

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

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

June 30, 2011

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

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

**OFFICIALS**

(Before January 2011)

Donald Besch.....Board of Supervisors ..... January 2011  
Pam Wymore.....Board of Supervisors ..... January 2011  
Donald G. McGregor.....Board of Supervisors ..... January 2011  
Eugene Elsbecker.....Board of Supervisors ..... January 2013  
Jack Plathe.....Board of Supervisors ..... January 2013

Amber Garman..... County Auditor..... January 2013

Nicholas P. Rahm.....County Treasurer ..... January 2011

Karen Benschoter..... County Recorder ..... January 2011

Steve Kollasch .....County Sheriff..... January 2013

Todd Holmes..... County Attorney..... January 2011

Judy Samp..... County Assessor..... January 2011

(After January 2011)

Eugene Elsbecker.....Board of Supervisors ..... January 2013  
Jack Plathe.....Board of Supervisors ..... January 2013  
Donald Besch.....Board of Supervisors ..... January 2015  
Pam Wymore.....Board of Supervisors ..... January 2015  
Donald G. McGregor.....Board of Supervisors ..... January 2015

Amber Garman..... County Auditor..... January 2013

Nicholas P. Rahm.....County Treasurer ..... January 2015

Karen Benschoter..... County Recorder ..... January 2015

Steve Kollasch .....County Sheriff..... January 2013

Todd Holmes..... County Attorney..... January 2015

Judy Samp..... County Assessor..... January 2012



**Gardiner Thomsen**  
Certified Public Accountants

## **Independent Auditors' Report**

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To the Officials of Kossuth County  
Algona, Iowa

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Kossuth County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kossuth County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kossuth County at June 30, 2011, and the respective changes in financial position and the cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2012 on our consideration of Kossuth County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 - 9 and 43 - 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kossuth County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except the portion marked "unaudited" (Schedule 5) on which we express no opinion, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

March 11, 2012

*Garland T. Thomsen, P.C.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management of Kossuth County provides this Management's Discussion and Analysis of Kossuth County's annual financial statements. This narrative overview and analysis of the financial activities of Kossuth County is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

- County governmental funds revenue decreased 4% or approximately \$718,122 from 2010 to 2011. Property taxes increased approximately \$277,134, charges for services increased \$702,069 and capital grants, contributions & restricted interest decreased approximately \$1,394,202.
- County program expenses were 5% or approximately \$902,698 more in 2011 than in 2010. Roads & Transportation expense increased approximately \$299,670 and Non Program expense increased approximately \$378,235.
- The County's net assets increased 4% or approximately \$2,574,484 from June 30, 2010 to June 30, 2011.

### USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial statements.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Kossuth County as a whole and present an overall view of the County's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Kossuth County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Kossuth County acts solely as an agent or custodian for the benefit of those outside of Kossuth County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

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

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

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

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

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

The County's governmental activities are displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, interest on long-term debt and other non-program activities. Property taxes and state and federal grants finance most of these activities.

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

The County has three kinds of funds:

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

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

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

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

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

The County’s combined net assets were changed, increasing from \$51,934,924 to \$54,512,893. The analysis below focuses on net assets and changes in net assets of government activities.

**Net Assets of Governmental Activities**

	(Expressed in Thousands)	
	2011	2010
Current and Other Assets	\$22,379	\$20,757
Capital Assets	43,720	41,570
Total Assets	<u>66,099</u>	<u>62,327</u>
Long-Term Debt Outstanding	1,797	1,628
Other Liabilities	9,789	8,761
Total Liabilities	<u>11,586</u>	<u>10,389</u>
Net Assets:		
Invested in Capital Assets, Net of Debt	43,660	41,371
Restricted	6,167	5,060
Unrestricted	<u>4,686</u>	<u>5,507</u>
Total Net Assets	<u>\$54,513</u>	<u>\$51,938</u>

Net assets of the County’s governmental activities increased by approximately 4%, (from \$51,938,409 to \$54,512,893). The largest portion of the County’s net assets is Invested in Capital Assets (infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased from approximately \$5,507,064 at June 30, 2010 to approximately \$4,686,279 at the end of this year, decrease of 15%.

**Changes in Net Assets of Governmental Activities**

	Expressed in Thousands	
	Year Ended June 30,	
	2011	2010
Program Revenues:		
Charges for service	\$3,404	\$2,702
Operating grants and contributions	6,049	6,101
Capital grants and contributions	2,553	3,948
Property taxes and State Credits	9,119	8,761
Unrestricted investments earnings	147	166
Other general revenues	72	384
Total revenues	<u>21,344</u>	<u>22,062</u>

	Year Ended June 30,	
	2011	2010
Program Expenses:		
Public safety and legal services	\$2,450	\$2,362
Physical health and social services	352	454
Mental health	2,009	1,894
County environment and education	909	886
Roads and transportation	8,713	8,413
Government services to residents	699	665
Administration or general government	1,579	1,512
Non-program	2,056	1,677
Interest on long-term debt	2	4
Total expenses	18,769	17,867
Increase in net assets	2,575	4,195
Net assets – beginning of year	51,938	47,743
Net assets – end of year	\$54,513	\$51,938

The County's revenue decreased 4%, \$718,122. The total cost of programs and services increased 5%, \$902,698, with no new programs added this year.

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

As the County completed the year, its governmental funds reported a 6% increase in combined fund balance.

The combined ending fund balance of the General and General Supplemental Funds increased by \$130,836 from 2010 to 2011. This slight increase in balance was due to an increase in property tax revenue and intergovernmental revenues and decreased expenditures of only \$9,257.

The Mental Health fund balance increased from a balance of \$1,121,133 to a balance of \$1,196,989. This was due to a continued effort by the County to effectively manage the rest of mental health services.

The Rural Services Fund balance increased slightly from \$1,000,656 in 2010 to \$1,123,562 at June 30, 2011.

The Secondary Road fund ended the 2011 year with a balance of \$2,847,280. This is lower than the \$3,195,684 balance one year ago, due to increased roadway construction projects.

The Drainage District Fund balance increased from \$135,825 at June 30, 2010 to \$758,528 at June 30, 2011. This was the result of issuing \$1,475,451 in stamped drainage warrants, redeeming \$1,282,486 in stamped drainage warrants, collecting \$1,364,894 in drainage revenues and having expenditures of \$1,911,932.

#### **BUDGETARY HIGHLIGHTS**

The 2010-2011 FY Budget was amended one time. The public hearing was held on May 24, 2011. The amendment consisted of an amendment in Revenue in the amount of \$50,000 to Intergovernmental and \$8,000 for Charges to Service for a total of \$58,000. The amendment of Expenditures consisted of \$50,000 to Physical Health & Social Services, \$3,500 to County Environment and Education, \$27,000 to Administration and \$35,000 to Debt Service for a total of \$115,500.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2011, the County had \$95,572,178 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$4,755,218 or 5% over last year.

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

	(Expressed in Thousands)	
	2011	2010
Land	\$1,773	\$1,773
Buildings & Improvements	6,986	6,986
Machinery & Equipment	13,086	12,698
Construction in Progress	1,689	0
Infrastructure	72,038	69,360
Total	<u>\$95,572</u>	<u>\$90,817</u>

This year's major additions include

Law Enforcement Vehicles	\$53
Secondary Road Equipment	903
Infrastructure	<u>2,678</u>
	<u>\$3,634</u>

The County had depreciation expense of \$3,252,919 for the year ended June 30, 2011 and total accumulated depreciation as of June 30, 2011 of \$51,852,145.

The County's fiscal year 2011 capital expenditures totaled \$1,852,713 principally for the continued upgrading of secondary roads and bridges and various conservation projects. The County has no plans to issue additional debt to finance these projects.

**Debt Administration**

At year end, the County had \$1,492,650 in bonds and other debt compared to \$1,424,794 in bonds and other debt last year as shown below.

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

	(Expressed in Thousands)	
	2011	2010
Rural Development Notes	\$60	\$120
Capital Loan Notes	0	79
Drainage Warrants	1,093	900
Compensated Absences	340	326
	<u>\$1,493</u>	<u>\$1,425</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$81 million limit.

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

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

When preparing the 2011-2012 FY Budget the Kossuth County Board of Supervisors worked very hard with the Elected Officials and the Department Heads to keep the budget down and avoid any unnecessary increases. The Board of Supervisors key objectives when working on the budget is the economy and keeping increases down to try and lessen the burden on the tax payers of Kossuth County. After completing the Budget Process the Tax Levies for Kossuth County will remain at 3.50 for General Basic, will be reduced to 1.18605 for General Supplemental, will be reduced to 1.05801 for MH-DD Services Fund and will be reduced to 2.6 for Rural Services Basic.

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

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, 114 W. State St., Algona, IA.

**KOSSUTH COUNTY  
Algona, Iowa**

**STATEMENT OF NET ASSETS  
June 30, 2011**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash & Pooled Investments	\$12,967,860	\$379,683	\$13,347,543
Receivables:			
Property Tax:			
Delinquent	14,088	0	14,088
Succeeding Year	7,734,592	0	7,734,592
Interest & Penalty on Property Tax	83	0	83
Accounts	41,036	74,828	115,864
Accrued Interest	40,383	3,369	43,752
Drainage Assessments	422,073	0	422,073
Due From Other Governments	730,177	0	730,177
Inventories	428,631	0	428,631
Restricted Cash and Pooled Investments	0	629,671	629,671
Capital Assets (Net of Accumulated Depreciation)	43,720,033	774,359	44,494,392
<b>TOTAL ASSETS</b>	<b>66,098,956</b>	<b>1,861,910</b>	<b>67,960,866</b>
<b>LIABILITIES</b>			
Accounts Payable	1,479,353	77,864	1,557,217
Accrued Interest Payable	42,489	0	42,489
Salaries & Benefits Payable	262,740	10,526	273,266
Due To Other Governments	269,725	0	269,725
Deferred Revenue:			
Succeeding Year Property Tax	7,734,592	0	7,734,592
Long Term Liabilities:			
Portion Due or Payable Within One Year:			
Rural Development Loan	60,000	0	60,000
Drainage Warrants/Drainage Improvements			
Certificates Payable	1,092,801	0	1,092,801
Compensated Absences	339,849	5,769	345,618
Portion Due or Payable After One Year:			
Estimated Liability for Landfill Closure and			
Post Closure Care	0	692,550	692,550
Net OPEB Liability	304,514	5,554	310,068
<b>TOTAL LIABILITIES</b>	<b>11,586,063</b>	<b>792,263</b>	<b>12,378,326</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	43,660,033	774,359	44,434,392
Restricted For:			
Supplemental Levy Purposes	845,470	0	845,470
Mental Health Purposes	1,185,371	0	1,185,371
Rural Services Purposes	1,125,408	0	1,125,408
Secondary Roads Purposes	2,686,364	0	2,686,364
Drainage Purposes	93,226	0	93,226
Other Purposes	230,742	0	230,742
Unrestricted	4,686,279	295,288	4,981,567
<b>TOTAL NET ASSETS</b>	<b>\$54,512,893</b>	<b>\$1,069,647</b>	<b>\$55,582,540</b>

See Notes To Financial Statements

**KOSSUTH COUNTY**  
Algona, Iowa

**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>
		Charges for Service
<b>FUNCTIONS/PROGRAMS:</b>		
Governmental Activities:		
Public Safety & Legal Services	\$2,450,008	\$90,818
Physical Health & Social Services	351,957	8,575
Mental Health	2,008,586	202,102
County Environment & Education	909,437	73,660
Roads & Transportation	8,712,643	149,047
Governmental Services to Residents	699,373	323,452
Administration	1,579,165	106,610
Non - Program	2,055,545	2,449,845
Interest and Fees on Long-Term Debt	2,378	0
Total Governmental Activities	18,769,092	3,404,109
Business-type Activities:		
Landfill/Transfer Station	842,187	875,381
Total	\$19,611,279	\$4,279,490

**GENERAL REVENUES (EXPENSES):**

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

**CHANGE IN NET ASSETS**

**NET ASSETS, BEGINNING OF YEAR**

**NET ASSETS, END OF YEAR**

See Notes To Financial Statements

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
\$94,991	\$0	\$(2,264,199)	\$0	\$(2,264,199)
200,313	0	(143,069)	0	(143,069)
751,144	0	(1,055,340)	0	(1,055,340)
14,707	0	(821,070)	0	(821,070)
4,982,644	2,553,358	(1,027,594)	0	(1,027,594)
5,303	0	(370,618)	0	(370,618)
0	0	(1,472,555)	0	(1,472,555)
0	0	394,300	0	394,300
0	0	(2,378)	0	(2,378)
6,049,102	2,553,358	(6,762,523)	0	(6,762,523)
0	0	0	33,194	33,194
\$6,049,102	\$2,553,358	(6,762,523)	33,194	(6,729,329)
		7,763,080	0	7,763,080
		52,611	0	52,611
		368,304	0	368,304
		935,066	0	935,066
		146,866	12,593	159,459
		71,080	0	71,080
		9,337,007	12,593	9,349,600
		2,574,484	45,787	2,620,271
		51,938,409	1,023,860	52,962,269
		\$54,512,893	\$1,069,647	\$55,582,540

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

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2011

	General	Special Revenue	
		Mental Health	Rural Services
<b>ASSETS</b>			
Cash and Pooled Investments	\$3,133,833	\$1,443,216	\$983,710
Receivables:			
Property Tax:			
Delinquent	10,001	2,241	1,846
Succeeding Year	4,728,076	1,059,417	1,947,099
Interest and Penalty on Property Tax	83	0	0
Accounts	35,529	351	0
Accrued Interest	15,108	0	0
Drainage Assessments	0	0	0
Due From Other Funds	0	0	0
Due From Other Governments	54,854	47,782	139,992
Inventories	0	0	0
<b>TOTAL ASSETS</b>	<b>\$7,977,484</b>	<b>\$2,553,007</b>	<b>\$3,072,647</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$65,179	\$52,604	\$140
Accrued Interest	0	0	0
Salaries and Benefits Payable	57,235	0	0
Due to Other Funds	5,288	0	0
Due To Other Governments	27,376	241,770	0
Deferred Revenue:			
Succeeding Year Property Tax	4,728,076	1,059,417	1,947,099
Other	18,032	2,227	1,846
Total Liabilities	4,901,186	1,356,018	1,949,085
Fund Balances:			
Nonspendable:			
Inventories	0	0	0
Restricted For:			
Supplemental Levy Purposes	845,470	0	0
Mental Health Purposes	0	1,196,989	0
Rural Services Purposes	0	0	1,123,562
Secondary Roads Purposes	0	0	0
Drainage Warrants/Drainage Improvement			
Certificates	0	0	0
Conservation Land Acquisition	51,988	0	0
Nature Center	60,000	0	0
Other Purposes	0	0	0
Assigned	16,860	0	0
Unassigned	2,101,980	0	0
Total Fund Balances	3,076,298	1,196,989	1,123,562
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$7,977,484</b>	<b>\$2,553,007</b>	<b>\$3,072,647</b>

See Notes To Financial Statements

Special Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
\$3,213,596	\$838,056	\$116,637	\$9,729,048
0	0	0	14,088
0	0	0	7,734,592
0	0	0	83
4,785	0	371	41,036
0	0	1,746	16,854
0	422,073	0	422,073
5,288	0	0	5,288
361,344	126,205	0	730,177
428,631	0	0	428,631
<b>\$4,013,644</b>	<b>\$1,386,334</b>	<b>\$118,754</b>	<b>\$19,121,870</b>
\$960,280	\$157,818	\$0	\$1,236,021
0	42,489	0	42,489
205,505	0	0	262,740
0	0	0	5,288
579	0	0	269,725
0	0	0	7,734,592
0	427,499	0	449,604
<b>1,166,364</b>	<b>627,806</b>	<b>0</b>	<b>10,000,459</b>
428,631	0	0	428,631
0	0	0	845,470
0	0	0	1,196,989
0	0	0	1,123,562
2,418,649	0	0	2,418,649
0	758,528	0	758,528
0	0	0	51,988
0	0	0	60,000
0	0	118,754	118,754
0	0	0	16,860
0	0	0	2,101,980
<b>2,847,280</b>	<b>758,528</b>	<b>118,754</b>	<b>9,121,411</b>
<b>\$4,013,644</b>	<b>\$1,386,334</b>	<b>\$118,754</b>	<b>\$19,121,870</b>

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

**RECONCILIATION OF THE BALANCE SHEET –**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**

June 30, 2011

**Total Governmental Fund Balances (pages 13-14)** \$9,121,411

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The costs of assets is \$95,572,178 and the accumulated depreciation/amortization is \$51,852,145. 43,720,033

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 449,604

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 3,019,009

Long-term liabilities, including bonds payable, compensated absences payable accrued interest payable, postclosure costs payable and drainage warrants and improvement certificates payable are not due and payable the current period and, therefore, are not reported in the funds. (1,797,164)

**Net Assets of Governmental Activities (page 10)** \$54,512,893

See Notes to Financial Statements.

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

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
**GOVERNMENTAL FUNDS**  
Year Ended June 30, 2011

	General	Special Revenue	
		Mental Health	Rural Services
<b>REVENUES:</b>			
Property & Other County Tax	\$4,693,089	\$1,079,887	\$1,987,474
Local Option Sales Tax	0	0	935,066
Interest & Penalty on Property Tax	52,611	0	0
Intergovernmental	516,786	959,278	95,319
Licenses & Permits	5,028	0	0
Charges for Services	519,388	45,032	0
Use of Money & Property	156,769	0	0
Miscellaneous	54,391	2,601	0
Total Revenues	5,998,062	2,086,798	3,017,859
<b>EXPENDITURES:</b>			
Operating:			
Public Safety & Legal Services	2,367,458	0	0
Physical Health & Social Services	350,379	0	0
Mental Health	0	2,010,942	0
County Environment & Education	616,045	0	213,657
Roads & Transportation	0	0	0
Governmental Services to Residents	650,815	0	0
Administration	1,559,489	0	0
Non-Program	68,668	0	0
Debt Service	0	0	0
Capital Projects	20,966	0	0
Total Expenditures	5,633,820	2,010,942	213,657
Excess (Deficiency) of Revenues Over (Under) Expenditures	364,242	75,856	2,804,202
Other Financing Sources (Uses):			
Sale of Capital Assets	1,875	0	0
Transfers In	0	0	0
Transfers Out	(235,281)	0	(2,681,296)
Drainage Warrants Issued	0	0	0
Total Other Financing Sources (Uses)	(233,406)	0	(2,681,296)
Net Change in Fund Balances	130,836	75,856	122,906
Fund Balances – Beginning of Year, As Restated	2,945,462	1,121,133	1,000,656
Increase in Reserve For Inventories	0	0	0
Fund Balances – End of Year	\$3,076,298	\$1,196,989	\$1,123,562

See Notes To Financial Statements

Special Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
\$0	\$0	\$0	\$7,760,450
0	0	0	935,066
0	0	0	52,611
5,033,580	0	15,523	6,620,486
4,500	0	0	9,528
63,373	1,364,894	3,872	1,996,559
22,871	0	1,746	181,386
14,498	976,776	46,138	1,094,404
<u>5,138,822</u>	<u>2,341,670</u>	<u>67,279</u>	<u>18,650,490</u>
0	0	752	2,368,210
0	0	0	350,379
0	0	0	2,010,942
0	0	0	829,702
6,564,310	0	0	6,564,310
0	0	4,000	654,815
0	0	0	1,559,489
0	3,194,418	0	3,263,086
0	0	141,659	141,659
1,820,201	0	11,546	1,852,713
<u>8,384,511</u>	<u>3,194,418</u>	<u>157,957</u>	<u>19,595,305</u>
<u>(3,245,689)</u>	<u>(852,748)</u>	<u>(90,678)</u>	<u>(944,815)</u>
0	0	0	1,875
2,856,400	0	60,177	2,916,577
0	0	0	(2,916,577)
0	1,475,451	0	1,475,451
<u>2,856,400</u>	<u>1,475,451</u>	<u>60,177</u>	<u>1,477,326</u>
(389,289)	622,703	(30,501)	532,511
3,195,684	135,825	149,255	8,548,015
40,885	0	0	40,885
<u>\$2,847,280</u>	<u>\$758,528</u>	<u>\$118,754</u>	<u>\$9,121,411</u>

**KOSSUTH COUNTY  
Algona, Iowa**

**RECONCILIATION OF THE STATEMENT REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011**

**Net Change in Fund Balances - Total Governmental Funds (pages 16-17)** \$532,511

*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/amortization expense in the current year as follows:

Expenditures for Capital Assets	\$2,849,403	
Capital Assets Contributed by the Iowa Department of Transportation	2,553,358	
Depreciation/Amortization Expense	<u>(3,252,919)</u>	2,149,842

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:

Property Taxes	2,632	
Other	<u>3,366</u>	5,998

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Assets. Current year issuances exceeded repayments as follows:

Issued	(1,475,451)	
Repaid	<u>1,421,767</u>	(53,684)

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

Compensated Absences	(14,172)	
Other Postemployment Benefits	<u>(101,465)</u>	(115,637)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenditures in the period that the corresponding net asset is exhausted. 40,885

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 14,569

**Change in Net Assets of Governmental Activities (pages 11-12)** \$2,574,484

See Notes to Financial Statements

**KOSSUTH COUNTY  
Algona, Iowa**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2011**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	Enterprise Fund Landfill/Transfer Station	Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$379,683	\$3,238,812
Receivables:		
Accounts Receivable	74,828	0
Accrued Interest	3,369	23,529
Total Current Assets	<u>457,880</u>	<u>3,262,341</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	629,671	0
Capital Assets, Net of Accumulated Depreciation	774,359	0
Total Non-Current Assets	<u>1,404,030</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u><u>\$1,861,910</u></u>	<u><u>\$3,262,341</u></u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	\$77,864	\$243,332
Salaries and Benefits Payable	10,526	0
Compensated Absences	5,769	0
Estimated Liability for Postclosure	31,440	0
Net OPED Liability	5,554	0
Total Current Liabilities	<u>131,153</u>	<u>243,332</u>
Non-Current Liabilities:		
Estimated Liabilities for Postclosure	<u>661,110</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$792,263</u></u>	<u><u>\$243,332</u></u>
<b>NET ASSETS</b>		
Invested in Capital Assets	\$774,359	\$0
Unrestricted	<u>295,288</u>	<u>3,019,009</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$1,069,647</u></u>	<u><u>\$3,019,009</u></u>

See Notes To Financial Statements

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

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
**PROPRIETARY FUNDS**  
Year Ended June 30, 2011

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	Enterprise Fund Landfill/Transfer Station	Internal Service Funds
<b>OPERATING REVENUES:</b>		
Charges for Service	\$875,381	\$0
Miscellaneous:		
Reimbursements From Operating Funds	0	1,107,870
Other Reimbursements	0	23,465
Total Operating Revenues	<u>875,381</u>	<u>1,131,335</u>
<b>OPERATING EXPENSES:</b>		
Governmental Activities:		
Medical Claims	0	921,748
Administrative Fees	0	214,855
Miscellaneous	0	39,953
Business-type Activities:		
Operations and Maintenance	751,416	0
Postclosure	47,477	0
Other Post Employment Benefits	1,879	0
Depreciation	41,415	0
Total Operating Expenses	<u>842,187</u>	<u>1,176,556</u>
Operating Income (Loss)	33,194	(45,221)
<b>NON-OPERATING REVENUES:</b>		
Interest on Investments	12,593	59,790
Net Income	45,787	14,569
Net Assets Beginning of Year	1,023,860	3,004,440
Net Assets End of Year	<u>\$1,069,647</u>	<u>\$3,019,009</u>

See Notes To Financial Statements

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

STATEMENT OF CASH FLOWS  
**PROPRIETARY FUNDS**  
Year Ended June 30, 2011

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	Enterprise Fund Landfill/Transfer Station	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received From Operating Fund Reimbursements	\$0	\$1,107,870
Cash Received From Employees and Others	0	23,465
Cash Received From Customers	881,298	0
Cash Payments to Suppliers For Services	(787,912)	(1,126,618)
Net Cash Provided by Operating Activities	<u>93,386</u>	<u>4,717</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on Investments	<u>12,252</u>	<u>63,635</u>
Net Increase in Cash and Cash Equivalents	105,638	68,352
Cash and Cash Equivalents at Beginning of Year	<u>903,716</u>	<u>3,170,460</u>
Cash and Cash Equivalents at End of Year	<u><u>\$1,009,354</u></u>	<u><u>\$3,238,812</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$33,194	\$(45,221)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	41,415	0
Increase in Accounts Receivable	5,918	0
Increase in Accounts Payable and Other Current Liabilities	12,859	49,938
Net Cash Provided by Operating Activities	<u><u>\$93,386</u></u>	<u><u>\$4,717</u></u>

See Notes To Financial Statements

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

**STATEMENT OF FIDUCIARY ASSETS**  
**AGENCY FUNDS**  
June 30, 2011

**ASSETS**

Cash & Pooled Investments:	
County Treasurer	\$1,477,310
Other County Officials	5,229
Receivables:	
Property Tax:	
Delinquent	427
Succeeding Year	18,791,298
Accounts	27,028
Accrued Interest	626
Assessments	384,285
<b>TOTAL ASSETS</b>	<b>20,686,203</b>

**LIABILITIES**

Accounts Payable	4,497
Salaries & Benefits Payable	2,335
Drainage Warrants Payable	58,010
Due To Other Governments	20,534,916
Trusts Payable	69,418
Compensated Absences	17,027
<b>TOTAL LIABILITIES</b>	<b>20,686,203</b>

**NET ASSETS** **\$0**

See Notes To Financial Statements

# Notes to Financial Statements

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## Note 1: Summary of Significant Accounting Policies

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

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

### A. REPORTING ENTITY

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

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

Blended Component Units – The following component unit is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, the same as the County. It is reported as part of the County and blended into the appropriate funds.

Five hundred ninety seven drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, some are controlled, managed and supervised by the Kossuth County Board of Supervisors. These drainage districts are reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. The financial transactions of these districts are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Kossuth County Auditor's office.

## Notes to Financial Statements (Continued)

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

#### A. REPORTING ENTITY (CONTINUED)

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

#### B. BASIS OF PRESENTATION

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

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

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

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

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

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

## Notes to Financial Statements (Continued)

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Drainage Fund is used to account for the charges for services, issuances and redemption of stamped drainage warrants and other drainage activities of the County.

Additionally the County reports the following funds:

Proprietary Funds – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis. An Enterprise Fund is used to account for the operations of the transfer station.

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

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

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

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

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

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

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

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

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

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

When an expenditures is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications-committed assigned and then unassigned fund balances.

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

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

## Notes to Financial Statements (Continued)

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable, but has not been collected.

## Notes to Financial Statements (Continued)

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

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

## Notes to Financial Statements (Continued)

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and Improvements	40 – 65
Infrastructure	15 – 65
Intangibles	5 – 20
Equipment and Vehicles	2 – 20

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

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

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

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

Compensated Absences -- County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

## Notes to Financial Statements (Continued)

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

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

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

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

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

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

#### E. BUDGETS AND BUDGETARY ACCOUNTING

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

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted.

### Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 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.

## Notes to Financial Statements (Continued)

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

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$153,185 pursuant to Rule 20-7 under the Investment Company Act of 1940.

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

Credit Risk. The investment in the Iowa public Agency Investment Trust is unrated.

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

The detail of inter-fund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General Fund	<u>\$5,288</u>

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

### Note 4: Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General Fund	\$175,104
Secondary Roads	Special Revenue:	
	Rural Services	2,681,296
Waters Edge Nature Center	General Fund	<u>60,177</u>
Total		<u>\$2,916,577</u>

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

## Notes to Financial Statements (Continued)

### Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$1,773,462	\$0	\$0	\$1,773,462
Construction in Progress	0	1,689,390	0	1,689,390
Total Capital Assets Not Being Depreciated	1,773,462	1,689,390	0	3,462,852
Capital Assets Being Depreciated:				
Buildings	6,574,678	0	0	6,574,678
Improvements Other Than Buildings	410,445	0	0	410,445
Machinery and Equipment	9,542,395	667,081	562,714	9,646,762
Vehicles	3,155,732	368,318	84,829	3,439,221
Infrastructure	69,360,248	2,677,972	0	72,038,220
Total Capital Assets Being Depreciated	89,043,498	3,713,371	647,543	92,109,326
Less Accumulated Depreciation for:				
Buildings	2,254,698	130,531	0	2,385,229
Improvements Other Than Buildings	76,864	21,258	0	98,122
Machinery and Equipment	6,292,321	544,805	562,714	6,274,412
Vehicles	2,303,575	217,608	84,829	2,436,354
Infrastructure	38,319,311	2,338,717	0	40,658,028
Total Accumulated Depreciation	49,246,769	3,252,919	647,543	51,852,145
Total Capital Assets Being Depreciated, Net	39,796,729	460,452	0	40,257,181
Governmental Activities Capital Assets, Net	\$41,570,191	\$2,149,842	\$0	\$43,720,033

Depreciation expense was charged to the following functions:

Public Safety and Legal Services	\$107,100
Physical Health and Social Services	11,914
Mental Health	2,919
County Environment and Education	48,065
Roads and Transportation	3,025,377
Government Services to Residents	29,841
Administration	27,703
Total Depreciation Expense – Governmental Activities	<u>\$3,252,919</u>

## Notes to Financial Statements (Continued)

### Note 5: Capital Assets (Continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$261,000	\$0	\$0	\$261,000
Total Capital Assets Not Being Depreciated	261,000	0	0	261,000
Capital Assets Being Depreciated:				
Buildings	657,232	0	0	657,232
Equipment and Vehicles	263,847	0	0	263,847
Total Capital Assets Being Depreciated	921,079	0	0	921,079
Less Accumulated Depreciation for:				
Buildings	185,573	25,009	0	210,582
Equipment and Vehicles	180,732	16,406	0	197,138
Total Accumulated Depreciation	366,305	41,415	0	407,720
Total Capital Assets Being Depreciated, Net	554,774	(41,415)	0	513,359
Business-Type Activities Capital Assets, Net	\$815,774	\$(41,415)	\$0	\$774,359

Depreciation was charged to the following functions:

Business-type Activities:	
Landfill/Transfer Station	<u>\$41,415</u>

### Note 6: Due to Other Governments

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

Fund	Description	Amount
General	Services	\$27,376
Special Revenue:		
Mental Health	Services	241,770
Secondary Roads		579
Total for Governmental Funds		<u>\$269,725</u>

## Notes to Financial Statements (Continued)

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

Fund	Description	Amount
Agency:		
Agricultural Extension	Collections	\$71,408
Assessor		760,800
Schools		12,874,701
Community Colleges		781,672
Corporations		4,214,773
Auto License & Use Tax		464,694
All Others		1,366,868
Total for Agency Funds		<u>\$20,534,916</u>

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

A summary of changes in long-term liabilities for the year ended June 30, 2011, is as follows:

	Rural Development Loan	Capital Loan Notes	Drainage Warrants	Compensated Absences	Total
Balance – Beginning of Year	\$120,000	\$79,281	\$899,836	\$325,677	\$1,424,794
Increases	0	0	1,475,451	14,172	1,489,623
Decreases	60,000	79,281	1,282,486	0	1,421,767
Balance – End of Year	<u>\$60,000</u>	<u>\$0</u>	<u>\$1,092,801</u>	<u>\$339,849</u>	<u>1,492,650</u>
Due Within One Year	<u>\$60,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$339,849</u>	<u>\$399,849</u>

#### Rural Development Loan

During the year ending June 30, 2006, the County entered into a Rural Economic Development Loan agreement with Corn Belt Power Cooperative. In an effort to provide local financing for projects to foster economic development, Corn Belt Power Cooperative loaned Kossuth County Conservation \$300,000 for the purpose of financing construction of a new Nature Center and Emergency Shelter at Smith's Lake County Park in rural Kossuth County. The loan bears no interest, semiannual payments of \$30,000 were due on September 1, 2007 and March 1, 2008 and continue until the loan is paid in full by March 1, 2012.

A summary of the County's June 30, 2011 rural development loan is as follows:

Year Ending June 30, <u>2012</u>	<u>\$60,000</u>
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## Notes to Financial Statements (Continued)

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

During the year ended June 30, 2011, the County retired \$60,000 of general obligation notes.

#### Capital Loan Notes

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

During the year ended June 30, 2011, the County retired \$79,281 of capital loan notes, paying off the obligation.

#### Drainage Warrants

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

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

A summary of change in long-term liabilities for business-type activities for the year ended June 30, 2011 is as follows:

	Landfill Closure and Postclosure Care	Compensated Absences	Total
Balance beginning of year	\$697,200	\$9,917	\$707,117
Increases	0	5,769	5,769
Decreases	4,650	9,917	14,567
Balance end of year	\$692,550	\$5,769	\$698,319

## Notes to Financial Statements (Continued)

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

	Landfill Closure and Postclosure Care	Compensated Absences	Total
Due within one year	\$0	\$5,769	\$5,769

#### Closure and Postclosure Care Costs

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

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

The landfill was closed during fiscal year 2009 at an approximate cost of \$295,000 which is considerably more than the original \$143,100 closure cost estimate. The postclosure costs were estimated at \$692,550, and the total estimate has been recognized as of June 30, 2011. The liability represents the amount estimated to perform the remaining 27 years of maintenance, monitoring of groundwater and methane gas, and leachate collection and disposal.

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

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

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate postclosure care accounts to accumulate resources for the payment of postclosure care costs. The County has begun to accumulate resources to fund these costs and, at June 30, 2011, deposits of \$629,671 are held for these purposes, reserved for postclosure care. The Iowa Department of Natural Resources has granted a waiver to extend the pay in period to fully fund the postclosure costs until July 31, 2012. An annual deposit of \$33,764 is required until that time.

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

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

The County has demonstrated compliance with the above requirements.

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

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$346,666, \$320,708, and \$300,753, respectively, equal to the required contributions for each year.

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

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### ***Note 9: Risk Management***

Kossuth County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expense and reinsurance expenses due and payable in the current year, plus all of any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2011 were \$251,363.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

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

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

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

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

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

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

Monthly payments of service fees and plan contributions to the Self Insurance Fund are recorded as expenditures from the operating funds. Under the administrative service agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2011 was \$1,107,870.

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

The County had business transactions between the County and the County officials during the year ended June 30, 2011.

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

Plan Description The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 110 active and 2 retired members in the plan. Employees must be age 55 or older at retirement.

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

## Notes to Financial Statements (Continued)

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

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

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

The table shows the components of the County's annual OPEB cost for June 30, 2011, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual required contribution	\$124,555
Interest on net OPEB obligation	5,062
Adjustment to annual required contribution	(14,540)
Annual OPEB cost (expense)	<u>115,077</u>
Contributions made	<u>(11,733)</u>
Increase in net OPEB obligation	103,344
Net OPEB obligation – beginning of the year	<u>206,724</u>
Net OPEB obligation – end of the year	<u><u>\$310,068</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2011.

For the fiscal year 2011, the County contributed \$11,733 to the medical plan. Plan members receiving benefits contributed \$23,465 or 66% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6-30-2010	\$113,303	4.9%	\$206,724
6-30-2011	\$115,077	10.2%	\$310,068

## Notes to Financial Statements (Continued)

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

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2011, the actuarial accrued liability was \$954,271, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$954,271. The covered payroll (annual payroll of active employees covered by the plan) was \$4,379,042, and the ratio of the UAAL to the covered payroll was 22.7%. As of June 30, 2011, there were no trust fund assets.

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

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

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

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

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

## Notes to Financial Statements (Continued)

### Note 13: Subsequent Events

Management evaluated subsequent events through March 11, 2012, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to March 17, 2011, that provided additional evidence about conditions that existed at June 30, 2011, have been recognized in the financial statements for the year ended June 30, 2011. Events or transactions that provided evidence about conditions that did not exist at June 30, 2011, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2011.

### Note 14: Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General	Non-Major Conservation Reserve	Non-Major Special Response Team	Non-Major – Dare Program	Non-Major County Attorney Collections
Balances June 30, 2010, As Previously Reported	\$2,856,662	\$74,649	\$409	\$281	\$13,461
Change in Fund Type per Classification Implementation of GASB Statement No. 54	88,800	(74,649)	(409)	(281)	(13,461)
Balances July 1, 2010, as Restated	\$2,945,462	\$0	\$0	\$0	\$0

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

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,  
DISBURSEMENTS AND CHANGES IN BALANCES  
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2011**

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
<b>RECEIPTS:</b>						
Property & Other County Tax	\$8,689,474	\$0	\$8,689,474	\$8,466,045	\$8,466,045	\$223,429
Interest & Penalty on Property Tax	52,556	0	52,556	30,300	30,300	22,256
Intergovernmental	6,494,272	0	6,494,272	6,841,571	6,891,571	(397,299)
Licenses & Permits	9,203	0	9,203	8,200	8,200	1,003
Charges for Services	1,880,748	1,244,116	636,632	625,959	633,959	2,673
Use of Money & Property	188,288	0	188,288	241,434	241,434	(53,146)
Miscellaneous	1,091,551	976,776	114,775	149,184	149,184	(34,409)
<b>Total Receipts</b>	<b>18,406,092</b>	<b>2,220,892</b>	<b>16,185,200</b>	<b>16,362,693</b>	<b>16,420,693</b>	<b>(235,493)</b>
<b>DISBURSEMENTS:</b>						
Public Safety & Legal Services	2,361,261	0	2,361,261	2,663,799	2,663,799	302,538
Physical Health & Social Services	380,081	0	380,081	440,837	490,837	110,756
Mental Health	1,953,342	0	1,953,342	2,279,091	2,279,091	325,749
County Environment & Education	831,176	0	831,176	834,642	838,142	6,966
Roads & Transportation	6,224,732	0	6,224,732	6,231,800	6,231,800	7,068
Governmental Services to Residents	656,398	0	656,398	707,127	707,127	50,729
Administrative Services	1,559,729	0	1,559,729	1,780,434	1,807,434	247,705
Non-Program	3,147,030	3,078,362	68,668	68,769	68,769	101
Debt Service	141,659	0	141,659	107,100	142,100	441
Capital Projects	1,532,281	0	1,532,281	1,550,000	1,550,000	17,719
<b>Total Disbursements</b>	<b>18,787,689</b>	<b>3,078,362</b>	<b>15,709,327</b>	<b>16,663,599</b>	<b>16,779,099</b>	<b>1,069,772</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(381,597)	(857,470)	475,873	(300,906)	(358,406)	834,279
Other Financing Services (Uses), Net	1,477,326	1,475,451	1,875	10,000	10,000	(8,125)
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	1,095,729	617,981	477,748	(290,906)	(348,406)	826,154
Balance Beginning of Year	8,633,319	220,075	8,413,244	6,558,714	8,413,242	2
Balance End of Year	\$9,729,048	\$838,056	\$8,890,992	\$6,267,808	\$8,064,836	\$826,156

See Accompanying Independent Auditors' Report

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

**BUDGETARY COMPARISON SCHEDULE –**  
**BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
Year Ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$18,406,092	\$244,398	\$18,650,490
Expenditures	18,787,689	807,616	19,595,305
Net	(381,597)	(563,218)	(944,815)
Other Financing Sources, Net	1,477,326	0	1,477,326
Beginning Fund Balances	8,633,319	(85,304)	8,548,015
Increase in Reserve For:			
Inventories	0	40,885	40,885
Ending Fund Balances	\$9,729,048	\$(607,637)	\$9,121,411

See Accompanying Independent Auditors' Report

**Kossuth County  
Algona, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$115,500. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted.

**Kossuth County  
Algona, Iowa**

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
2009	July 1, 2008	\$0	\$954	\$954	0%	\$4,253	22.43%
2010	July 1, 2008	\$0	\$954	\$954	0%	\$4,278	22.30%
2011	July 1, 2008	\$0	\$954	\$954	0%	\$4,379	21.79%

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

**KOSSUTH COUNTY**  
Algona, Iowa

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2011

	County Recorder's Records Management	Resource Enhancement & Protection	Water's Edge Nature Center	Drug Forfeiture	Total
<b>ASSETS</b>					
Cash & Pooled Investments	\$22,761	\$31,953	\$56,745	\$5,178	\$116,637
Receivables:					
Accounts	371	0	0	0	371
Accrued Interest	227	314	1,205	0	1,746
<b>TOTAL ASSETS</b>	<b>\$23,359</b>	<b>\$32,267</b>	<b>\$57,950</b>	<b>\$5,178</b>	<b>\$118,754</b>
<b>FUND BALANCES</b>					
Fund Balances:					
Restricted For:					
Other Purposes	\$23,359	\$32,267	\$57,950	\$5,178	\$118,754
<b>TOTAL FUND BALANCES</b>	<b>\$23,359</b>	<b>\$32,267</b>	<b>\$57,950</b>	<b>\$5,178</b>	<b>\$118,754</b>

See Accompanying Independent Auditors' Report

**Schedule 2**

**KOSSUTH COUNTY  
Algona, Iowa**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2011**

	County Recorder's Records Management	Resource Enhancement & Protection	Water's Edge Nature Center	Drug Forfeiture	Total
<b>REVENUES:</b>					
Intergovernmental	\$0	\$14,707	\$0	\$816	\$15,523
Charges for Services	3,872	0	0	0	3,872
Use of Money & Property	227	314	1,205	0	1,746
Miscellaneous	0	0	46,138	0	46,138
Total Revenues	4,099	15,021	47,343	816	67,279
<b>EXPENDITURES:</b>					
Operating:					
Public Safety & Legal Services	0	0	0	752	752
Government Services to Residents	4,000	0	0	0	4,000
Debt Service	0	0	141,659	0	141,659
Capital Projects	0	11,546	0	0	11,546
Total Expenditures	4,000	11,546	141,659	752	157,957
Excess (Deficiency) of Revenue Over (Under)Expenditures	99	3,475	(94,316)	64	(90,678)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In	0	0	60,177	0	60,177
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	99	3,475	(34,139)	64	(30,501)
Fund Balances – Beginning of Year, As Restated	23,260	28,792	92,089	5,114	149,255
Fund Balances – End of Year	\$23,359	\$32,267	\$57,950	\$5,178	\$118,754

See Accompanying Independent Auditors' Report

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

COMBINING SCHEDULE OF FIDUCIARY  
ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2011

	County Recorder	County Sheriff	Agricultural Extension Education	County Assessor
<b>ASSETS</b>				
Cash & Pooled Investments:				
County Treasurer	\$0	\$0	\$1,223	\$289,274
Other County Officials	304	4,925	0	0
Receivables:				
Property Tax:				
Delinquent	0	0	1	6
Succeeding Year	0	0	70,184	485,444
Accounts	570	0	0	0
Accrued Interest	0	0	0	0
Assessments	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$874</b>	<b>\$4,925</b>	<b>\$71,408</b>	<b>\$774,724</b>
<b>LIABILITIES</b>				
Accounts Payable	\$0	\$0	\$0	\$688
Salaries & Benefits Payable	0	0	0	990
Drainage Warrants Payable	0	0	0	0
Due to Other Governments	874	0	71,408	760,800
Trusts Payable	0	4,925	0	0
Compensated Absences	0	0	0	12,246
<b>TOTAL LIABILITIES</b>	<b>\$874</b>	<b>\$4,925</b>	<b>\$71,408</b>	<b>\$774,724</b>

See Accompanying Independent Auditors' Report

**Schedule 3**

Schools	Community Colleges	Corporations	Townships	County Hospital	Brucellosis & Tuberculosis Eradication
\$215,985	\$13,070	\$58,805	\$5,498	\$5,746	\$58
0	0	0	0	0	0
175	10	231	0	4	0
12,658,541	768,592	4,155,737	307,208	342,383	3,229
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<b>\$12,874,701</b>	<b>\$781,672</b>	<b>\$4,214,773</b>	<b>\$312,706</b>	<b>\$348,113</b>	<b>\$3,287</b>
\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0
0	0	0	0	0	0
12,874,701	781,672	4,214,773	312,706	348,113	3,287
0	0	0	0	0	0
0	0	0	0	0	0
<b>\$12,874,701</b>	<b>\$781,672</b>	<b>\$4,214,773</b>	<b>\$312,706</b>	<b>\$348,113</b>	<b>\$3,287</b>

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

	City Special Assessments	Auto License & Use Tax	Drainage Districts	Employee Flex Plan
<b>ASSETS</b>				
Cash & Pooled Investments:				
County Treasurer	\$765	\$464,694	\$109,901	\$5,537
Other County Officials	0	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	0	0	0
Succeeding Year	0	0	0	0
Accounts	0	0	0	0
Accrued Interest	0	0	0	0
Assessments	97,528	0	286,757	0
<b>TOTAL ASSETS</b>	<b>\$98,293</b>	<b>\$464,694</b>	<b>\$396,658</b>	<b>\$5,537</b>
<b>LIABILITIES</b>				
Accounts Payable	\$0	\$0	\$135	\$0
Salaries & Benefits Payable	0	0	0	0
Drainage Warrants Payable	0	0	58,010	0
Due to Other Governments	98,293	464,694	338,513	0
Trusts Payable	0	0	0	5,537
Compensated Absences	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>\$98,293</b>	<b>\$464,694</b>	<b>\$396,658</b>	<b>\$5,537</b>

See Accompanying Independent Auditors' Report

**Schedule 3 (Continued)**

Civil Defense	E-911 Surcharge	County Recorder's Electronic Transaction Fee	Advance Tax	Total
\$10,412	\$236,177	\$1,209	\$58,956	\$1,477,310
0	0	0	0	5,229
0	0	0	0	427
0	0	0	0	18,791,298
0	25,357	1,101	0	27,028
0	626	0	0	626
0	0	0	0	384,285
<u>\$10,412</u>	<u>\$262,160</u>	<u>\$2,310</u>	<u>\$58,956</u>	<u>\$20,686,203</u>
\$79	\$3,595	\$0	\$0	\$4,497
1,082	263	0	0	2,335
0	0	0	0	58,010
4,470	258,302	2,310	0	20,534,916
0	0	0	58,956	69,418
4,781	0	0	0	17,027
<u>\$10,412</u>	<u>\$262,160</u>	<u>\$2,310</u>	<u>\$58,956</u>	<u>\$20,686,203</u>

**KOSSUTH COUNTY**  
Algona, Iowa

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY  
ASSETS AND LIABILITIES – AGENCY FUNDS**  
Year Ended June 30, 2011

	County Recorder	County Sheriff	Agricultural Extension Education	County Assessor
<b>ASSETS AND LIABILITIES</b>				
Balances – Beginning of Year	\$772	\$8,093	\$71,051	\$525,577
Additions:				
Property & Other County Tax	0	0	71,986	494,571
E911 Surcharge	0	0	0	0
State Tax Credits	0	0	3,387	17,175
Drivers License Fees	0	0	0	0
Office Fees & Collections	352,385	81,506	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	0	117,951	0	0
Miscellaneous	0	0	0	407
Total Additions	352,385	199,457	75,373	512,153
Deductions:				
Agency Remittances:				
To Other Funds	146,018	76,670	0	0
To Other Governments	205,768	4,836	75,016	263,006
Trusts Paid Out	497	121,119	0	0
Total Deductions	352,283	202,625	75,016	263,006
Balances – End of Year	\$874	\$4,925	\$71,408	\$774,724

See Accompanying Independent Auditors' Report

Schedule 4

Schools	Community Colleges	Corporations	Townships	County Hospital	Brucellosis & Tuberculosis Eradication
\$12,490,075	\$759,401	\$3,943,116	\$306,063	\$333,252	\$3,333
12,968,780	787,945	4,235,797	315,281	350,811	3,310
0	0	0	0	0	0
598,784	36,204	170,777	14,891	15,910	160
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
13,567,564	824,149	4,406,574	330,172	366,721	3,470
0	0	0	0	0	0
13,182,938	801,878	4,134,917	323,529	351,860	3,516
0	0	0	0	0	0
13,182,938	801,878	4,134,917	323,529	351,860	3,516
\$12,874,701	\$781,672	\$4,214,773	\$312,706	\$348,113	\$3,287

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

	City Special Assessments	Auto License & Use Tax	Drainage Districts	Employee Flex Plan
<b>ASSETS AND LIABILITIES</b>				
Balances – Beginning of Year	\$91,916	\$416,979	\$483,539	\$5,498
Additions:				
Property & Other County Tax	0	0	0	0
E911 Surcharge	0	0	0	0
State Tax Credits	0	0	0	0
Drivers License Fees	0	65,923	0	0
Office Fees & Collections	0	0	0	0
Auto Licenses, Use Tax & Postage Assessments	0 17,178	5,428,676 0	0 55,603	0 0
Trusts	0	0	0	51,718
Miscellaneous	0	0	0	0
Total Additions	17,178	5,494,599	55,603	51,718
Deductions:				
Agency Remittances:				
To Other Funds	0	190,263	0	0
To Other Governments	10,801	5,256,621	142,484	0
Trusts Paid Out	0	0	0	51,679
Total Deductions	10,801	5,446,884	142,484	51,679
Balances – End of Year	\$98,293	\$464,694	\$396,658	\$5,537

See Accompanying Independent Auditors' Report

**Schedule 4 (Continued)**

Civil Defense	E-911 Surcharge	County Recorder's Electronic Transaction Fee	Advance Tax	Tax Sale Redemption	Total
\$23,783	\$232,992	\$2,151	\$37,590	\$0	\$19,735,181
0	0	0	0	0	19,228,481
0	111,104	0	0	0	111,104
0	0	0	0	0	857,288
0	0	0	0	0	65,923
0	0	12,182	0	0	446,073
0	0	0	0	0	5,428,676
0	0	0	0	0	72,781
0	0	0	58,604	150,973	379,246
28,614	2,968	0	0	0	31,989
28,614	114,072	12,182	58,604	150,973	26,621,561
0	0	0	0	0	412,951
41,985	84,904	12,023	0	150,973	25,047,055
0	0	0	37,238	0	210,533
41,985	84,904	12,023	37,238	150,973	25,670,539
\$10,412	\$262,160	\$2,310	\$58,956	\$0	\$20,686,203

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

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

For the Last Seven Years

	Modified Accrual Basis		
	2011	2010	2009
<b>Revenues:</b>			
Property & Other County Tax	\$7,760,450	\$7,487,004	\$7,025,395
Local Option Sales Tax	935,066	816,665	809,389
Interest & Penalty on Property Tax	52,611	44,099	40,079
Intergovernmental	6,620,486	6,979,097	6,589,362
Licenses & Permits	9,528	9,720	8,145
Charges For Service	1,996,559	1,880,522	1,158,453
Use of Money & Property	181,386	200,258	212,368
Miscellaneous	1,094,404	494,081	290,240
<b>Total</b>	<b>\$18,650,490</b>	<b>\$17,911,446</b>	<b>\$16,133,431</b>
<b>Expenditures:</b>			
<b>Operating:</b>			
Public Safety & Legal Services	\$2,368,210	\$2,322,227	\$2,384,256
Physical Health & Social Services	350,379	445,377	408,594
Mental Health	2,010,942	1,899,917	2,020,779
County Environment & Education	829,702	832,953	779,143
Roads & Transportation	6,564,310	5,823,489	5,513,531
Governmental Services to Residents	654,815	652,923	651,197
Administrative Services	1,559,489	1,543,279	1,554,793
Non-Program	3,263,086	2,740,898	1,677,937
Debt Service	141,659	106,883	116,883
Capital Projects	1,852,713	1,614,134	1,131,311
<b>Total</b>	<b>\$19,595,305</b>	<b>\$17,982,080</b>	<b>\$16,238,424</b>

See Accompanying Independent Auditors' Report

**Schedule 5**

Unaudited			
Modified Accrual Basis			
2008	2007	2006	2005
\$6,674,265	\$6,846,073	\$6,932,083	\$7,126,434
818,982	820,269	644,782	677,236
40,243	39,530	46,499	44,482
6,080,176	6,007,002	6,266,103	6,142,002
29,902	7,785	7,400	5,380
674,552	610,259	596,673	604,716
478,890	361,022	412,230	900,243
609,209	690,931	672,894	456,074
<b>\$15,406,219</b>	<b>\$15,382,871</b>	<b>\$15,578,664</b>	<b>\$15,956,567</b>
\$2,348,764	\$2,332,588	\$2,290,873	\$2,362,163
344,962	350,398	364,265	331,503
2,258,834	2,167,352	2,045,768	1,936,360
774,854	721,554	652,165	614,154
5,973,032	5,449,439	5,470,796	5,200,058
625,926	592,362	697,018	702,475
1,468,335	1,461,804	1,403,489	1,349,743
67,539	61,572	59,806	61,364
403,754	341,618	600,342	1,435,788
2,003,380	2,075,484	1,701,461	2,188,798
<b>\$16,269,380</b>	<b>\$15,554,171</b>	<b>\$15,285,983</b>	<b>\$16,182,406</b>



**Gardiner Thomsen**  
Certified Public Accountants

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

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To the Officials of Kossuth County  
Algona, Iowa

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Kossuth County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 11, 2012. We conducted our audit in accordance with U.S generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kossuth County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Kossuth County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kossuth County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph 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 weakness 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 the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility 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 internal control described in the accompanying Schedule of Findings as items A, B, and C to be material weaknesses.

A significant deficiency is a deficiency or a 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 item D to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kossuth County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, 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 which 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, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Kossuth County and other parties to whom Kossuth County may report 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 Kossuth County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

March 11, 2012

*Gardiner T. Hansen, P.C.*

**Kossuth County  
Algona, Iowa**

**Schedule of Findings  
Year Ended June 30, 2011**

**Findings Related to the Financial Statements**

**INTERNAL CONTROL DEFICIENCIES:**

**A      Segregation of Duties**

*Finding* – 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 various functions of the County are performed by the same person.

*Criteria* – A good internal control contemplates an adequate segregation of duties so that one individual handles a transaction from its inception to its completion.

*Condition* – Various functions of the Auditor, Treasurer, Recorder and Sheriff Offices are performed by the same person.

*Effect* – Transaction errors could occur and not be detected in a timely manner.

*Cause* – Limited staff available to segregate duties.

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

*Response and Corrective Action Planned* – We have reviewed procedures as suggested. We are in the process of cross training employees to further segregate duties.

**B      Financial Reporting**

*Finding* – During our audit, we identified material amounts of receivables, payables and capital assets not recorded or incorrectly recorded in the County's financial statement.

*Criteria* – A good financial reporting system.

*Condition* – Receipts in July and August following year end were not always coded as a receipt for goods or services provided prior to June 30 to be included in the accounts receivable listing. Capital asset additions were not always included in the capital asset listing at the proper acquisition value. Capital asset disposals were not always disposed of on the capital asset listing.

**Kossuth County  
Algona, Iowa**

**Schedule of Findings (Continued)  
Year Ended June 30, 2011**

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

*Effect* – The accounts receivable listing was understated. The capital asset listing was not correct.

*Cause* – Limited staff.

*Recommendation* – The County should implement procedures to ensure all receivables and capital assets are recorded in the financial statements.

*Response and Corrective Action Planned* – We will adjust our financial statements to properly include these amounts and will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

**C Preparation of Full Disclosure Financial Statements**

*Finding* – During the audit, we noted that Kossuth County does not have the internal resources to prepare full disclosure financial statements required by the U.S. Generally Accepted Accounting Principles (GAAP) for external reporting.

*Criteria* – Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements for external reporting in conformity with GAAP.

*Condition* – Management requested that Gardiner Thomsen, P.C. assist in preparing the draft of the financial statements, including the related footnote disclosures.

*Effect* – Although Gardiner Thomsen, P.C. assists in the preparation of full disclosure financial statements, the management of the County thoroughly review them and accepts responsibility for their completeness and accuracy.

*Cause* – The County does not have the internal resources to prepare the full disclosure financial statements required by GAAP for external reporting.

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

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

**Kossuth County  
Algona, Iowa**

**Schedule of Findings (Continued)  
Year Ended June 30, 2011**

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

**D     I-Jobs Financial Reporting**

*Finding* – Financial reports for the Iowa Department of Transportation regarding I-Jobs funds weren't submitted for each quarter in the fiscal year 2011.

*Criteria* – The grant agreement for the I-Jobs Grant program requires the County to submit quarterly reports showing all I-Jobs activity by the last day of the calendar year quarter until the fiscal year's allocation is used and the project the allocation is used for is finished.

*Condition* – Not all quarterly reports were submitted to the Iowa Department of Transportation.

*Effect* – The submission of the reports enables the Iowa Department of Transportation to submit an annual report to the legislature in accordance with House Files 820 and 822. The purpose of these reports is to provide transparency and accountability to the people of Iowa.

*Cause* – The County did not submit the report until after completion of the projects that used I-Jobs during the year.

*Recommendation* – The County should implement procedures to ensure timely submission of I-Jobs financial reports in accordance with the grant requirements.

*Response and Corrective Action Planned* – We will submit report timely as required by the I-Jobs Grant.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Other Findings Related to Required Statutory Reporting**

1.     CERTIFIED BUDGET – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
  
2.     QUESTIONABLE EXPENDITURES – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.

**Kossuth County  
Algona, Iowa**

**Schedule of Findings (Continued)  
Year Ended June 30, 2011**

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

3. TRAVEL EXPENSE – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
4. BUSINESS TRANSACTIONS – The following business transactions between the County and County officials or employees were noted:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
<b>Norma Ruhnke, Auditor's Office</b> Ruhnke Brothers Owned by Norma Ruhnke's Sons	Fuel and Repairs	\$1,613
<b>Cinnamon Mawdsley, Attorney's Office</b> Bugs N Stuff Owned by Cinnamon Mawdsley's Husband	Pest Control	794
<b>Karen Benschoter, County Recorder</b> Hometown Distributing LLC Owned by Karen Benschoter's Husband	Ice Melt and Car Cleaning Supplies	97
<b>Don Besch, Supervisor</b> Reding's Gravel and Excavating Son Zeb Besch is employee	Drainage Work	32,551
<b>Pam Wymore</b> Dr. Dennis C. Wymore Husband Dennis is owner	Medical Work	216

In accordance with Chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Reding's Gravel & Excavating and Ruhnke Brothers do not appear to represent conflicts of interest since Don Besch and Norma Ruhnke appear not to participate in acquiring the above services.

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

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

**Kossuth County  
Algona, Iowa**

**Schedule of Findings (Continued)  
Year Ended June 30, 2011**

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

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

*Conclusion* – Response accepted.

5. BOND COVERAGE – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
6. BOARD MINUTES – No transactions were found that we believe should have been approved in the Board minutes but were not.
7. DEPOSITS AND INVESTMENTS – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
8. RESOURCE ENHANCEMENT AND PROTECTION CERTIFICATION – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
9. ECONOMIC DEVELOPMENT – During the year ended June 30, 2011, the County paid \$126,840 for economic development which appears to be an appropriate expenditure of public funds since the public benefits to be derived have been clearly documented.
10. COUNTY EXTENSION OFFICE – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County Operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.

11. SHERIFF'S SEPARATELY MAINTAINED ACCOUNTS – We noted a commissary account and a Sheriff's reserve account that were not included in the County budget process, accounting system and financial reporting. There appears to be no legal reason for these accounts to be separately maintained.

We noted purchases of non-resale items from the commissary account. These non-resale type purchases should be run through the County's budget process.

**Kossuth County  
Algona, Iowa**

**Schedule of Findings (Continued)  
Year Ended June 30, 2011**

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

*Recommendation* – These accounts should be turned over to the Treasurer and Special Revenue Funds should be established for these accounts. These funds should be included in the County’s budget process, accounting system and financial reporting. All disbursements should be included in the claims process.

*Response* – After some serious thought and discussion with our staff members, we will continue to rely on our departments system of checks and balances and leave things as is.

*Conclusion* – Response acknowledged. The activity of these accounts should be remitted to the County Treasurer for proper inclusion in the County’s budget and financial records.