,737 or 5.83%. All other revenue classifications netted to a decrease of \$5,206.
- The County's governmental funds expenditures for fiscal year 2010 were \$6,318,655 compared to \$6,558,752 in fiscal year 2009, a decrease of \$240,097 or 3.66%. Capital projects decreased by \$236,803 or 4.92%. All other expenditure functions netted to a decrease of \$3,294.
- The County's governmental funds fund balances for fiscal year 2010 were \$2,930,561 compared to \$2,678,681 in fiscal year 2009, an increase of \$251,880 or 9.40%. The Secondary Roads Fund had the largest fund balance increase of \$201,058.
- The County's government-wide net assets for fiscal year 2010 were \$11,009,868 compared to \$10,297,108 in fiscal year 2009, an increase of \$712,760 or 6.92%.
- The County's governmental activities revenues for fiscal year 2010 were \$6,946,205 compared to \$7,011,773 in fiscal year 2009, a decrease of \$65,568 or 0.94%. The reason for the slight decrease was due to a decline in program revenues.
- The County's governmental activities expenses for fiscal year 2010 were \$6,233,445 compared to \$6,344,417 in fiscal year 2009, a decrease of \$110,972 or 1.75%. Functions that had the most significant decrease in expenses included roads and transportation and governmental services to residents.

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, Urban Renewal District 1 Revenue Surplus 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 2010 for the Public Safety Commission include:

- The discretely presented component unit – Public Safety Commission's government-wide net assets for fiscal year 2010 were \$458,625 compared to \$436,624 in fiscal year 2009, an increase of \$22,001 or 5.04%. The Public Safety Commission's governmental activities revenues for fiscal year 2010 were \$978,920 compared to \$955,724 in fiscal year 2009, an increase of \$23,196 or 2.43%. The Public Safety Commission's governmental activities expenses for fiscal year 2010 were \$956,919 compared to \$931,187 in fiscal year 2009, an increase of \$25,732 or 2.76%. Revenues and expenses remained consistent with the prior year; each reporting a slight increase.
- The Public Safety Commission's modified accrual basis revenues for fiscal year 2010 were \$977,998 compared to \$960,476 in fiscal year 2009, an increase of \$17,522 or 1.82%. The

largest increase in revenues was from the unified law levy. The Public Safety Commission also had \$2,150 in other financing sources (sale of capital assets).

- The Public Safety Commission’s modified accrual basis expenditures for fiscal 2010 were \$935,178 compared to \$910,046 in fiscal year 2009, an increase of \$25,132 or 2.76%. Expenditures increased primarily in the uniformed patrol services and the law enforcement communications areas.
- The Public Safety Commission’s fund balance for fiscal year 2010 was \$333,906 compared to \$288,936 in fiscal year 2009, an increase of \$44,970 or 15.56%. This compares to a \$50,430 or 21.1% increase from fiscal year 2008 to fiscal year 2009.
- The Public Safety Commission did not exceed its final budgeted disbursements for fiscal year 2010. The Public Safety Commission did amend its budget once during fiscal year 2010. The budget amendment increased budgeted disbursements by \$20,000 for uniformed patrol services. The Public Safety Commission’s actual disbursements of \$928,371 came in \$49,079 under budget. For fiscal year 2010, the Public Safety Commission’s actual ending cash balance of \$324,973 was \$64,367 higher than the final budget’s anticipated ending cash balance of \$260,606.

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,	
	2010	2009	2010	2009
Current and Other Assets	\$ 6,704,579	6,148,545	\$ 351,090	296,822
Capital Assets	10,335,395	10,088,134	188,168	198,684
Total Assets	17,039,974	16,236,679	539,258	495,506
Other Liabilities	3,619,715	3,234,384	14,659	6,283
Long-term Liabilities	2,410,391	2,705,187	65,974	52,599
Total Liabilities	6,030,106	5,939,571	80,633	58,882
Net Assets:				
Invested in Capital Assets, Net of Related Debt	9,923,774	9,635,613	188,168	198,684
Restricted	593,054	(6,601)	0	0
Unrestricted	493,040	668,096	270,457	237,940
Total Net Assets	\$ 11,009,868	10,297,108	\$ 458,625	436,624

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 \$288,161, restricted net assets increased by \$599,655 (mainly due to increases in amounts restricted for secondary roads and urban renewal district 1 plan area purposes), and unrestricted net assets decreased by \$175,056 or 26.20%.

Changes in Net Assets				
	Governmental Activities		Public Safety Commission	
	Year Ended		Year Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Revenues:				
Program Revenues:				
Charges for Service	\$ 386,947	476,289	\$ 966,147	944,137
Operating Grants, Contributions and Restricted Interest	2,594,292	2,860,947	8,773	11,587
Capital Grants, Contributions and Restricted Interest	615,111	548,383	4,000	0
General Revenues:				
Property Tax Levied for:				
General Purposes	2,282,504	2,155,125	0	0
Unified Law	292,377	277,004	0	0
Tax Increment Financing	389,348	349,325	0	0
Penalty and Interest on Property Tax	19,397	21,984	0	0
State Tax Credits	161,952	162,416	0	0
Grants and Contributions Not Restricted to Specific Purposes	12,296	15,327	0	0
Unrestricted Investment Earnings	37,168	72,418	0	0
Rents	40,544	38,306	0	0
Drainage Assessments	112,891	5,010	0	0
Miscellaneous	1,378	29,239	0	0
Total Revenues	<u>6,946,205</u>	<u>7,011,773</u>	<u>978,920</u>	<u>955,724</u>
Program Expenses:				
Public Safety and Legal Services	1,035,592	1,008,692	0	0
Physical Health and Social Services	280,938	261,230	0	0
Mental Health	746,385	687,625	0	0
County Environment and Education	385,614	365,662	0	0
Roads and Transportation	2,536,249	2,617,968	0	0
Governmental Services to Residents	243,036	303,130	0	0
Administration	682,325	720,400	0	0
Interest on Long-Term Debt	78,630	105,609	0	0
Capital Projects	244,676	274,101	0	0
Public Safety Commission	0	0	956,919	931,187
Total Expenses	<u>6,233,445</u>	<u>6,344,417</u>	<u>956,919</u>	<u>931,187</u>
Increase in Net Assets	712,760	667,356	22,001	24,537
Net Assets Beginning of Year	<u>10,297,108</u>	<u>9,629,752</u>	<u>436,624</u>	<u>412,087</u>
Net Assets End of Year	<u>\$ 11,009,868</u>	<u>10,297,108</u>	<u>458,625</u>	<u>436,624</u>

The portion of governmental activities costs financed by users (charges for service) decreased by \$89,342 or 18.76% (mainly in the roads and transportation and public safety and legal services functions). Operating grants, contributions and restricted interest decreased by \$266,655 or 9.32%

(mainly in the mental health and roads and transportation functions). Capital grants, contributions and restricted interest increased by \$66,728 or 12.17% (mainly in the capital projects function). General revenues increased by \$223,701 or 7.16% (mainly due to property and other county taxes, tax increment financing and drainage assessments).

Program expenses for governmental activities this fiscal year decreased by \$110,972 or 1.78%. The slight decrease was mainly due to reductions in the roads and transportation, governmental services to residents, administration, interest on long-term debt and capital projects program expenses.

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 2010, its governmental funds reported a combined fund balance of \$2,930,561. This is in comparison to fiscal year 2009, when the combined fund balance was \$2,678,681. This is a \$251,880 increase from last year. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

GENERAL FUND: The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The general operating expenses are paid from this fund. The fiscal year 2010 General Fund ending fund balance was \$845,351. This is in comparison to last fiscal year when the fund balance was \$875,351. This is a \$30,017 decrease from last year or 3.43%. For fiscal year 2010, expenditures totaled \$2,295,765 (fiscal year 2009 = \$2,325,860), a decrease of \$30,095 or 1.29% from last year and revenues totaled \$2,265,748 (fiscal year 2009 = \$2,187,299), an increase of \$78,449 or 3.59% from last year.

The revenues are mainly higher due to an increase in property and other county tax and ambulance services collections. The main reason expenditures decreased slightly was there was a reduction in elections administration costs and county general services.

MENTAL HEALTH FUND: The Mental Health Fund is used to account for property tax and other revenues designated to be used for mental health, mental retardation, and developmental disabilities services. The fiscal year 2010 Mental Health ending fund balance was \$(89,637). This is in comparison to last fiscal year when the fund balance was \$(18,890). This is a \$70,747 decrease from last year. For fiscal year 2010, expenditures totaled \$745,270 (fiscal year 2009 = \$685,581), an increase from last year of \$59,689 or 8.71%, and revenues totaled \$674,523 (fiscal year 2009 = \$747,781), a decrease from last year of \$73,258 or 9.80%. The revenues decreased due to a reduction in the amount of state grants and entitlements received. The expenditures increased due mainly to more services needed/higher provider costs in fiscal year 2010 (primarily in the chronic mental illness area).

RURAL SERVICES FUND: The Rural Service Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas, including secondary road services, but excluding services financed by other statutory funds. The fiscal year 2010 Rural Services ending fund balance was \$179,674. This is in comparison to last fiscal year when the fund balance was \$196,467. This is a \$16,793 decrease from last year. For fiscal year 2010, expenditures totaled \$59,247 (fiscal year 2009 = \$45,700), an increase over last year of \$13,547 and revenues totaled \$639,277 (fiscal year 2009 = \$598,656), an increase over last year of \$40,621. The County transferred \$596,823 from the Rural Services Fund to the Secondary

Roads Fund in fiscal year 2010 (compared to \$567,004 in fiscal year 2009). Revenues increased due to property and other county tax collections. Expenditures increased due to land costs related to economic development.

SECONDARY ROADS FUND: The Secondary Roads Fund is used to account for secondary road construction and maintenance. The fiscal year 2010 Secondary Roads ending fund balance was \$1,394,691. This is in comparison to last fiscal year when the fund balance was \$1,193,633. This is a \$201,058 increase from last year. For fiscal year 2010, expenditures totaled \$2,536,670 (fiscal year 2009 = \$2,798,638), a decrease from last year of \$261,968 or 9.36% and revenues totaled \$2,140,905 (fiscal year 2009 = \$2,206,305), a decrease from last year of \$65,400 or 2.96%. Operating transfers in were \$596,823 for fiscal year 2010 (all of the transfers in were from the Rural Services Fund).

Revenues were lower mainly due to a decrease in road use tax funding and a reduction in windmill related services performed. The increase in expenditures was due mainly to more bridge repair projects and higher costs for snow and ice control.

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 2010, this fund had revenues of \$394,024 (compared to \$351,524 in fiscal year 2009), transfers in of \$132,877 from the close out of the Urban Renewal District 1 Plan Area Project Fund (compared to \$0 in fiscal year 2009), transfers out of \$525,972 (compared to \$351,067 in fiscal year 2009), a beginning fund balance of \$632 and an ending fund balance of \$1,561.

URBAN RENEWAL DISTRICT 1 REVENUE SURPLUS: The Urban Renewal District 1 Revenue Surplus Fund is used to account for Urban Renewal District 1 Plan revenues in excess of the scheduled principal and interest payments on the revenue capital loan notes and the Reserve Fund requirement of \$284,500. Money in this fund is to be used for early redemption of the urban renewal revenue capital loan notes in \$5,000 increments on June 1st of each year. This fund for fiscal year 2010 had net transfers in of \$63,962, expenditures of \$60,000 for early redemption of revenue capital loan notes, a beginning fund balance of \$0 and an ending balance of \$3,962. This is the first fiscal year this fund was utilized.

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 2010 had net transfers in of \$270,624 (compared to \$295,512 in fiscal year 2009), expenditures of \$270,624 (compared to \$295,512 in fiscal year 2009) 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 increased during fiscal year 2010 by \$163,488 (from \$431,488 to \$594,976).

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>
September 22, 2009	Receipts = \$72,884 Increase Disbursements = \$79,415 Increase	Public health flow-through grants, GASB 45 audit costs, Regional Housing and NCC Foundation contributions and purchases of DOT acres (land).
January 26, 2010	Receipts = \$36,000 Increase Disbursements = \$38,000 Increase	Bio Plan and donation receipts and correlating disbursements; Approve operating transfer of money from the urban renewal project fund to the urban renewal revenue fund.
April 27, 2010	Disbursements = \$34,060 Increase	Jail costs and land engineering services costs.
May 11, 2010	Disbursements = \$29,000 Increase	Additional conservation costs.
June 1, 2010	Disbursements = \$60,000 Increase	Approval for early retirement of some urban renewal revenue capital loan notes and to adjust TIF related operating transfers.

The County ended up exceeding its budgeted revenues by \$183,079 and coming in below its budgeted disbursements by \$430,225. The actual beginning cash basis balance was \$372,419 higher than budgeted and the ending cash basis balance was \$985,723 higher than budgeted.

Capital Assets and Debt Administration

Capital Assets

Osceola County concluded fiscal year 2010 with \$13,856,254 invested in a broad range of capital assets. The Public Safety Commission concluded fiscal year 2010 with \$431,204 invested in a broad range of capital assets. The capital assets include public safety/secondary roads/conservation equipment, buildings, land, roads and bridges. See Note to the Financial Statements (5) for more information about the County's and Public Safety Commission's capital assets.

	Capital Assets at Year End			
	Governmental Activities		Public Safety Commission	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Land	\$ 1,515,256	1,507,154	\$ 0	0
Construction in Progress	0	420,095	0	0
Buildings and Improvements	954,378	954,378	0	0
Machinery, Equipment and Vehicles	5,125,232	4,939,728	431,204	429,319
Infrastructure	6,261,388	5,382,175	0	0
Total	\$ 13,856,254	13,203,532	\$ 431,204	429,319

This fiscal year’s major additions for the County’s governmental activities included a mower, pickup, trailer, copier, truck, dump body, land and bridge work; dispositions included a copier, pickup and mower. The Public Safety Commission purchased a pickup and disposed of a couple patrol cars during the fiscal year.

The County’s governmental activities had depreciation expense of \$432,527 in fiscal year 2010 and total accumulated depreciation of \$3,520,859 on June 30, 2010. The Public Safety Commission had depreciation expense of \$28,587 in fiscal year 2010 and total accumulated depreciation of \$243,036 on June 30, 2010. The County and Public Safety Commission implemented GASB Statement 51, Accounting and Financial Reporting for Intangible Assets, as of July 1, 2009. The County did not retroactively report intangible assets placed in service prior to this date and did not have any intangible additions during fiscal year 2010.

Long-Term Debt

At June 30, 2010, 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, 2009 Balances	\$ 2,170,000	\$ 120,421	\$ 332,100
Principal Payments (FY 2010)	(255,000)	(4,000)	(36,900)
June 30, 2010 Balances	\$ 1,915,000	\$ 116,421	\$ 295,200

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 \$21.3 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, plus additional long-term debt related to compensated absences and net OPEB liability, is presented in Notes to the Financial Statements (7) and (9).

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 2010 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 6.4%. This compares with the state unemployment rate of 6.1% and a national rate of 9.6%. 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 2010 actual figures for funds required to be budgeted, the final adopted budget for fiscal year 2010, and the original adopted budget for fiscal year 2011 for receipts and disbursements are as follows:

	Fiscal Year 2010 Actual	Fiscal Year 2010 Final Amended Budget	Fiscal Year 2011 Original Adopted Budget
Receipts:			
Property and Other County Tax	\$ 2,963,832	\$ 2,984,743	\$ 3,331,167
Interest and Penalty on Property Tax	28,627	0	0
Intergovernmental	3,012,671	2,911,410	2,813,422
Licenses and Permits	21,205	13,050	15,100
Charges for Service	359,030	263,275	248,350
Use of Money and Property	79,650	123,258	77,443
Miscellaneous	57,314	43,514	62,003
Total Receipts	\$ 6,522,329	\$ 6,339,250	\$ 6,547,485
Disbursements			
Public Safety and Legal Services	\$1,021,835	\$ 1,080,773	\$ 1,062,190
Physical Health and Social Services	295,193	315,253	248,344
Mental Health	668,312	670,200	672,780
County Environment and Education	409,815	446,889	340,013
Roads and Transportation	2,261,334	2,355,000	2,455,000
Governmental Services to Residents	234,360	247,876	263,945
Administration	673,825	717,634	693,884
Nonprogram Current	0	0	69,781
Debt Service	376,862	365,623	457,300
Capital Projects	227,487	400,000	300,000
Total Disbursements	\$ 6,169,023	\$ 6,599,248	\$ 6,563,237

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

Property Taxation by Type

	Fiscal Year 2011	Fiscal Year 2010
Countywide Levies	\$ 1,894,435	\$ 1,737,622
Rural Only Levies	\$ 1,024,999	\$ 919,052
TIF Tax Revenues	\$ 497,155	\$ 392,514
Utility Replacement Excise Tax	\$ 88,174	\$ 97,105

Tax Rates per \$1,000 Taxable Valuation

	Fiscal Year 2011	Fiscal Year 2010
Urban Areas	5.55632	5.60869
Rural Areas	9.40197	9.47620

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, 2010

	<u>Primary Government</u> <u>Governmental Activities</u>	<u>Component Unit</u> <u>Public Safety Commission</u>
Assets		
Cash and Pooled Investments	\$ 2,684,004	\$ 324,973
Receivables:		
Property Tax:		
Delinquent	8,570	0
Succeeding Year	2,843,562	0
Tax Increment Financing:		
Succeeding Year	496,087	0
Interest and Penalty on Property Tax	7,058	0
Accounts Receivable	4,141	0
Accrued Interest	6,599	0
Due from Primary Government	0	7,418
Due from County's Agency Funds	145,791	961
Due from Other Governments	152,628	5,119
Inventories	312,886	0
Prepaid Expenses	43,253	12,619
Capital Assets (Net of Accumulated Depreciation)	10,335,395	188,168
Total Assets	<u>17,039,974</u>	<u>539,258</u>
Liabilities		
Accounts Payable	127,729	5,990
Salaries and Benefits Payable	19,847	1,297
Due to Component Unit	7,418	0
Due to Other Governments	119,824	7,372
Accrued Interest Payable	5,248	0
Deferred Revenue:		
Succeeding Year Property Tax	2,843,562	0
Succeeding Year Tax Increment Financing	496,087	0

Osceola County

Statement of Net Assets

June 30, 2010

	Primary Government Governmental Activities	Component Unit Public Safety Commission
Liabilities (Continued)		
Long-Term Liabilities:		
Portion Due or Payable Within One Year:		
Compensated Absences	72,470	59,158
Urban Renewal Revenue Capital Loan Notes	195,000	0
OCEDC General Obligation Loan	4,184	0
Osceola Electric Coop. General Obligation Loan	36,900	0
Portion Due or Payable After One Year:		
Urban Renewal Revenue Capital Loan Notes	1,720,000	0
OCEDC General Obligation Loan	112,237	0
Osceola Electric Coop. General Obligation Loan	258,300	0
Net OPEB Liability	11,300	6,816
Total Liabilities	6,030,106	80,633
Net Assets		
Invested in Capital Assets, Net of Related Debt	9,923,774	188,168
Restricted for:		
Supplemental Levy Purposes	261,889	0
Resource Enhancement and Protection Purposes	98,625	0
Jail Improvements/Courthouse Security	106,008	0
Mental Health Purposes	(89,107)	0
Rural Services Purposes	185,786	0
Secondary Roads Purposes	1,346,950	0
Urban Renewal District 1 Plan Area Purposes	(1,630,226)	0
Other Purposes	313,129	0
Unrestricted	493,040	270,457
Total Net Assets	\$ 11,009,868	\$ 458,625

See notes to financial statements.

Osceola County

Statement of Activities

Year Ended June 30, 2010

	Program Revenues			Capital Grants Contributions and Restricted Interest
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	
Functions/Programs:				
Primary Government:				
Governmental Activities:				
Public Safety and Legal Services	\$ 1,035,592	183,280	32,118	2,000
Physical Health and Social Services	280,938	1,560	106,877	0
Mental Health	746,385	2,410	476,831	0
County Environment and Education	385,614	17,456	18,284	8,100
Roads and Transportation	2,536,249	30,922	1,959,745	459,118
Governmental Services to Residents	243,036	137,999	29	0
Administration	682,325	13,320	408	0
Interest on Long-Term Debt	78,630	0	0	0
Capital Projects	244,676	0	0	145,893
Total Primary Government	<u>\$ 6,233,445</u>	<u>386,947</u>	<u>2,594,292</u>	<u>615,111</u>
Component Unit:				
Public Safety Commission	\$ 956,919	966,147	8,773	4,000

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	Component Unit
Governmental Activities	Public Safety Commission
(818,194)	0
(172,501)	0
(267,144)	0
(341,774)	0
(86,464)	0
(105,008)	0
(668,597)	0
(78,630)	0
(98,783)	0
<u>(2,637,095)</u>	<u>0</u>
 0	 22,001
 2,282,504	 0
292,377	0
389,348	0
19,397	0
161,952	0
12,296	0
37,168	0
40,544	0
112,891	0
1,378	0
<u>3,349,855</u>	<u>0</u>
 712,760	 22,001
<u>10,297,108</u>	<u>436,624</u>
<u>\$ 11,009,868</u>	<u>\$ 458,625</u>

Osceola County
 Balance Sheet
 Governmental Funds
 June 30, 2010

	Special Revenue							Total
	General	Mental Health	Rural Services	Secondary Roads	Urban Renewal District 1 Plan Area Revenue	Urban Renewal District 1 Revenue Surplus	Nonmajor Special Revenue	
Assets								
Cash and Pooled Investments	\$ 857,527	60,318	181,947	987,368	1,247	3,962	591,635	2,684,004
Receivables:								
Property Tax:								
Delinquent	4,855	531	2,137	0	0	0	1,047	8,570
Succeeding Year	1,659,934	181,713	672,509	0	0	0	329,406	2,843,562
Tax Increment Financing:								
Succeeding Year	0	0	0	0	399,234	0	96,853	496,087
Interest and Penalty on Property Tax Accounts	7,058	0	0	0	0	0	0	7,058
Accrued Interest	782	2,410	200	599	0	0	150	4,141
Accrued Interest	6,260	0	0	0	314	0	25	6,599
Due from Other Governmental Fund	0	0	0	0	0	0	9,900	9,900
Due from Agency Funds	145,791	0	0	0	0	0	0	145,791
Due from Other Governments	32,695	0	3,975	112,057	0	0	3,901	152,628
Inventories	0	0	0	312,886	0	0	0	312,886
Prepaid Expenditures	27,637	0	0	15,616	0	0	0	43,253
Total Assets	\$ 2,742,539	244,972	860,768	1,428,526	400,795	3,962	1,032,917	6,714,479

Liabilities and Fund Balances

Liabilities:

Accounts Payable	\$ 64,948	36,028	1,838	23,303	0	0	1,612	127,729
Salaries and Benefits Payable	9,167	0	635	10,045	0	0	0	19,847
Due to Other Governmental Fund	9,900	0	0	0	0	0	0	9,900
Due to Component Unit	0	0	0	0	0	0	6,371	6,371
Due to Other Governments	2,999	116,338	0	487	0	0	0	119,824
Deferred Revenue:								
Succeeding Year Property Tax	1,659,934	181,713	672,509	0	0	0	329,406	2,843,562
Succeeding Year Tax Increment Financing	0	0	0	0	399,234	0	96,853	496,087
Other	150,257	530	6,112	0	0	0	3,699	160,598
Total Liabilities	1,897,205	334,609	681,094	33,835	399,234	0	437,941	3,783,918

Fund Balances:

Reserved for:

Supplemental Levy Purposes	261,896	0	0	0	0	0	0	261,896
Resource Enhancement and Protection	98,625	0	0	0	0	0	0	98,625
Jail Improvements/Courthouse Security	55,759	0	0	0	0	0	0	55,759

Unreserved:

Undesignated, Reported In:

General Fund	429,054	0	0	0	0	0	0	429,054
Special Revenue Funds	0	(89,637)	179,674	1,394,691	1,561	3,962	594,976	2,085,227
Total Fund Balances	429,054	(89,637)	179,674	1,394,691	1,561	3,962	594,976	2,518,307

Total Liabilities and Fund Balances	\$ 2,742,539	244,972	860,768	1,428,526	400,795	3,962	1,032,917	6,714,479
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See notes to financial statements.

Osceola County

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

June 30, 2010

Total Governmental Fund Balances (pages 21-22) \$ 2,930,561

*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 \$13,856,254 and the accumulated depreciation is \$3,520,859. 10,335,395

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 160,598

Long-term liabilities, including 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, general obligation loans and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (2,416,686)

Net Assets of Governmental Activities (pages 17-18) \$ 11,009,868

See notes to financial statements.

Osceola County
 Statement of Revenues, Expenditures and
 Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2010

	Special Revenue								Total
	General	Mental Health	Rural Services	Secondary Roads	Urban Renewal District 1 Plan Area Revenue	Urban Renewal District 1 Revenue Surplus	Urban Renewal District 1 Principal and Interest Sinking	Nonmajor Special Revenue	
Revenues:									
Property and Other County Tax	\$ 1,499,953	180,289	601,838	0	0	0	0	292,317	2,574,397
Tax Increment Financing	0	0	0	0	389,348	0	0	0	389,348
Interest and Penalty on Property Tax	28,587	0	0	0	0	0	0	0	28,587
Intergovernmental	298,833	491,824	37,239	2,106,573	0	0	0	22,251	2,956,720
Licenses and Permits	4,200	0	200	13,375	0	0	0	0	17,775
Charges for Service	357,465	2,410	0	0	0	0	0	1,767	361,642
Use of Money and Property	56,660	0	0	4,379	4,676	0	0	18,391	84,106
Miscellaneous	20,050	0	0	16,578	0	0	0	121,332	157,960
Total Revenues	2,265,748	674,523	639,277	2,140,905	394,024	0	0	456,058	6,570,535
Expenditures:									
Operating:									
Public Safety and Legal Services	710,579	0	0	0	0	0	0	312,466	1,023,045
Physical Health and Social Services	278,167	0	2,473	0	0	0	0	0	280,640
Mental Health	0	745,270	0	0	0	0	0	0	745,270
County Environment and Education	355,797	0	56,774	0	0	0	0	15,473	428,044
Roads and Transportation	0	0	0	2,320,555	0	0	0	0	2,320,555
Governmental Services to Residents Administration	232,940	0	0	0	0	0	0	1,061	234,001
Administration	665,562	0	0	0	0	0	0	0	665,562
Debt Service	46,238	0	0	0	0	60,000	270,624	0	376,862
Capital Projects	6,482	0	0	216,115	0	0	0	22,079	244,676
Total Expenditures	2,295,765	745,270	59,247	2,536,670	0	60,000	270,624	351,079	6,318,655

Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(30,017)</u>	<u>(70,747)</u>	<u>580,030</u>	<u>(395,765)</u>	<u>394,024</u>	<u>(60,000)</u>	<u>(270,624)</u>	<u>104,979</u>	<u>251,880</u>
Other Financing Sources (Uses):									
Operating Transfers In	0	0	0	596,823	132,877	149,347	270,624	191,386	1,341,057
Operating Transfers Out	0	0	(596,823)	0	(525,972)	(85,385)	0	(132,877)	(1,341,057)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(596,823)</u>	<u>596,823</u>	<u>(393,095)</u>	<u>63,962</u>	<u>270,624</u>	<u>58,509</u>	<u>0</u>
Net Changes in Fund Balances	(30,017)	(70,747)	(16,793)	201,058	929	3,962	0	163,488	251,880
Fund Balances Beginning of Year	<u>875,351</u>	<u>(18,890)</u>	<u>196,467</u>	<u>1,193,633</u>	<u>632</u>	<u>0</u>	<u>0</u>	<u>431,488</u>	<u>2,678,681</u>
Fund Balances End of Year	<u>\$ 845,334</u>	<u>(89,637)</u>	<u>179,674</u>	<u>1,394,691</u>	<u>1,561</u>	<u>3,962</u>	<u>0</u>	<u>594,976</u>	<u>2,930,561</u>

See notes to financial statements.

Osceola County
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances –
 Governmental Funds to the Statement
 of Activities
 Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds (pages 24-25) \$ 251,880

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	\$ 228,870	
Capital assets contributed by the Iowa Department of Transportation	459,118	
Depreciation expense	(432,527)	255,461

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. (8,200)

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	484	
Other	(83,933)	(83,449)

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		295,900
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	10,196	
Interest on long-term debt	2,332	
Other postemployment benefits	(11,300)	
Unified law levy (Paid to the Public Safety Commission)	(60)	1,168

Change in Net Assets of Governmental Activities (page 19-20) \$ 712,760

See notes to financial statements.

Osceola County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2010

Assets

Cash and Pooled Investments:	
County Treasurer	\$ 661,108
Other County Officials	15,635
Receivables:	
Property Tax:	
Delinquent	18,890
Succeeding Year	6,996,033
Tax Increment Financing:	
Succeeding Year	43,820
Accounts	145,419
Accrued Interest	11
Due from Other Governments	20,164
Prepaid Expenses	17,402
Total Assets	<u><u>7,919,212</u></u>

Liabilities

Salaries and Benefits Payable	4,573
Due to Primary Government	145,791
Due to Component Unit	961
Due to Other Governments	7,702,552
Trusts Payable	60,106
Compensated Absences	5,231
Total Liabilities	<u><u>7,919,212</u></u>

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

Osceola County

Notes to Financial Statements

June 30, 2010

(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 \$310,404 (\$311,040 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 \$236,180 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 for the Osceola County Assessor, Osceola County Emergency Management Commission and Osceola County Joint E911 and not reported for the Northwest Iowa Solid Waste Agency, the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority. During the year ended June 30, 2010, the County did not contribute any money to the County Assessor, E911, the Hazardous Material Response Commission, the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority; while the County expended \$30,000 in support for the Emergency Management Services and paid \$324 to the Northwest Iowa Solid Waste Agency for tire and refrigerator disposal. 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, 2010, the amount of money expended by the County for the Commission amounted to \$51,135 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.

Urban Renewal District 1 Revenue Surplus: The Urban Renewal District 1 Revenue Surplus Fund is used to account for Urban Renewal District 1 Plan revenues in excess of the scheduled principal and interest payments on the revenue capital loan notes and the Reserve Fund requirement of \$284,500. Money in this fund is to be used for early redemption of the urban renewal revenue capital loan notes in \$5,000 increments on June 1st of each year.

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 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, 2008 assessed property valuations; are for the tax accrual period July 1, 2009 through June 30, 2010 and reflect the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

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, 2010. The accounts receivable in the County Offices Funds (Agency Funds) total includes \$83,748 in jail fees receivables and \$52,288 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, 2010, balances of interfund amounts receivable or payable have been recorded in the financial statements.

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

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

Prepaid Expenses/Expenditures – Prepaid expenses/expenditures represent insurance coverages and other expenses/expenditures 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, intangibles (when any) 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. The County and Public Safety Commission implemented GASB Statement 51, Accounting and Financial Reporting for Intangible Assets, as of July 1, 2009. The County and Public Safety Commission are not required to and have not retroactively reported intangible assets placed in service prior to this date. 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
Intangibles	25,000
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
Intangibles	3 – 40
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, 2010. 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 (when applicable). Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures (when applicable).

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 General Supplemental and REAP funds required to be maintained in accordance with Chapters 331.424 and 455 A.19 (1)(b)(6), respectively, of the Code of Iowa). Designations of fund balance, which there are none for the County for fiscal year ended June 30, 2010, 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, 2010, 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, 2010 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 \$551,534 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, 2010 are as follows:

Component Unit	Payable Fund	Amount
<u>Statement of Net Assets (Accrual Basis):</u>		
Public Safety Commission	Special Revenue:	
	Unified Law Levy	\$ 7,418
<u>Balance Sheet (Modified Accrual Basis):</u>		
Public Safety Commission	Special Revenue:	
	Unified Law Levy	\$ 6,371

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, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General	Agency:	
	County Offices (Recorder, Sheriff, Ambulance)	\$ 136,516
	Auto License and Use Tax	5,740
	Other (Flex Spending)	3,535
	Total	\$ 145,791
Special Revenue:		
Conservation Land Acquisition Trust	General (REAP)	\$ 9,900
Public Safety Commission	Agency:	
	County Offices (Sheriff)	\$ 961

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. A portion of the Flex Spending Fund payable to the General Fund is the result of a \$3,500 interfund loan that was not repaid by June 30, 2010.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 596,823
Urban Renewal District 1 Plan Area Revenue	Urban Renewal District 1 Plan Area Project	132,877
Urban Renewal District 1 Principal and Interest Sinking	Urban Renewal District 1 Plan Area Revenue	270,624
Urban Renewal District 1 Revenue Reserve	Urban Renewal District 1 Plan Area Revenue	106,001
Urban Renewal District 1 Revenue Surplus	Urban Renewal District 1 Plan Area Revenue	149,347
Urban Renewal District 1 Revenue Reserve	Urban Renewal District 1 Revenue Surplus	85,385
Total		<u>\$ 1,341,057</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, to maintain a required reserve balance for the debt service of the notes or to establish a surplus for the early retirement of the notes.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 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	8,100	0	1,515,256
Construction in Progress	420,095	459,118	(879,213)	0
Total Capital Assets Not Being Depreciated	<u>1,927,251</u>	<u>467,218</u>	<u>(879,213)</u>	<u>1,515,256</u>

Capital Assets Being Depreciated:				
Buildings and Improvements	954,378	0	0	954,378
Machinery, Equipment and Vehicles	4,939,728	220,770	(35,266)	5,125,232
Infrastructure	5,382,175	879,213	0	6,261,388
Total Capital Assets Being Depreciated	<u>11,276,281</u>	<u>1,099,983</u>	<u>(35,266)</u>	<u>12,340,998</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	419,905	18,024	0	437,929
Machinery, Equipment and Vehicles	2,355,621	214,586	(27,066)	2,543,141
Infrastructure	339,872	199,917	0	539,789
Total Accumulated Depreciation	<u>3,115,398</u>	<u>432,527</u>	<u>(27,066)</u>	<u>3,520,859</u>
Total Capital Assets Being Depreciated, Net	<u>8,160,883</u>	<u>667,456</u>	<u>(8,200)</u>	<u>8,820,139</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,088,134</u>	<u>1,134,674</u>	<u>(887,413)</u>	<u>10,335,395</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Public Safety and Legal Services	\$	12,518
Mental Health		1,115
County Environment and Education		16,948
Roads and Transportation		381,183
Governmental Services to Residents		7,489
Administration		<u>13,274</u>
Total Depreciation Expense – Governmental Activities	\$	<u>432,527</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	\$ 429,319	23,648	(21,763)	431,204
Less Accumulated Depreciation For:				
Machinery, Equipment and Vehicles	<u>230,635</u>	<u>28,587</u>	<u>(16,186)</u>	<u>243,036</u>
Public Safety Commission Capital Assets, Net	<u>\$ 198,684</u>	<u>(4,939)</u>	<u>(5,577)</u>	<u>188,168</u>

The County and the Public Safety Commission do not have any “intangible” capital assets as of June 30, 2010.

(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	\$ 2,999
Special Revenue:		
Mental Health	Services	116,338
Secondary Roads	Utilities	487
		<u>116,825</u>
Total for Governmental Funds		<u>\$ 119,824</u>
Agency:		
County Offices (Recorder)	Collections	\$ 11,388
Agricultural Extension Education		101,431
County Assessor		153,230
County Assessor – Special Appraisers		171,651
Schools		5,179,073
Community Colleges		233,339
Corporations		1,347,827
Townships		137,113
Auto License and Use Tax		145,782
E911 Surcharge		177,731
Emergency Management		41,141
All Other		<u>2,844</u>
Total for Agency Funds		<u>\$ 7,702,550</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

County	Compensated Absences	Urban Renewal Revenue Capital Loan Notes	OCEDC General Obligation Loan	Osceola Electric Coop. General Obligation Loan	Net OPEB Liability	Total
Balance Beginning of Year	\$ 82,666	2,170,000	120,421	332,100	0	2,705,187
Increases	79,452	0	0	0	11,300	90,752
Decreases	(89,648)	(255,000)	(4,000)	(36,900)	(0)	(385,548)
Balance End of Year	<u>\$ 72,470</u>	<u>1,915,000</u>	<u>116,421</u>	<u>295,200</u>	<u>11,300</u>	<u>2,410,391</u>
Due Within One Year	<u>\$ 72,470</u>	<u>195,000</u>	<u>4,184</u>	<u>36,900</u>	<u>0</u>	<u>308,554</u>

Component Unit-Public Safety Commission	Compensated Absences	Net OPEB Liability	Total
Balance Beginning of Year	\$ 52,599	0	52,599
Additions	32,436	6,816	39,252
Reductions	(25,877)	(0)	(25,877)
Balance End of Year	\$ 59,158	6,816	65,974
Due Within One Year	\$ 59,158	0	59,158

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
2011	3.40%	195,000	64,567	259,567
2012	3.40%	195,000	58,480	253,480
2013	3.40%	195,000	51,850	246,850
2014	3.40%	195,000	45,220	240,220
2015	*3.40%	195,000	38,590	233,590
2016 – 2020	*3.40%	940,000	91,800	1,031,800
Total		\$ 1,915,000	350,507	2,265,507

During the year ended June 30, 2010, the County retired \$255,000 in urban renewal revenue capital loan notes and paid interest of \$75,624 on these notes. The \$330,624 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 (\$270,624) and the Urban Renewal District 1 Revenue Surplus Fund (\$60,000).

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. During the fiscal year ended, the remaining balance of the unspent proceeds of the urban renewal revenue capital loan notes was transferred to the Urban Renewal District 1 Plan Area Revenue Fund to be used toward the debt service requirements of the urban renewal revenue capital loan notes. 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.

The “Reserve Fund Requirement” amount of \$284,500 was reached and maintained during the fiscal year ended June 30, 2010.

- (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 if the balance in this fund is \$5,000 or more.

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, 2010, OCEDC note payable indebtedness is a follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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	4.50%	5,007	4,331	9,338
2016 – 2018	4.50%	93,505	10,407	103,912
Total		\$ 116,421	34,181	150,602

During the year ended June 30, 2010, the County paid off principal of \$4,000 and interest of \$5,388 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, 2010 book value (capitalized cost less accumulated depreciation) of \$118,817.

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. 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, 2010, Osceola Electric Cooperative, Inc. note payable indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal
2011	0%	36,900
2012	0%	36,900
2013	0%	36,900
2014	0%	36,900
2015	0%	36,900
2016 – 2018	0%	110,700
Total		\$ 295,200

During the year ended June 30, 2010, 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 4.30% of their annual covered salary and the County and Public Safety Commission are required to contribute 6.65% 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, 2010, 2009 and 2008 were \$119,188, \$106,299 and \$95,194 respectively, equal to the required contributions for each year. The Public Safety Commission's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$45,454, \$42,888 and \$42,021, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Osceola County and the Public Safety Commission implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description. The County, including the Public Safety Commission operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 54 (38 County and 16 Public Safety Commission) active and 0 retired members participating in the County's plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the County and the Public Safety Commission's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County and Public Safety Commission's net OPEB obligation:

	Osceola County's Governmental Activities	Component Unit – Public Safety Commission
Annual required contribution	\$ 21,096	6,816
Interest on net OPEB obligation	0	0
Adjustment to annual required contribution	0	0
Annual OPEB cost	21,096	6,816
Contributions made	(9,796)	0
Increase in net OPEB obligation	11,300	6,816
Net OPEB obligation beginning of year	0	0
Net OPEB obligation end of year	\$ 11,300	6,816

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the County contributed \$9,796 to the medical plan. The Public Safety Commission contributed \$0 to the medical plan during the year ended June 30, 2010. Plan members eligible for benefits did not make any contributions.

The County's governmental activities annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Net OPEB Obligation
2010	\$ 21,096	46.4%	\$ 11,300

The Public Safety Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Net OPEB Obligation
2010	\$ 6,816	0.0%	\$ 6,816

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability of the County was \$168,978, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$168,978. The County's covered payroll (annual payroll of active employees covered by the plan) was \$1,333,157 and the ratio of the UAAL to covered payroll was 12.7%. The actuarial accrued liability of the Public Safety Commission was \$44,511, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$44,511. The Public Safety Commission's covered payroll (annual payroll of active employees covered by the plan) was \$610,658 and the ratio of the UAAL to covered payroll was 7.3%. As of June 30, 2010, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the projected unit credit with linear proration to decrement actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County and Public Safety Commission's funding policy. The projected

annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007. Termination rates were set based on the historical experience of the County.

Projected claim costs of the medical plan are \$9,820 annually for retirees. All coverage ceases when the retiree reaches age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) 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.

(11) 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, 2010 except for \$324 for disposal of tires and a refrigerator.

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 \$2,207,425 as of June 30, 2010 and the portion of the liability that has been recognized by the Agency as of June 30, 2010 is \$1,222,574. The estimated remaining life of the landfill is 29 years and the capacity used at June 30, 2010 is approximately 55 percent. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2010, assets of \$1,456,299 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.

(12) Deficit Fund Balance

The Mental Health Fund had a deficit fund balance of \$89,637 at June 30, 2010. 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.

(13) Commitments

The County has an agreement with the City of Sioux City, Iowa for the provision of hazardous materials response services. The agreement is in effect until June 30, 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 charge for fiscal year ending June 30, 2011 is \$5,690. 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 during the fiscal year ended June 30, 2010.

In June 2010, the Board of Supervisors approved the purchase of a skidloader from the Secondary Roads Fund (See Note (15) – Subsequent Events for payment information).

(14) Contingency

In January 2011, the County Sheriff has been named as a defendant in a wrongful termination lawsuit by a former employee. The case is pending and a trial date has been set for February 2012. The County and the County's Sheriff deny any liability in this dispute. The County does carry insurance coverage for this type of risk and this issue has been passed on to the insurance carrier's legal counsel. No amount for any possible liability is reflected in the County's financial statements.

(15) Subsequent Events

Events that have occurred subsequent to June 30, 2010 include the following:

- a. In July 2010, payment was made from the Secondary Roads Fund for the purchase of a skidloader for \$33,040 that was originally approved by the Board of Supervisors in June 2010.
- b. In August 2010, in connection with a joint project with Dickinson County and the Iowa Natural Heritage Foundation, the County received a donation of land valued at approximately \$570,000 to be used for development of a recreational trail.

- c. In September 2010, the Board of Supervisors approved the purchase of a new ambulance for \$79,900 with payment of \$61,900 from the General Basic Fund and \$18,000 from the County Attorney Incentive Fund. Additionally, the Board of Supervisors approved a short term interfund loan from the General Supplemental Fund to the General Basic Fund in the amount of \$61,900 to be used for this purchase.
- d. In June 2011, repayment of the loan from the General Supplemental Fund to the General Basic Fund for \$61,900 was approved and repaid.

(16) Estimates

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

Osceola County
Required Supplementary Information

Osceola County

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

Required Supplementary Information

Year Ended June 30, 2010

	All County Governmental Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property and Other County Tax	\$ 2,963,832	0	2,963,832	2,984,743	2,984,743	(20,911)
Interest and Penalty on Property Tax	28,627	0	28,627	0	0	28,627
Intergovernmental	3,014,475	1,804	3,012,671	2,812,626	2,911,410	101,261
Licenses and Permits	21,205	0	21,205	13,050	13,050	8,155
Charges for Service	359,030	0	359,030	263,275	263,275	95,755
Use of Money and Property	79,894	244	79,650	123,258	123,258	(43,608)
Miscellaneous	165,748	108,434	57,314	33,414	43,514	13,800
Total Receipts	6,632,811	110,482	6,522,329	6,230,366	6,339,250	183,079
Disbursements						
Public Safety and Legal Services	1,021,835	0	1,021,835	1,053,773	1,080,773	58,938
Physical Health and Social Services	295,193	0	295,193	212,938	315,253	20,060
Mental Health	668,312	0	668,312	670,200	670,200	1,888
County Environment and Education	409,815	0	409,815	415,626	446,889	37,074
Roads and Transportation	2,261,334	0	2,261,334	2,355,000	2,355,000	93,666
Governmental Services to Residents	234,360	0	234,360	247,876	247,876	13,516
Administration	673,825	0	673,825	716,134	717,634	43,809
Debt Service	376,862	0	376,862	287,226	365,623	(11,239)
Capital Projects	284,447	56,960	227,487	400,000	400,000	172,513
Total Disbursements	6,225,983	56,960	6,169,023	6,358,773	6,599,248	430,225
Excess (Deficiency) of Receipts Over (Under) Disbursements	406,828	53,522	353,306	(128,407)	(259,998)	613,304
Balances Beginning of Year	2,277,176	57,596	2,219,580	1,847,161	1,847,161	372,419
Balances End of Year	\$ 2,684,004	111,118	2,572,886	1,718,754	1,587,163	985,723

See accompanying independent auditor's report.

Osceola County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year Ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 6,632,811	(62,276)	6,570,535
Expenditures	6,225,983	92,672	6,318,655
Net	406,828	(154,948)	251,880
Beginning Fund Balances	2,277,176	401,505	2,678,681
Ending Fund Balances	\$ 2,684,004	246,557	2,930,561

See accompanying independent auditor's report.

Osceola County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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 (when applicable) and the Capital Projects Funds (when applicable). 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 \$240,475. 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, 2010, disbursements exceeded the amount budgeted in the debt service function.

Osceola County

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Osceola County's Governmental Activities:

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$ 0	168,978	168,978	0.00%	1,333,157	12.7%

Component Unit – Public Safety Commission:

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$ 0	44,511	44,511	0.00%	610,658	7.3%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Osceola County
Other Supplementary Information

Osceola County

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2010

	County Recorder's Records Management	Unified Law Levy	Sheriff's Asset Forfeiture	County Attorney Incentive
Assets				
Cash and Pooled Investments	\$ 21,767	6,370	5,252	17,540
Receivables:				
Property Tax:				
Delinquent	0	1,047	0	0
Succeeding Year	0	329,406	0	0
Tax Increment Financing:				
Succeeding Year	0	0	0	0
Accrued Interest	6	0	0	0
Accounts Receivable	0	0	0	0
Due from Other Governmental Fund	0	0	0	0
Due from Other Governments	0	0	746	502
Total Assets	\$ 21,773	336,823	5,998	18,042
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 0	0	0	0
Due to Component Unit	0	6,371	0	0
Deferred Revenue:				
Succeeding Year Property Tax	0	329,406	0	0
Succeeding Year Tax Increment Financing	0	0	0	0
Other	0	1,046	0	0
Total Liabilities	0	336,823	0	0
Fund Balances:				
Unreserved	21,773	0	5,998	18,042
Total Liabilities and Fund Balances	\$ 21,773	336,823	5,998	18,042

See accompanying independent auditor's report.

Schedule 1

County Tax Increment Financing	Urban Renewal Revenue Reserve	Drainage Districts	Conservation Land Acquisition Trust	Total
0	284,500	111,118	145,088	591,635
0	0	0	0	1,047
0	0	0	0	329,406
96,853	0	0	0	96,853
0	0	9	10	25
0	0	0	150	150
0	0	0	9,900	9,900
0	0	2,653	0	3,901
96,853	284,500	113,780	155,148	1,032,917
0	0	212	1,400	1,612
0	0	0	0	6,371
0	0	0	0	329,406
96,853	0	0	0	96,853
0	0	2,653	0	3,699
96,853	0	2,865	1,400	437,941
0	284,500	110,915	153,748	594,976
96,853	284,500	113,780	155,148	1,032,917

Osceola County
 Combining Schedule of Revenues, Expenditures and
 Changes in Fund Balances
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2010

	County Recorder's Records 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
Revenues:									
Property and Other County Tax	\$ 0	292,317	0	0	0	0	0	0	292,317
Intergovernmental	0	18,087	746	1,614	0	0	1,804	0	22,251
Charges for Service	1,767	0	0	0	0	0	0	0	1,767
Use of Money and Property	29	0	337	0	493	0	208	17,324	18,391
Miscellaneous	0	0	0	502	0	0	108,434	12,396	121,332
Total Revenues	1,796	310,404	1,083	2,116	493	0	110,446	29,720	456,058
Expenditures:									
Operating:									
Public Safety and Legal Services	0	310,404	2,062	0	0	0	0	0	312,466
County Environment and Education	0	0	0	0	15,473	0	0	0	15,473
Governmental Services to Residents	1,061	0	0	0	0	0	0	0	1,061
Capital Projects	0	0	0	0	0	0	18,826	3,253	22,079
Total Expenditures	1,061	310,404	2,062	0	15,473	0	18,826	3,253	351,079
Excess (Deficiency) of Revenues Over (Under) Expenditures	735	0	(979)	2,116	(14,980)	0	91,620	26,467	104,979
Other Financing Sources (Uses):									
Operating Transfers In	0	0	0	0	0	191,386	0	0	191,386
Operating Transfers Out	0	0	0	0	(132,877)	0	0	0	(132,877)
Total Other Financing Sources (Uses)	0	0	0	0	(132,877)	191,386	0	0	58,509
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	735	0	(979)	2,116	(147,857)	191,386	91,620	26,467	163,488
Fund Balances Beginning of Year	21,038	0	6,977	15,926	147,857	93,114	19,295	127,281	431,488
Fund Balance End of Year	\$ 21,773	0	5,998	18,042	0	284,500	110,915	153,748	594,976

See accompanying independent auditor's report.

Osceola County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers	Schools	Community Colleges
Assets						
Cash and Pooled Investments:						
County Treasurer	\$ 0	1,807	50,449	92,223	88,129	3,992
Other County Officials	12,830	0	0	0	0	0
Receivables:						
Property Tax:						
Delinquent	0	290	262	243	14,781	662
Succeeding Year	0	99,334	89,636	82,996	5,076,163	228,685
Tax Increment Financing:						
Succeeding Year	0	0	0	0	0	0
Accounts	136,640	0	0	0	0	0
Accrued Interest	0	0	0	0	0	0
Due from Other Governments	0	0	37	0	0	0
Prepaid Expenses	0	0	17,402	0	0	0
Total Assets	\$ 149,470	101,431	157,786	175,462	5,179,073	233,339
Liabilities						
Salaries and Benefits Payable	\$ 0	0	33	3,811	0	0
Due to Primary Government	136,516	0	0	0	0	0
Due to Component Unit	961	0	0	0	0	0
Due to Other Governments	11,388	101,431	153,230	171,651	5,179,073	233,339
Trusts Payable	605	0	0	0	0	0
Compensated Absences	0	0	4,523	0	0	0
Total Liabilities	\$ 149,470	101,431	157,786	175,462	5,179,073	233,339

See accompanying independent auditor's report.

Schedule 3

Corporations	Townships	Auto License and Use Tax	E911 Surcharge	Emergency Management Services	Future Tax Collections	Other	Total
17,866	2,515	151,522	163,805	27,587	59,494	1,719	661,108
0	0	0	0	0	0	2,805	15,635
2,317	332	0	0	0	0	3	18,890
1,283,824	134,266	0	0	0	0	1,129	6,996,033
43,820	0	0	0	0	0	0	43,820
0	0	0	8,769	10	0	730	146,149
0	0	0	11	0	0	0	11
0	0	0	5,635	14,492	0	0	20,164
0	0	0	0	0	0	0	17,402
1,347,827	137,113	151,522	178,220	42,089	59,494	6,386	7,919,212
0	0	0	489	240	0	0	4,573
0	0	5,740	0	0	0	3,535	145,791
0	0	0	0	0	0	0	961
1,347,827	137,113	145,782	177,731	41,141	0	2,844	7,702,550
0	0	0	0	0	59,494	7	60,106
0	0	0	0	708	0	0	5,231
1,347,827	137,113	151,522	178,220	42,089	59,494	6,386	7,919,212

Osceola County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year Ended June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers	Schools
Assets and Liabilities					
Balances Beginning of Year	\$ 206,007	92,341	118,075	260,758	4,620,762
Additions:					
Property and Other County Tax	0	99,258	89,543	82,854	4,891,816
State Tax Credits	0	5,794	5,610	6,050	280,040
Intergovernmental Replacements, Grants and Revenue	12,369	0	138	0	0
Contribution from Osceola County	0	0	0	0	0
Loan from Osceola County	0	0	0	0	0
E911 Surcharge	0	0	0	0	0
Office Fees and Collections	479,786	0	1,532	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	325	0	0	0	0
Trusts	11,712	0	0	0	0
Miscellaneous	3,321	0	0	0	0
Total Additions	507,513	105,052	96,823	88,904	5,171,856
Deductions:					
Agency Remittances:					
To Other Funds/Component Unit	331,912	0	0	0	0
To Other Governments	219,364	95,962	57,112	174,200	4,613,545
Trusts Paid Out	12,774	0	0	0	0
Total Deductions	564,050	95,962	57,112	174,200	4,613,545
Balances End of Year	\$ 149,470	101,431	157,786	175,462	5,179,073

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
206,477	1,269,928	132,951	131,768	157,358	35,513	32,901	3,351	7,268,190
228,457	1,328,598	129,428	0	0	0	0	1,126	6,851,080
12,834	88,896	7,623	0	0	0	0	58	406,905
0	0	0	0	11,000	34,545	0	0	58,052
0	0	0	0	0	30,000	0	0	30,000
0	0	0	0	0	0	0	5,500	5,500
0	0	0	0	58,422	0	0	0	58,422
0	0	0	0	44	0	0	0	481,362
0	0	0	0	0	0	0	5,231	5,231
0	0	0	1,756,729	0	0	0	0	1,756,729
0	0	0	0	0	0	0	2,237	2,237
0	0	0	0	183	0	0	0	508
0	0	0	0	0	0	65,098	67,335	144,145
0	0	0	0	60	236	0	85	3,702
241,291	1,417,494	137,051	1,756,729	69,709	64,781	65,098	81,572	9,803,873
0	0	0	67,304	0	0	0	2,000	401,216
214,429	1,339,595	132,889	1,669,671	48,847	58,205	0	8,440	8,632,259
0	0	0	0	0	0	38,505	68,097	119,376
214,429	1,339,595	132,889	1,736,975	48,847	58,205	38,505	78,537	9,152,851
233,339	1,347,827	137,113	151,522	178,220	42,089	59,494	6,386	7,919,212

Osceola County

Balance Sheet
Component Unit – Public Safety Commission

June 30, 2010

Assets	
Cash and Pooled Investments	\$ 324,973
Due from Primary Government	6,371
Due from County's Agency Funds	961
Due from Other Governments	5,119
Prepaid Expenditures	12,619
	12,619
Total Assets	\$ 350,043
 Liabilities and Fund Balance	
Liabilities:	
Accounts Payable	\$ 5,990
Salaries and Benefits Payable	1,297
Due to Other Governments	7,372
Deferred Revenue:	
Other	1,478
Total Liabilities	16,137
Fund Balance:	
Unreserved:	
Undesignated	333,906
Total Liabilities and Fund Balance	\$ 350,043

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, 2010

Total Component Unit Fund Balance (page 63) \$ 333,906

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

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 \$431,204 and the accumulated depreciation is \$243,036. 188,168

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the Commission's Balance Sheet. 1,478

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. 1,047

Long-term liabilities, which include compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the Commission's Balance Sheet. (65,974)

Net Assets of Component Unit (pages 17-18) \$ 458,625

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, 2010

Revenues:	
Intergovernmental	\$ 947,382
Charges for Service	24,110
Miscellaneous	6,506
Total Revenues	<u>977,998</u>
Expenditures:	
Operating:	
Uniformed Patrol Services	535,673
Law Enforcement Communications	193,264
Administration	192,512
Data Processing Services	322
Tort Liability and Safety of the Workplace	13,407
Total Expenditures	<u>935,178</u>
Excess of Revenues Over Expenditures	42,820
Other Financing Source:	
Sale of Capital Assets	<u>2,150</u>
Excess of Revenues and Other Financing Source Over Expenditures	44,970
Fund Balance Beginning of Year	<u>288,936</u>
Fund Balance End of Year	<u><u>\$ 333,906</u></u>

See accompanying independent auditor's report.

Osceola County

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

Year Ended June 30, 2010

Net Change in Fund Balance - Component Unit (page 65) \$ 44,970

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	\$ 23,648	
Depreciation expense	<u>(28,587)</u>	(4,939)

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the Statement of Revenues, Expenditures and Change in Fund Balance reports the proceeds from the disposition of capital assets as an increase in financial resources. (5,577)

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	49	
Other	<u>873</u>	922

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	(6,559)	
Other postemployment benefits	<u>(6,816)</u>	<u>(13,375)</u>

Change in Net Assets of Component Unit (pages 19-20) \$ 22,001

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, 2010

Budget to Actual Comparison:

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
County Contribution	\$ 236,180	236,180	236,180	0
City Contribution	387,108	387,106	387,106	2
Unified Law Levy	311,040	312,177	312,177	(1,137)
Other Receipts	40,276	35,000	35,000	5,276
Total Receipts	974,604	970,463	970,463	4,141
Disbursements:				
Uniformed Patrol Services	526,989	552,350	572,350	45,361
Law Enforcement Communications	195,859	191,000	191,000	(4,859)
Administration	191,619	192,100	192,100	481
Other	13,904	22,000	22,000	8,096
Total Disbursements	928,371	957,450	977,450	49,079
Excess (Deficiency) of Receipts Over (Under) Disbursements	46,233	13,013	(6,987)	53,220
Other Financing Source	2,150	0	0	2,150
Excess (Deficiency) of Receipts and Other Financing Source Over (Under) Disbursements	48,383	13,013	(6,987)	55,370
Balances Beginning of Year	276,590	267,593	267,593	8,997
Balances End of Year	\$ 324,973	280,606	260,606	64,367

Note: Although the budget document presents disbursements by program, the legal level of control is at the aggregated total of all disbursements, not by program. During the year, one budget amendment increased budgeted disbursements by \$20,000. The budget amendment is reflected in the final budgeted amount.

Reconciliation:

	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 974,604	3,394	977,998
Expenditures	928,371	6,807	935,178
Net	46,233	(3,413)	42,820
Other Financing Source	2,150	0	2,150
Beginning Fund Balances	276,590	12,346	288,936
Ending Fund Balances	\$ 324,973	8,933	333,906

See accompanying independent auditor's report.

Osceola County

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

For the Last Eight Years

	Modified Accrual Basis							
	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:								
Property and Other County Tax	\$ 2,574,397	2,432,660	2,369,853	2,329,758	2,221,623	2,049,051	2,157,197	2,119,252
Tax Increment Financing	389,348	349,325	323,713	320,185	210,292	0	0	0
Interest and Penalty on Property Tax	28,587	18,319	15,725	14,166	13,275	8,324	10,054	9,823
Intergovernmental	2,956,720	3,099,186	2,488,781	2,384,880	2,331,151	2,339,771	2,310,475	2,231,754
Licenses and Permits	17,775	16,580	20,973	17,210	10,750	9,113	6,023	6,167
Charges for Service	361,642	282,757	258,441	271,659	225,263	250,401	226,598	191,636
Use of Money and Property	84,106	117,326	197,159	207,348	177,756	123,817	84,301	99,577
Miscellaneous	157,960	117,851	89,776	69,472	28,752	31,509	38,024	43,735
Total	\$ 6,570,535	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	\$ 1,023,045	993,477	989,801	982,964	930,874	850,645	782,569	780,412
Physical Health and Social Services	280,640	261,231	143,070	129,747	126,981	121,043	130,769	136,127
Mental Health	745,270	685,581	792,245	678,848	532,029	524,588	481,889	488,561
County Environment and Education	428,044	340,781	434,717	300,820	379,376	2,684,018	249,974	250,575
Roads and Transportation	2,320,555	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	234,001	280,276	222,734	198,224	307,555	197,544	151,508	136,365
Administration	665,562	722,417	706,932	605,044	598,664	557,568	559,522	635,482
Debt Service	376,862	356,750	306,913	312,088	210,913	110,836	68,411	0
Capital Projects	244,676	481,479	1,115,557	506,008	462,538	251,478	184,549	936,418
Total	\$ 6,318,655	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 Eight Years

	Modified Accrual Basis							
	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:								
Intergovernmental	\$ 947,382	930,885	868,725	842,103	875,389	801,430	781,815	776,257
Charges for Service	24,110	23,962	22,958	29,534	24,531	19,090	22,173	23,948
Miscellaneous	6,506	5,629	9,959	22,729	4,875	1,630	2,849	714
Total	\$ 977,998	960,476	901,642	894,366	904,795	822,150	806,837	800,919
Expenditures:								
Operating:								
Uniformed Patrol Services	\$ 535,673	519,494	563,796	530,450	501,156	506,787	515,636	505,115
Investigations	0	0	500	183	2,992	0	0	0
Law Enforcement Communications	193,264	181,136	179,810	162,298	160,028	190,821	184,783	178,910
Administration	192,512	190,665	171,432	163,347	156,285	163,196	137,625	144,945
Data Processing Services	322	400	1,873	798	319	4,731	3,042	0
Tort Liability and Safety of the Workplace	13,407	18,351	13,818	11,891	11,855	13,331	12,914	19,060
Total	\$ 935,178	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***

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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, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated June 29, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in Osceola County's internal control described in the accompanying Schedule of Findings as items 10-A, B, D, E, G, K, L and M to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 10-C, F, H, I, J and N to be significant deficiencies.

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, 2010 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 and 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 29, 2011

Osceola County
Schedule of Findings

Osceola County
Schedule of Findings
Year Ended June 30, 2010

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

10-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 assets, financial transactions, record-keeping and reconciling functions, for which no compensating controls exist. Also, checks do not require dual signatures to be issued.

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, inventory 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.
- f. Authorization of transactions, handling of source documents and custody of assets (especially inventory and capital assets) should be segregated. Billings for services, the recordkeeping of accounts receivable and the handling of cash receipts should also be segregated.
- g. Reconciliations and investigations of unusual reconciling items in the accounting records should be reviewed and approved by a person who is not responsible for receipts and disbursements.

Osceola County
Schedule of Findings
Year Ended June 30, 2010

- 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.
- 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.

10-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. Records of inventory quantities are not maintained on a perpetual basis.

Recommendation – Each County office, the Public Safety Commission, the County Assessor, Emergency Management and E911 should be responsible for assisting the Auditor's Office, on a monthly basis, with accumulating the necessary information in order to keep the capital assets records current. On a yearly basis, an authorized independent person should be responsible for verifying the existence of the capital assets/inventory under each office's control. Any capital assets disposed of or sold should be adequately documented. Capital assets should be marked for identification purposes to assist in the existence and accountability functions. Inventory records need to be developed that allows the County the capacity to monitor the reasonableness of the inventory quantities on an on-going basis.

Osceola County
Schedule of Findings
Year Ended June 30, 2010

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 continued to be developed in a timely manner.

10-C Accounting Procedures Manual – The County does not have an accounting procedures manuals for all aspects of the County’s accounting systems (mainly some of the individual offices).

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.

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

There are no written policies that require:

- daily off-site storage for backup tapes 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 eight 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.

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

Osceola County
Schedule of Findings
Year Ended June 30, 2010

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.

10-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 work on adopting a policy that attempts to meet the requirements of public purpose.

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

10-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.

10-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 on getting and keeping each of the land leases current.

Osceola County
Schedule of Findings
Year Ended June 30, 2010

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

10-I Vehicle Usage/Fuel Test – When filling County vehicles with fuel, the vehicle’s identification and the mileage at the time of fueling are not always noted on the receipt. Vehicle mileage should be compared to fuel consumption on a regular basis by an independent person.

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.

10-J Ambulance Run Reports – The ambulance run reports are not prenumbered.

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

Response – We will have the ambulance personnel address this.

Conclusion – Response acknowledged. Please do have the ambulance personnel work on this.

10-K Reconciliation of Ambulance Billings – 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 collection records were not reconciled to deposits. Also, a listing of outstanding accounts receivable isn’t being provided to the Board of Supervisors twice a year and all write-offs of accounts receivable, for other than Medicare/Medicaid purposes, are not being approved by the Board of Supervisors.

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

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

Conclusion – Response accepted.

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

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

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

Conclusion – Response accepted.

10-M 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 and assess the level of risk associated with each finding and incorporate this assessed level of risk into its development of policies and procedures. County management also needs to communicate the County’s expected ethics and hold County employees accountable to those expected ethics.

Response – We will address your recommendations.

Conclusion – Response accepted.

10-N Payroll Issues – Timesheets are not always being prepared by all personnel. There was a lack of signatures by the employee and the employee’s supervisor on some of the timesheets. Additionally, an employee was paid an extra eight hours of comp time upon the employee’s termination of employment.

Recommendation – 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. The tracking of comp time and the payment procedures for comp time should be reviewed to ensure employee’s are being paid for the proper amount of comp time.

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Please discuss these issues with the County Attorney and take the appropriate actions recommended by the County Attorney.

Response – The County will evaluate the timesheet completion and comp time recordkeeping procedures. We will consult with the County Attorney in regards to the extra comp time payment of eight hours.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

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Other Findings Related to Required Statutory Reporting:

10-1 Certified Budget – Disbursements during the year ended June 30, 2010 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.

10-2 Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented or the necessary documentation to support the expenditure was not present. These expenditures are detailed as follows:

The only support for several credit card charges was a copy of a credit card slip (there was no detailed receipt to support the credit card slip). We noted several credit card charges and employee reimbursements which did not have any supporting documentation/invoice/credit card slip. Additionally, we noted some instances where sales tax was paid on purchases that appear should have been exempt from sales tax. Each of these issues affects 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 County and 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 and Public Safety Commission should establish written policies and procedures requiring detailed supporting documentation for all expenditures. 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 and paying your credit card statement balances timely.

Response – We will stress to employees the need to obtain and retain invoices that support all expenditures and keep receipts on all credit card charges 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.

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

10-3 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: 10-2” for a possible related comment.

10-4 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rick Echter, Husband of Barb Echter – County Auditor Owner of Echter’s Greenhouse	Lawn products and plants	\$ 558
Michael Schulte, Board of Supervisor Owner of S S Mobile Glass	Auto windshield repair	100
John Corbett, Conservation Board Member Owner of Corbett Plumbing & Hardware	Plumbing work and park improvements	5,498

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	\$ 1,421

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Echter’s Greenhouse, S S Mobile Glass and The Press do not appear to represent conflicts of interest since the total transactions with each were less than \$1,500 during the fiscal year. The transactions with Corbett Plumbing & Hardware do not appear to represent conflicts of interest since the transactions were entered into through competitive bidding.

10-5 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.

10-6 Board Minutes — No transactions were found that we believe should have been approved in the Board of Supervisors minutes but were not, except for one intended to be short-

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term interfund loan from the General Fund to the Flex Spending Fund was not approved by the Board by resolution. Also, the interfund loan was not repaid by June 30, 2010.

Recommendation —In accordance with Chapter 331.477, 331.478 and 331.479 of the Code of Iowa, a short-term interfund loan should be formally approved by the Board by passing a resolution and the interfund loan needs to be repaid by the end of the fiscal year in which the loan was issued.

Response — We will have the Board approve all interfund loans by resolution and attempt to make sure the loans are repaid by the end of the fiscal year.

Conclusion — Response accepted.

10-7 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

10-8 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).

10-9 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, 2010 for the County Extension Office did not exceed the amount budgeted.

The County Extension needs to review the “Findings Related to the Financial Statements – Internal Control Deficiencies” for reportable conditions that relate to the Extension or could improve the Extension’s internal control.

It was found that an employee was allowed extra vacation time and to carry over comp time in excess of the amount of hours allowable per the personnel handbook without formal Board approval.

The bank signature cards are missing a couple of the authorized signers’ signatures.

We noted several credit card charges and employee reimbursements which did not have any supporting documentation/invoice. Additionally, we noted instances where late fees were incurred on IPERS reporting/payments.

Osceola County
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Recommendation – Vacation time allowed to be taken and comp time allowed to be carried over should be in accordance with the employee handbook unless formal approval is given by the Extension Council. This approval should be documented in the Extension Council 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.

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 filing your IPERS reports and paying your IPERS liability timely to avoid unnecessary late fees.

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

Conclusion – Response accepted.

10-10 Public Safety Commission Funding – The Public Safety Commission is currently using more of a “how much can each entity afford to contribute” approach for member funding rather than the statutory allowed funding methods.

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

10-11 Financial Condition – The Mental Health Fund had a deficit fund balance at June 30, 2010 of \$89,637.

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

Response – We are making every effort to keep Mental Health related claims stay within the available revenues.

Conclusion – Response accepted.

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10-12

Conservation Board Minutes – The Conservation Board went into a closed session at the meeting held on April 13, 2010 but did not disclose/document the specific exemption which allowed for the closed session to be held.

Recommendation – The minutes should document that the Board followed the proper proceedings for any closed sessions (Chapter 21.5 of the Code of Iowa). Specifically, the Iowa Code Section that provides for the closed session to be held should be properly identified and documented.

Response – We will comply with your recommendation in the future.

Conclusion – Response accepted. Please make sure you follow proper proceedings for any closed sessions.

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
Kayla Reck, Assistant Auditor

De Noble & Company PC
Certified Public Accountants