

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

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

June 30, 2013

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

**TABLE OF CONTENTS**

---

	<u>Page</u>
<b>OFFICIALS</b> .....	1
<b>INDEPENDENT AUDITOR’S REPORT</b> .....	2-4
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b> .....	5-11
<b>BASIC FINANCIAL STATEMENTS:</b>	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position .....	A ..... 12
Statement of Activities .....	B ..... 13-14
Governmental Fund Financial Statements:	
Balance Sheet .....	C ..... 15-16
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position .....	D ..... 17
Statement of Revenues, Expenditures and Changes in Fund Balances .....	E..... 18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities .....	F..... 20
Proprietary Fund Financial Statements:	
Statement of Net Position .....	G ..... 21
Statement of Revenue, Expenses, and Changes in Fund Net Position .....	H ..... 22
Statement of Cash Flows .....	I..... 23
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities– Agency Funds .....	J..... 24
Notes to Financial Statements.....	25-43
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds .....	44
Budget to GAAP Reconciliation .....	45
Notes to Required Supplementary Information – Budgetary Reporting .....	46
Schedule of Funding Progress for the Retiree Health Plan.....	47

## **TABLE OF CONTENTS (Continued)**

---

<b>SUPPLEMENTARY INFORMATION:</b>	<u>Schedule</u>	<u>Page</u>
Nonmajor Governmental Funds:		
Combining Balance Sheet .....	1 .....	48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances .....	2 .....	49
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities .....	3 .....	50-53
Combining Schedule of Changes in Fiduciary Assets and Liabilities .....	4 .....	54-57
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds .....	5 .....	58-59
 <b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b> .....		60-61
<b>SCHEDULE OF FINDINGS</b> .....		62-66

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

**OFFICIALS**

**(Before January 2013)**

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 2013

**(After January 2013)**

Donald Besch ..... Board of Supervisors ..... January 2015  
Pam Wymore ..... Board of Supervisors ..... January 2015  
Donald G. McGregor ..... Board of Supervisors ..... January 2015  
Jack Plathe ..... Board of Supervisors ..... January 2017  
Roger Tjarks ..... Board of Supervisors ..... January 2017

Amber Garman ..... County Auditor ..... January 2017

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

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

Steve Kollasch ..... County Sheriff ..... January 2017

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

Judy Samp ..... County Assessor ..... January 2014



**Gardiner Thomsen**  
Certified Public Accountants

## **Independent Auditor's Report**

---

To the Officials of Kossuth County  
Algona, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***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, Iowa as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 5 - 11 and 44 - 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kossuth County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the four years ended June 30, 2008 (which are not presented herein) were audited by other auditors in accordance with standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 to 5 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2014, on our consideration of Kossuth County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kossuth County, Iowa's internal control over financial reporting and compliance.

*Gardiner Thomsen, P.C.*

Charles City, Iowa  
March 27, 2014

---

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

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, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- County governmental funds revenue decreased 20.45% or approximately \$4,463,362 from 2012 to 2013. Property taxes decreased approximately \$234,429, charges for services decreased \$2,416,672 and grants, contributions and restricted interest decreased approximately \$2,016,890.
- County program expenses were 2.54% or approximately \$492,216 more in 2013 than in 2012. Mental Health expense decreased approximately \$1,356,936 and Non Program expense increased approximately \$742,803 while Roads and Transportation expense increased \$713,772.
- The County's net position decreased 4.34% or approximately \$2,472,836 from June 30, 2012 to June 30, 2013.

### **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 Position 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.
- 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 Position 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 Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position 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 presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and 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 Service 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 position, a statement of revenues, expenses and changes in fund net position 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 position may serve over time as a useful indicator of financial position.

Kossuth County's combined net position was changed, decreasing from \$56,995,635 to \$54,522,799. The analysis that follows focuses on net position and the changes in net position of government activities.

### Net Position of Governmental Activities

	(Expressed in Thousands)	
	2013	2012
Current and Other Assets	\$22,258	\$23,164
Capital Assets	45,496	45,542
Total Assets	67,754	68,706
Long-Term Debt Outstanding	4,287	2,185
Other Liabilities	8,944	9,525
Total Liabilities	13,231	11,710
Net Position:		
Net Investment in Capital Assets	45,496	45,542
Restricted	6,920	6,603
Unrestricted	2,107	4,851
Total Net Position	\$54,523	\$56,996

Net position of the County's governmental activities decreased by approximately 4.34%, (from \$56,995,635 to \$54,522,799). The largest portion of the County's net position 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 position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position 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 \$4,850,741 at June 30, 2012 to approximately \$2,106,530 at the end of this year, a decrease of 57%.

### Changes in Net Position of Governmental Activities

	Expressed in Thousands	
	Year Ended June 30,	
	2013	2012
Program Revenues:		
Charges for Service	\$ 1,299	\$ 3,716
Operating Grants and Contributions	5,138	5,943
Capital Grants and Contributions	1,563	2,774
Property Taxes	7,710	7,944
Penalty and Interest on Property Tax	42	45
State Credits	410	341
Local Option Sales Tax	941	753
Unrestricted Investment Earnings	81	114
Miscellaneous	179	197
Total Revenues	17,363	21,827

	Year Ended June 30,	
	2013	2012
Program Expenses:		
Public Safety and Legal Services	\$ 2,818	\$ 2,595
Physical Health and Social Services	323	358
Mental Health	1,017	2,374
County Environment and Education	1,002	1,047
Roads and Transportation	8,927	8,213
Governmental Services to Residents	803	724
Administration	1,792	1,622
Non-Program	3,154	2,411
Total Expenses	<u>19,836</u>	<u>19,344</u>
Increase (Decrease) in Net Position	(2,473)	2,483
Net Position Beginning of Year	<u>56,996</u>	<u>54,513</u>
Net Position End of Year	<u>\$54,523</u>	<u>\$56,996</u>

The County's revenue decreased 20.45%, \$4,463,362. The total cost of programs and services increased 2.54%, \$492,216, with no new programs added this year.

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

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

The combined ending fund balance of the General and General Supplemental Funds increased by \$29,921 from 2012 to 2013. This slight increase in balance was due to an increase in property tax revenue and increased expenditures of \$296,676.

The Mental Health Fund balance decreased from a balance of \$898,582 to a balance of \$769,704. 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 \$1,062,502 in 2012 to \$1,153,738 at June 30, 2013.

The Secondary Road Fund ended the 2013 year with a balance of \$4,154,305. This is higher than the \$3,427,311 balance one year ago, due to increased revenues and decreased roadway construction projects.

The Drainage District Fund balance decreased from \$383,060 at June 30, 2012 to \$24,552 at June 30, 2013. This was the result of issuing \$2,532,124 in stamped drainage warrants, and having \$3,438,326 in drainage expenditures.

## **BUDGETARY HIGHLIGHTS**

The 2012–2013 FY Budget was amended two times. The public hearings were held on September 4, 2012 and May 21, 2013. The first amendment consisted of an amendment of total expenditures in the amount of \$93,100. We had a demolition of a building in the unincorporated area which totaled \$32,950 (County Environment and Education), the Recorder’s Office had a Microfilm Conversion which totaled \$60,000 (Governmental Services to Residents) and we had an increase in dues which totaled \$150 (Non Program Expenditures). The second budget amendment consisted of an amendment of total expenditures in the amount of \$90,872. We had an Autopsy Adjustment of \$15,000 (Public Safety and Legal Services), an adjustment of line items for the Sanitarian and Human Services in the amount of \$8,600 (Physical Health and Social Services), an amendment of \$55,813 (Administration) which consisted of a phone upgrade for the Courthouse and adjustments to Salary for the Custodians due to overtime and a change in health insurance for an employee in the Auditor’s office (single to family) and lastly a change in the amount of \$11,459 for Conservation Reserve (Non-Program) which also had a budget amendment of revenue in the same amount.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2013, the County had \$103,382,237 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$3,349,862 or 3% over last year.

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

	(Expressed in Thousands)	
	2013	2012
Land	\$ 1,773	\$ 1,773
Buildings and Improvements	7,037	7,037
Machinery and Equipment	13,747	13,248
Construction in Progress	2,085	3,320
Intangibles	38	0
Infrastructure	78,702	74,654
 Total	 <u>\$103,382</u>	 <u>\$100,032</u>
 This year’s major additions include		
Law Enforcement Vehicles		\$ 54
Secondary Road Equipment		520
Infrastructure		<u>4,048</u>
		 <u>\$ 4,622</u>

The County had depreciation expense of \$3,529,008 for the year ended June 30, 2013 and total accumulated depreciation as of June 30, 2013 of \$57,886,175.

The County’s fiscal year 2013 capital expenditures totaled \$1,291,985 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 \$3,843,724 in bonds and other debt, compared to \$1,812,577 in bonds and other debt last year, as shown below.

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

	(Expressed in Thousands)	
	2013	2012
Drainage Warrants	\$3,451	\$1,451
Compensated Absences	393	362
	<u>\$3,844</u>	<u>\$1,813</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 \$82 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 2014–2015 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 be as follows: 3.50 for General Basic, 1.18605 for General Supplemental, 0.59107 for MH-DD Services Fund and 2.16675 for Rural Services Basic. General Basic and General Supplemental remained at the same levy rate as last FY while MH-DD Services and Rural Services Basic saw a decrease.

**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 POSITION**  
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Pooled Investments	\$12,380,844	\$ 330,545	\$12,711,389
Receivables:			
Property Tax:			
Delinquent	15,747	0	15,747
Succeeding Year	7,833,268	0	7,833,268
Interest and Penalty on Property Tax	94	0	94
Accounts	46,906	83,641	130,547
Accrued Interest	12,949	639	13,588
Drainage Assessments	1,007,745	0	1,007,745
Due From Other Governments	563,300	0	563,300
Inventories	396,927	0	396,927
Restricted Cash and Pooled Investments	0	689,000	689,000
Capital Assets (Net of Accumulated Depreciation/Amortization)	45,496,062	843,561	46,339,623
<b>TOTAL ASSETS</b>	<b>67,753,842</b>	<b>1,947,386</b>	<b>69,701,228</b>
<b>LIABILITIES</b>			
Accounts Payable	668,482	110,031	778,513
Accrued Interest Payable	167,988	0	167,988
Salaries and Benefits Payable	262,277	11,034	273,311
Due To Other Governments	11,603	0	11,603
Deferred Revenue:			
Succeeding Year Property Tax	7,833,268	0	7,833,268
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Estimated Liability for Landfill Closure and Postclosure	0	27,500	27,500
Compensated Absences	392,510	12,874	405,384
Portion Due or Payable After One Year:			
Estimated Liability for Landfill Closure and Postclosure Care	0	660,000	660,000
Drainage Warrants Payable	3,451,214	0	3,451,214
Net OPEB Liability	443,701	7,975	451,676
<b>TOTAL LIABILITIES</b>	<b>13,231,043</b>	<b>829,414</b>	<b>14,060,457</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	45,496,062	843,561	46,339,623
Restricted For:			
Supplemental Levy Purposes	847,746	0	847,746
Mental Health Purposes	755,150	0	755,150
Rural Services Purposes	1,155,517	0	1,155,517
Secondary Roads Purposes	3,990,469	0	3,990,469
Other Purposes	171,325	0	171,325
Unrestricted	2,106,530	274,411	2,380,941
<b>TOTAL NET POSITION</b>	<b>\$54,522,799</b>	<b>\$1,117,972</b>	<b>\$55,640,771</b>

See Notes To Financial Statements

**KOSSUTH COUNTY**  
Algona, Iowa

**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2013

		<u>Program Revenues</u>
	Expenses	Charges for Service
<b>FUNCTIONS/PROGRAMS:</b>		
Governmental Activities:		
Public Safety and Legal Services	\$ 2,818,143	\$ 97,233
Physical Health and Social Services	323,322	11,136
Mental Health	1,017,177	151,116
County Environment and Education	1,002,158	89,716
Roads and Transportation	8,926,865	146,745
Governmental Services to Residents	803,201	354,184
Administration	1,791,869	123,648
Non-Program	3,153,431	325,265
Total Governmental Activities	19,836,166	1,299,043
Business-Type Activities:		
Landfill/Transfer Station	941,411	905,157
Total	\$20,777,577	\$2,204,200

**GENERAL REVENUES:**

Property and Other County Tax Levied For:  
    General Purposes  
Penalty and Interest on Property Tax  
State Tax Credits  
Local Option Sales Tax  
Unrestricted Investment Earnings  
Miscellaneous  
Loss on Sale of Capital Assets  
Total General Revenues

**CHANGE IN NET POSITION**

**NET POSITION BEGINNING OF YEAR**

**NET POSITION END OF YEAR**

See Notes To Financial Statements

**Exhibit B**

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
\$ 106,865	\$ 0	\$ (2,614,045)	\$ 0	\$ (2,614,045)
86,350	0	(225,836)	0	(225,836)
428	0	(865,633)	0	(865,633)
10,960	48,450	(853,032)	0	(853,032)
4,928,157	1,514,379	(2,337,584)	0	(2,337,584)
5,156	0	(443,861)	0	(443,861)
0	0	(1,668,221)	0	(1,668,221)
0	0	(2,828,166)	0	(2,828,166)
5,137,916	1,562,829	(11,836,378)	0	(11,836,378)
0	0	0	(36,254)	(36,254)
\$5,137,916	\$1,562,829	(11,836,378)	(36,254)	(11,872,632)
		7,710,005	0	7,710,005
		41,641	0	41,641
		410,211	0	410,211
		940,831	0	940,831
		81,384	6,718	88,102
		179,500	0	179,500
		(30)	0	(30)
		9,363,542	6,718	9,370,260
		(2,472,836)	(29,536)	(2,502,372)
		56,995,635	1,147,508	58,143,143
		\$ 54,522,799	\$1,117,972	\$ 55,640,771

**KOSSUTH COUNTY**

Algona, Iowa

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2013

	General	Special Revenue	
		Mental Health	Rural Services
<b>ASSETS</b>			
Cash and Pooled Investments	\$3,457,010	\$ 750,536	\$ 1,013,688
Receivables:			
Property Tax:			
Delinquent	12,287	1,602	1,858
Succeeding Year	5,201,602	677,976	1,953,690
Interest and Penalty on Property Tax	94	0	0
Accounts	39,504	1,215	0
Accrued Interest	1,725	0	0
Drainage Assessments	0	0	0
Due From Other Funds	0	0	0
Due From Other Governments	21,845	18,980	140,013
Inventories	0	0	0
<b>TOTAL ASSETS</b>	<b>\$8,734,067</b>	<b>\$1,450,309</b>	<b>\$ 3,109,249</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 105,992	\$ 1,051	\$ 0
Accrued Interest Payable	0	0	0
Salaries and Benefits Payable	61,015	0	0
Due To Other Funds	4,890	0	42
Due To Other Governments	9,220	0	0
Deferred Revenue:			
Succeeding Year Property Tax	5,201,602	677,976	1,953,690
Other	12,102	1,578	1,779
Total Liabilities	5,394,821	680,605	1,955,511
Fund Balances:			
Nonspendable:			
Inventories	0	0	0
Restricted For:			
Supplemental Levy Purposes	844,683	0	0
Mental Health Purposes	0	769,704	0
Rural Services Purposes	0	0	1,153,738
Secondary Roads Purposes	0	0	0
Drainage Warrants	0	0	0
Conservation Land Acquisition	71,515	0	0
Nature Center	60,000	0	0
Other Purposes	0	0	0
Assigned	26,465	0	0
Unassigned	2,336,583	0	0
Total Fund Balances	3,339,246	769,704	1,153,738
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$8,734,067</b>	<b>\$1,450,309</b>	<b>\$ 3,109,249</b>

See Notes To Financial Statements

Exhibit C

Special Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
\$3,794,159	\$ 192,540	\$39,489	\$ 9,247,422
0	0	0	15,747
0	0	0	7,833,268
0	0	0	94
5,866	0	321	46,906
0	0	0	1,725
0	1,007,745	0	1,007,745
4,932	0	0	4,932
382,462	0	0	563,300
396,927	0	0	396,927
<u>\$4,584,346</u>	<u>\$1,200,285</u>	<u>\$39,810</u>	<u>\$19,118,066</u>
\$ 226,396	\$ 0	\$ 0	\$ 333,439
0	167,988	0	167,988
201,262	0	0	262,277
0	0	0	4,932
2,383	0	0	11,603
0	0	0	7,833,268
0	1,007,745	0	1,023,204
<u>430,041</u>	<u>1,175,733</u>	<u>0</u>	<u>9,636,711</u>
396,927	0	0	396,927
0	0	0	844,683
0	0	0	769,704
0	0	0	1,153,738
3,757,378	0	0	3,757,378
0	24,552	0	24,552
0	0	0	71,515
0	0	0	60,000
0	0	39,810	39,810
0	0	0	26,465
0	0	0	2,336,583
<u>4,154,305</u>	<u>24,552</u>	<u>39,810</u>	<u>9,481,355</u>
<u>\$4,584,346</u>	<u>\$1,200,285</u>	<u>\$39,810</u>	<u>\$19,118,066</u>

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

**RECONCILIATION OF THE BALANCE SHEET –**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
June 30, 2013

**Total Governmental Fund Balances (Pages 15-16)** \$ 9,481,355

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$103,382,237 and the accumulated depreciation/amortization is \$57,886,175. 45,496,062

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 1,023,204

The Internal Service Fund is used by management to charge the costs of the 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 Position. 2,809,603

Long-term liabilities, including bonds payable, compensated absences payable, accrued interest payable, postclosure costs payable and drainage warrants payable are not due and payable during the current period and, therefore, are not reported in the governmental funds. (4,287,425)

**Net Position of Governmental Activities (Page 12)** \$54,522,799

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

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
**GOVERNMENTAL FUNDS**  
Year Ended June 30, 2013

	General	Special Revenue	
		Mental Health	Rural Services
<b>REVENUES:</b>			
Property and Other County Tax	\$5,077,381	\$ 630,497	\$ 2,000,121
Local Option Sales Tax	0	0	940,831
Interest and Penalty on Property Tax	41,641	0	0
Intergovernmental	513,557	137,581	111,535
Licenses and Permits	13,453	0	0
Charges for Service	552,986	47,989	0
Use of Money and Property	146,791	0	0
Miscellaneous	110,283	55,186	0
Total Revenues	6,456,092	871,253	3,052,487
<b>EXPENDITURES:</b>			
Operating:			
Public Safety and Legal Services	2,681,972	0	0
Physical Health and Social Services	303,038	0	0
Mental Health	0	1,000,131	0
County Environment and Education	663,162	0	257,762
Roads and Transportation	0	0	0
Governmental Services to Residents	716,312	0	0
Administration	1,749,707	0	0
Non-Program	70,343	0	0
Capital Projects	54,015	0	0
Total Expenditures	6,238,549	1,000,131	257,762
Excess (Deficiency) of Revenues Over (Under) Expenditures	217,543	(128,878)	2,794,725
Other Financing Sources (Uses):			
Sale of Capital Assets	1,170	0	0
Transfers In	3,460	0	0
Transfers Out	(192,252)	0	(2,703,489)
Drainage Warrants Issued	0	0	0
Total Other Financing Sources (Uses)	(187,622)	0	(2,703,489)
Net Change in Fund Balances	29,921	(128,878)	91,236
Fund Balances Beginning of Year	3,309,325	898,582	1,062,502
Decrease in Reserve For Inventories	0	0	0
Fund Balances End of Year	\$3,339,246	\$ 769,704	\$ 1,153,738

See Notes To Financial Statements

**Exhibit E**

Special Revenue			
Secondary Roads	Drainage Districts	Nonmajor	Total
\$ 0	\$ 0	\$ 0	\$ 7,707,999
0	0	0	940,831
0	0	0	41,641
4,992,469	0	10,960	5,766,102
3,565	0	0	17,018
55,117	446,443	4,655	1,107,190
20,788	0	0	167,579
13,020	101,251	9,261	289,001
5,084,959	547,694	24,876	16,037,361
0	0	2,898	2,684,870
0	0	0	303,038
0	0	0	1,000,131
0	0	0	920,924
6,010,160	0	0	6,010,160
0	0	20,029	736,341
0	0	0	1,749,707
0	3,438,326	0	3,508,669
1,231,969	0	6,001	1,291,985
7,242,129	3,438,326	28,928	18,205,825
(2,157,170)	(2,890,632)	(4,052)	(2,168,464)
0	0	0	1,170
2,895,741	0	0	2,899,201
0	0	(3,460)	(2,899,201)
0	2,532,124	0	2,532,124
2,895,741	2,532,124	(3,460)	2,533,294
738,571	(358,508)	(7,512)	364,830
3,427,311	383,060	47,322	9,128,102
(11,577)	0	0	(11,577)
\$4,154,305	\$ 24,552	\$39,810	\$ 9,481,355

**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, 2013**

**Net Change in Fund Balances - Total Governmental Funds (Pages 18-19)** \$ 364,830

*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/amortization expense to allocate those expenditures over the life of the assets. Depreciation/amortization expense exceeded capital outlay expenditures and contributed capital assets in the current year as follows:

Expenditures for Capital Assets	\$ 1,921,393	
Capital Assets Contributed by the Iowa Department of Transportation	1,514,379	
Capital Assets Contributed by Others	48,450	
Depreciation/Amortization Expense	(3,529,008)	(44,786)

In the Statements of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (1,200)

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

Property Taxes	2,008	
Other	(418,627)	(416,619)

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 Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments as follows:

Issued	(2,532,124)	
Repaid	531,785	(2,000,339)

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	(30,808)	
Other Postemployment Benefits	(70,713)	(101,521)

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 position is exhausted. (11,577)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. (261,624)

**Change in Net Position of Governmental Activities (Pages 13-14)** \$(2,472,836)

See Notes To Financial Statements

**KOSSUTH COUNTY  
Algona, Iowa**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2013**

	<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	\$ 330,545	\$3,133,422
Receivables:		
Accounts	83,641	0
Accrued Interest	639	11,224
Total Current Assets	<u>414,825</u>	<u>3,144,646</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents	689,000	0
Capital Assets, Net of Accumulated Depreciation	843,561	0
Total Non-Current Assets	<u>1,532,561</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u>1,947,386</u>	<u>3,144,646</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	110,031	335,043
Salaries and Benefits Payable	11,034	0
Compensated Absences	12,874	0
Estimated Liability for Postclosure	27,500	0
Net OPEB Liability	7,975	0
Total Current Liabilities	<u>169,414</u>	<u>335,043</u>
Non-Current Liabilities:		
Estimated Liability for Postclosure	<u>660,000</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<u>829,414</u>	<u>335,043</u>
<b>NET POSITION</b>		
Invested in Capital Assets	843,561	0
Unrestricted	<u>274,411</u>	<u>2,809,603</u>
<b>TOTAL NET POSITION</b>	<u>\$1,117,972</u>	<u>\$2,809,603</u>

See Notes To Financial Statements

**KOSSUTH COUNTY**  
Algona, Iowa

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
**PROPRIETARY FUNDS**  
Year Ended June 30, 2013

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	Enterprise Fund Landfill/Transfer Station	Internal Service Funds
<b>OPERATING REVENUES:</b>		
Charges for Service	\$ 905,157	\$ 0
Miscellaneous:		
Reimbursements From Operating Funds	0	1,254,036
Other Reimbursements	0	22,183
Total Operating Revenues	905,157	1,276,219
<b>OPERATING EXPENSES:</b>		
Governmental Activities:		
Medical Claims	0	1,265,638
Administrative Fees	0	267,664
Miscellaneous	0	41,234
Business-Type Activities:		
Operations and Maintenance	848,542	0
Postclosure	45,569	0
Other Post Employment Benefits	1,219	0
Depreciation	46,081	0
Total Operating Expenses	941,411	1,574,536
Operating Income	(36,254)	(298,317)
<b>NON-OPERATING REVENUES:</b>		
Interest on Investments	6,718	36,693
Total Non-Operating Revenues	6,718	36,693
Net Loss	(29,536)	(261,624)
Net Position Beginning of Year	1,147,508	3,071,227
Net Position End of Year	\$1,117,972	\$2,809,603

See Notes To Financial Statements

**KOSSUTH COUNTY**  
Algona, Iowa

STATEMENT OF CASH FLOWS  
**PROPRIETARY FUNDS**  
Year Ended June 30, 2013

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	Enterprise Fund Landfill/Transfer Station	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received From Operating Fund Reimbursements	\$ 0	\$ 1,254,036
Cash Received From Employees and Others	0	22,183
Cash Received From Customers	970,794	0
Cash Payments to Suppliers For Services	(855,158)	(1,490,150)
Net Cash Provided by (Used in) Operating Activities	<u>115,636</u>	<u>(213,931)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on Investments	9,283	39,446
Net Cash Provided by Investing Activities	<u>9,283</u>	<u>39,446</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of Capital Assets	(152,216)	0
Net Cash Used in Related Financing Activities	<u>(152,216)</u>	<u>0</u>
Net Decrease in Cash and Cash Equivalents	(27,297)	(174,485)
Cash and Cash Equivalents Beginning of Year	<u>1,046,842</u>	<u>3,307,907</u>
Cash and Cash Equivalents End of Year	<u>\$1,019,545</u>	<u>\$ 3,133,422</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Operating Loss	\$ (36,254)	\$ (298,317)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	46,081	0
Decrease in Accounts Receivable	65,637	0
Increase in Accounts Payable and Other Current Liabilities	41,672	84,386
Decrease in Estimated Postclosure Liability	(1,500)	0
Net Cash Provided by (Used in) Operating Activities	<u>\$ 115,636</u>	<u>\$ (213,931)</u>

See Notes To Financial Statements

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

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
June 30, 2013

**ASSETS**

Cash and Pooled Investments:	
County Treasurer	\$ 1,686,398
Other County Officials	17,110
Receivables:	
Property Tax:	
Delinquent	565
Succeeding Year	17,622,768
Accounts	8,325
Accrued Interest	291
Assessments	348,289
Due From Other Governments	23,844
<b>TOTAL ASSETS</b>	<b>19,707,590</b>

**LIABILITIES**

Accounts Payable	3,315
Salaries and Benefits Payable	2,221
Due To Other Governments	19,608,315
Trusts Payable	72,361
Compensated Absences	21,378
<b>TOTAL LIABILITIES</b>	<b>19,707,590</b>
<b>NET POSITION</b>	<b>\$ 0</b>

# Notes to Financial Statements

---

## 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.

Six hundred fifty two 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)**

---

### **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 Position (previously referred to as 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 Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

*Net investment in capital assets* 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 position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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)**

---

### ***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 road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for 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.

## Notes to Financial Statements (Continued)

---

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

#### 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.

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 position 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 expenditure 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.

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)

### 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

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)

---

### 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, 2013, 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 Position. 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)

---

### 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:

Asset Class	Estimated Useful Lives (In Years)
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 Position 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, 2013. 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 Position. 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 Position – The net position 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, 2013, disbursements did not exceed the amounts budgeted.

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

The County's deposits in banks at June 30, 2013 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 \$153,229 pursuant to Rule 2a-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 interfund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General Fund	\$4,890
	Special Revenue:	
	Rural Services	42
		<hr/>
Total		<u>\$4,932</u>

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

## Notes to Financial Statements (Continued)

### Note 4: Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue: Waters Edge Nature Center	\$ 3,460
Special Revenue: Secondary Roads	General	192,252
Secondary Roads	Special Revenue: Rural Services	2,703,489
Agency: Assessor	Special Appraisal	410,641
Total		<u>\$3,309,842</u>

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

### Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated/Amortized				
Land	\$ 1,773,462	\$ 0	\$ 0	\$ 1,773,462
Construction in Progress	3,320,256	2,085,408	3,320,256	2,085,408
Total Capital Assets Not Being Depreciated/Amortized	<u>5,093,718</u>	<u>2,085,408</u>	<u>3,320,256</u>	<u>3,858,870</u>
Capital Assets Being Depreciated/Amortized				
Buildings	6,626,570	0	0	6,626,570
Improvements Other Than Buildings	410,445	0	0	410,445
Machinery and Equipment	9,834,574	226,418	37,397	10,023,595
Vehicles	3,412,978	407,106	96,963	3,723,121
Intangibles	0	37,575	0	37,575
Infrastructure	74,654,090	4,047,971	0	78,702,061
Total Capital Assets Being Depreciated/Amortized	<u>94,938,657</u>	<u>4,719,070</u>	<u>134,360</u>	<u>99,523,367</u>

## Notes to Financial Statements (Continued)

### Note 5: Capital Assets (Continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Less Accumulated Depreciation/ Amortization for:				
Buildings	\$ 2,519,221	\$ 133,992	\$ 0	\$ 2,653,213
Improvements Other Than Buildings	119,380	21,258	0	140,638
Machinery and Equipment	6,345,836	538,086	36,197	6,847,725
Vehicles	2,478,545	215,875	96,963	2,597,457
Intangibles	0	7,515	0	7,515
Infrastructure	43,027,345	2,612,282	0	45,639,627
Total Accumulated Depreciation/ Amortization	54,490,327	3,529,008	133,160	57,886,175
Total Capital Assets Being Depreciated/ Amortized, Net	40,448,330	1,190,062	1,200	41,637,192
Governmental Activities Capital Assets, Net	\$45,542,048	\$3,275,470	\$3,321,456	\$45,496,062

Depreciation/amortization expense was charged to the following functions:

Public Safety and Legal Services	\$ 117,991
Physical Health and Social Services	7,554
Mental Health	2,921
County Environment and Education	47,837
Roads and Transportation	3,298,530
Governmental Services to Residents	28,241
Administration	25,934
Total Depreciation/Amortization Expense – Governmental Activities	<u>\$3,529,008</u>

	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	248,846	152,216	0	401,062
Total Capital Assets Being Depreciated	906,078	152,216	0	1,058,294

## Notes to Financial Statements (Continued)

### Note 5: Capital Assets (Continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Less Accumulated Depreciation for:				
Buildings	\$235,591	\$ 25,009	\$0	\$260,600
Equipment and Vehicles	194,061	21,072	0	215,133
Total Accumulated Depreciation	429,652	46,081	0	475,733
Total Capital Assets Being Depreciated, Net	476,426	106,135	0	582,561
Business-Type Activities Capital Assets, Net	\$737,426	\$106,135	\$0	\$843,561

Depreciation was charged to the following functions:

Business-Type Activities:	
Landfill/Transfer Station	<u>\$46,081</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	\$ 9,220
Special Revenue:		
Secondary Roads	Services	2,383
Total for Governmental Funds		<u>\$11,603</u>
Fund	Description	Amount
Agency:		
Agricultural Extension	Collections	\$ 70,892
Assessor		910,339
Schools		11,429,451
Community Colleges		1,147,889
Corporations		4,236,507
Auto License and Use Tax		417,981
All Others		1,395,256
Total for Agency Funds		<u>\$19,608,315</u>

## Notes to Financial Statements (Continued)

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

A summary of changes in long-term liabilities for the year ended June 30, 2013, is as follows:

	Drainage Warrants	Compensated Absences	Total
Balance Beginning of Year	\$1,450,875	\$361,702	\$1,812,577
Increases	2,532,124	392,510	2,924,634
Decreases	531,785	361,702	893,487
Balance End of Year	<u>\$3,451,214</u>	<u>\$392,510</u>	<u>\$3,843,724</u>
Due Within One Year	<u>\$ 0</u>	<u>\$392,510</u>	<u>\$ 392,510</u>

#### 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, 2013 is as follows:

	Landfill Closure and Postclosure Care	Compensated Absences	Total
Balance Beginning of Year	\$689,000	\$10,608	\$699,608
Increases	0	12,874	12,874
Decreases	1,500	10,608	12,108
Balance End of Year	<u>\$687,500</u>	<u>\$12,874</u>	<u>\$700,374</u>
Due Within One Year	<u>\$ 27,500</u>	<u>\$12,874</u>	<u>\$ 12,874</u>

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

---

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

#### Closure and Postclosure Care Costs

To comply with Federal and State regulations, the County is required to complete a monitoring system plan and 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 care 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 \$687,500, and the total estimate has been recognized as of June 30, 2013. The liability represents the amount estimated to perform the remaining 25 years of maintenance, monitoring of groundwater and methane gas, and leachate collection and disposal.

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, 2013, deposits of \$689,000 are held for these purposes, reserved for postclosure care. They are reported as restricted investments in the Statement of Net Position.

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

### **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 5.78% of their annual covered salary and the County is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$442,565, \$402,578, and \$346,666, respectively, equal to the required contributions for each year.

### **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 679 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 at a level determined by the board not to exceed 300% 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, 2013 were \$227,245.

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

---

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

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 \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by the Lexington 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 loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

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% of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution 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.

## Notes to Financial Statements (Continued)

---

### Note 10: Employee Health Insurance Plan (Continued)

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, 2013 was \$1,254,036.

Amounts payable from the Employee Group Health Fund at June 30, 2013 total \$335,043, which is for incurred but not reported (IBNR) and reported but not paid claims (\$309,391), administrative fees (\$22,560) and miscellaneous fees (\$3,092) not paid. The amounts of claims incurred but not reported are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$226,199 at June 30, 2013 and is reported as a designation of the Internal Service, Employee Group Health Fund total net position of \$2,809,603. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 227,843
Incurred claims (including claims incurred but not reported at June 30, 2013)	1,265,637
Payments on claims during fiscal year	<u>1,184,089</u>
Unpaid claims end of year	<u>\$ 309,391</u>

### Note 11: Related Party Transactions

The County had business transactions between the County and the County officials during the year ended June 30, 2013.

### 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 118 active and 3 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 an 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, 2013, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual Required Contribution	\$107,849
Interest on Net OPEB Obligation	9,828
Adjustment to Annual Required Contribution	(34,652)
Annual OPEB Cost (expense)	<u>83,025</u>
Contributions Made	(11,092)
Increase in Net OPEB Obligation	71,933
Net OPEB Obligation Beginning of Year	<u>379,743</u>
Net OPEB Obligation End of Year	<u><u>\$451,676</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. 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, 2013.

For the fiscal year 2013, the County contributed \$11,092 to the medical plan. Plan members receiving benefits contributed \$22,186 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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$113,303	4.9%	\$206,724
2011	115,077	10.2	310,068
2012	81,788	14.8	379,743
2013	83,025	13.4	451,676

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2014, the actuarial accrued liability was \$858,988, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$858,988. The covered payroll (annual payroll of active employees covered by the plan) was \$4,672,982, and the ratio of the UAAL to the covered payroll was 18.38%. As of June 30, 2013, there were no trust fund assets.

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

---

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

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 the July 1, 2011 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 Report as of June 30, 2011 and developing termination factors using the IPERS Actuarial Report as of June 30, 2011 as a guide.

Projected claim costs of the medical plan are \$529 per month for retirees. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized on a level dollar basis over 30 years.

### **Note 13: Construction Commitment**

The County has entered into contracts totaling \$459,347 for Roadway Projects. As of June 30, 2013 costs of \$270,211 on the projects have been incurred. The balance of \$189,136 remaining on the contract at June 30, 2013 will be paid as work on the projects progress. The County also has Farm-to-Market Construction Projects in progress totaling \$1,741,759 and Conservation Projects in progress totaling \$73,438 at June 30, 2013.

### **Note 14: Subsequent Events**

Management evaluated subsequent events through March 27, 2014, the date the financial statements were available to be issued.

**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, 2013

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
<b>RECEIPTS:</b>						
Property and Other County Tax	\$ 8,642,460	\$ 0	\$ 8,642,460	\$ 8,499,424	\$ 8,499,424	\$ 143,036
Interest and Penalty on Property Tax	41,631	0	41,631	30,300	30,300	11,331
Intergovernmental	5,712,738	0	5,712,738	6,191,293	6,191,293	(478,555)
Licenses and Permits	15,832	0	15,832	16,100	16,100	(268)
Charges for Service	1,113,382	446,443	666,939	658,400	658,400	8,539
Use of Money and Property	179,890	0	179,890	223,851	223,851	(43,961)
Miscellaneous	279,096	101,251	177,845	90,100	98,100	79,745
<b>Total Receipts</b>	<b>15,985,029</b>	<b>547,694</b>	<b>15,437,335</b>	<b>15,709,468</b>	<b>15,717,468</b>	<b>(280,133)</b>
<b>DISBURSEMENTS:</b>						
Public Safety and Legal Services	2,674,847	0	2,674,847	2,800,742	2,815,742	140,895
Physical Health and Social Services	303,729	0	303,729	335,562	344,162	40,433
Mental Health	1,552,611	0	1,552,611	2,257,291	2,257,291	704,680
County Environment and Education	914,537	0	914,537	906,758	939,708	25,171
Roads and Transportation	6,161,792	0	6,161,792	6,425,500	6,425,500	263,708
Governmental Services to Residents	731,939	0	731,939	774,246	834,246	102,307
Administration	1,710,472	0	1,710,472	1,892,051	1,947,864	237,392
Non-Program	3,398,912	3,328,569	70,343	70,193	78,343	8,000
Capital Projects	1,561,302	0	1,561,302	1,575,000	1,575,000	13,698
<b>Total Disbursements</b>	<b>19,010,141</b>	<b>3,328,569</b>	<b>15,681,572</b>	<b>17,037,343</b>	<b>17,217,856</b>	<b>1,536,284</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(3,025,112)	(2,780,875)	(244,237)	(1,327,875)	(1,500,388)	1,256,151
Other Financing Sources (Uses), Net	2,533,294	2,532,124	1,170	15,000	15,000	(13,830)
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(491,818)	(248,751)	(243,067)	(1,312,875)	(1,485,388)	1,242,321
Balance Beginning of Year	9,739,240	441,291	9,297,949	8,369,259	9,297,948	1
Balance End of Year	\$ 9,247,422	\$ 192,540	\$ 9,054,882	\$ 7,056,384	\$ 7,812,560	\$ 1,242,322

See Accompanying Independent Auditor's Report

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

**BUDGETARY COMPARISON SCHEDULE –**  
**BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
Year Ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$15,985,029	\$ 52,332	\$16,037,361
Expenditures	19,010,141	(804,316)	18,205,825
Net	(3,025,112)	856,648	(2,168,464)
Other Financing Sources, Net	2,533,294	0	2,533,294
Beginning Fund Balances	9,739,240	(611,138)	9,128,102
Decrease in Reserve For:			
Inventories	0	(11,577)	(11,577)
<b>Ending Fund Balances</b>	<b>\$ 9,247,422</b>	<b>\$ 233,933</b>	<b>\$ 9,481,355</b>

See Accompanying Independent Auditor's Report

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

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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 ten major classes of expenditures known as functions, not by fund. These ten 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, two budget amendments increased budgeted disbursements by \$180,513. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2013, 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)
2010	July 1, 2008	\$0	\$954	\$954	0%	\$4,278	22.30%
2011	July 1, 2008	0	954	954	0	4,379	21.79
2012	July 1, 2011	0	911	911	0	4,473	20.37
2013	July 1, 2011	0	859	859	0	4,673	18.38

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, 2013

	Special Revenue				Total
	County Recorder's Records Management	Resource Enhancement and Protection	Water's Edge Nature Center	Drug Forfeiture	
<b>ASSETS</b>					
Cash and Pooled Investments	\$8,891	\$19,057	\$0	\$11,541	\$39,489
Receivables:					
Accounts	321	0	0	0	321
<b>TOTAL ASSETS</b>	<b>\$9,212</b>	<b>\$19,057</b>	<b>\$0</b>	<b>\$11,541</b>	<b>\$39,810</b>
<b>FUND BALANCES</b>					
Fund Balances:					
Restricted For:					
Other Purposes	\$9,212	\$19,057	\$0	\$11,541	\$39,810
<b>TOTAL FUND BALANCES</b>	<b>\$9,212</b>	<b>\$19,057</b>	<b>\$0</b>	<b>\$11,541</b>	<b>\$39,810</b>

See Accompanying Independent Auditor's Report

**KOSSUTH COUNTY**  
Algona, Iowa

COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
**NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2013

	Special Revenue				Total
	County Recorder's Records Management	Resource Enhancement and Protection	Water's Edge Nature Center	Drug Forfeiture	
<b>REVENUES:</b>					
Intergovernmental	\$ 0	\$10,960	\$ 0	\$ 0	\$10,960
Charges for Service	4,655	0	0	0	4,655
Miscellaneous	0	0	0	9,261	9,261
Total Revenues	4,655	10,960	0	9,261	24,876
<b>EXPENDITURES:</b>					
Operating:					
Public Safety and Legal Services	0	0	0	2,898	2,898
Governmental Services to Residents	20,029	0	0	0	20,029
Capital Projects	0	6,001	0	0	6,001
Total Expenditures	20,029	6,001	0	2,898	28,928
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,374)	4,959	0	6,363	(4,052)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers Out	0	0	(3,460)	0	(3,460)
	0	0	(3,460)	0	(3,460)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(15,374)	4,959	(3,460)	6,363	(7,512)
Fund Balances Beginning of Year	24,586	14,098	3,460	5,178	47,322
Fund Balances End of Year	\$ 9,212	\$19,057	\$ 0	\$11,541	\$39,810

See Accompanying Independent Auditor's Report

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

COMBINING SCHEDULE OF FIDUCIARY  
ASSETS AND LIABILITIES  
**AGENCY FUNDS**  
June 30, 2013

	County Recorder	County Sheriff	Agricultural Extension Education
<b>ASSETS</b>			
Cash and Pooled Investments:			
County Treasurer	\$ 0	\$ 0	\$ 1,037
Other County Officials	1,828	15,282	0
Receivables:			
Property Tax:			
Delinquent	0	0	2
Succeeding Year	0	0	69,853
Accounts	442	0	0
Accrued Interest	0	0	0
Assessments	0	0	0
Due From Other Governments	0	0	0
<b>TOTAL ASSETS</b>	<b>\$2,270</b>	<b>\$15,282</b>	<b>\$70,892</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 0	\$ 0	\$ 0
Salaries and Benefits Payable	0	0	0
Due To Other Governments	2,270	0	70,892
Trusts Payable	0	15,282	0
Compensated Absences	0	0	0
<b>TOTAL LIABILITIES</b>	<b>\$2,270</b>	<b>\$15,282</b>	<b>\$70,892</b>

See Accompanying Independent Auditor's Report

**Schedule 3**

County Assessor	Schools	Community Colleges	Corporations	Townships	County Hospital
\$569,815 0	\$ 169,855 0	\$ 11,941 0	\$ 55,397 0	\$ 4,790 0	\$ 5,344 0
13 357,245 18 0 0 0	392 11,259,204 0 0 0 0	41 1,135,907 0 0 0 0	92 4,181,018 0 0 0 0	12 239,290 0 0 0 0	13 376,589 0 0 0 0
<u>\$927,091</u>	<u>\$11,429,451</u>	<u>\$1,147,889</u>	<u>\$4,236,507</u>	<u>\$244,092</u>	<u>\$381,946</u>
\$ 546 0 910,339 0 16,206	\$ 0 0 11,429,451 0 0	\$ 0 0 1,147,889 0 0	\$ 0 0 4,236,507 0 0	\$ 0 0 244,092 0 0	\$ 0 0 381,946 0 0
<u>\$927,091</u>	<u>\$11,429,451</u>	<u>\$1,147,889</u>	<u>\$4,236,507</u>	<u>\$244,092</u>	<u>\$381,946</u>

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

	Brucellosis And Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Drainage Districts	Employee Flex Plan
<b>ASSETS</b>					
Cash and Pooled Investments:					
County Treasurer	\$ 52	\$ 0	\$417,981	\$230,406	\$794
Other County Officials	0	0	0	0	0
Receivables:					
Property Tax:					
Delinquent	0	0	0	0	0
Succeeding Year	3,662	0	0	0	0
Accounts	0	0	0	0	0
Accrued Interest	0	0	0	0	0
Assessments	0	234,052	0	114,237	0
Due From Other Governments	0	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$3,714</b>	<b>\$234,052</b>	<b>\$417,981</b>	<b>\$344,643</b>	<b>\$794</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Salaries and Benefits Payable	0	0	0	0	0
Due To Other Governments	3,714	234,052	417,981	344,643	0
Trusts Payable	0	0	0	0	794
Compensated Absences	0	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>\$3,714</b>	<b>\$234,052</b>	<b>\$417,981</b>	<b>\$344,643</b>	<b>\$794</b>

See Accompanying Independent Auditor's Report

**Schedule 3 (Continued)**

Civil Defense	E-911 Surcharge	County Recorder's Electronic Transaction Fee	County Grant Pass Thru	Advance Tax	Total
\$4,888	\$156,860	\$ 953	\$9,179	\$47,106	\$ 1,686,398
0	0	0	0	0	17,110
0	0	0	0	0	565
0	0	0	0	0	17,622,768
0	7,544	321	0	0	8,325
0	291	0	0	0	291
0	0	0	0	0	348,289
0	23,844	0	0	0	23,844
<b>\$4,888</b>	<b>\$188,539</b>	<b>\$1,274</b>	<b>\$9,179</b>	<b>\$47,106</b>	<b>\$19,707,590</b>
\$ 474	\$ 2,295	\$ 0	\$ 0	\$ 0	\$ 3,315
0	2,221	0	0	0	2,221
(758)	184,023	1,274	0	0	19,608,315
0	0	0	9,179	47,106	72,361
5,172	0	0	0	0	21,378
<b>\$4,888</b>	<b>\$188,539</b>	<b>\$1,274</b>	<b>\$9,179</b>	<b>\$47,106</b>	<b>\$19,707,590</b>

**KOSSUTH COUNTY**  
Algona, Iowa

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

Year Ended June 30, 2013

<b>ASSETS AND LIABILITIES</b>	County Auditor	County Recorder	County Sheriff	Agricultural Extension Education
Balances Beginning of Year	\$ 0	\$ 1,079	\$ 15,480	\$72,296
Additions:				
Property and Other County Tax	0	0	0	69,948
E-911 Surcharge	0	0	0	0
State Tax Credits	0	0	0	3,769
Drivers License Fees	0	0	0	0
Office Fees and Collections	14,082	441,228	71,546	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	0	0	148,349	0
Miscellaneous	0	0	0	80
Total Additions	14,082	441,228	219,895	73,797
Deductions:				
Agency Remittances:				
To Other Funds	14,082	163,552	66,813	0
To Other Governments	0	276,485	4,733	75,201
Trusts Paid Out	0	0	148,547	0
Total Deductions	14,082	440,037	220,093	75,201
Balances End of Year	\$ 0	\$ 2,270	\$ 15,282	\$70,892

See Accompanying Independent Auditor's Report

**Schedule 4**

County Assessor	Schools	Community Colleges	Corporations	Townships	County Hospital
\$864,976	\$12,068,626	\$ 834,761	\$4,289,727	\$313,121	\$372,354
357,708	11,271,001	1,137,181	4,174,188	239,503	377,074
0	0	0	0	0	0
18,433	619,483	43,446	200,803	17,373	19,431
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1,904	13,283	931	0	613	411
378,045	11,903,767	1,181,558	4,374,991	257,489	396,916
0	0	0	0	0	0
315,930	12,542,942	868,430	4,428,211	326,518	387,324
0	0	0	0	0	0
315,930	12,542,942	868,430	4,428,211	326,518	387,324
\$927,091	\$11,429,451	\$1,147,889	\$4,236,507	\$244,092	\$381,946

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

<b>ASSETS AND LIABILITIES</b>	Brucellosis And Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Drainage Districts	Employee Flex Plan
Balances Beginning of Year	\$3,620	\$142,850	\$ 445,208	\$347,611	\$ (486)
Additions:					
Property and Other County Tax	3,662	0	0	0	0
E-911 Surcharge	0	0	0	0	0
State Tax Credits	189	0	0	0	0
Drivers License Fees	0	0	80,594	0	0
Office Fees and Collections	0	0	0	0	0
Auto Licenses, Use Tax and Postage	0	0	5,769,196	0	0
Assessments	0	114,357	0	86,150	0
Trusts	0	0	0	0	45,858
Miscellaneous	4	0	0	0	0
Total Additions	3,855	114,357	5,849,790	86,150	45,858
Deductions:					
Agency Remittances:					
To Other Funds	0	0	193,005	0	0
To Other Governments	3,761	23,155	5,684,012	89,118	0
Trusts Paid Out	0	0	0	0	44,578
Total Deductions	3,761	23,155	5,877,017	89,118	44,578
Balances End of Year	\$3,714	\$234,052	\$ 417,981	\$344,643	\$ 794

See Accompanying Independent Auditor's Report

**Schedule 4 (Continued)**

Civil Defense	E-911 Surcharge	County Recorder's Electronic Transaction Fee	Grant Pass Thru	Advance Tax	Tax Sale Redemption	Total
\$10,683	\$152,095	\$1,077	\$ 7,531	\$34,988	\$ 5	\$19,977,602
0	0	0	0	0	0	17,630,265
0	150,067	0	0	0	0	150,067
0	0	0	0	0	0	922,927
0	0	0	0	0	0	80,594
0	0	4,655	0	0	0	531,511
0	0	0	0	0	0	5,769,196
0	0	0	0	0	0	200,507
0	0	0	158,176	45,458	150,993	548,834
42,247	1,748	0	0	0	0	61,221
42,247	151,815	4,655	158,176	45,458	150,993	25,895,122
0	0	0	0	0	0	437,452
48,042	115,371	4,458	0	0	150,998	25,344,689
0	0	0	156,528	33,340	0	382,993
48,042	115,371	4,458	156,528	33,340	150,998	26,165,134
\$ 4,888	\$188,539	\$1,274	\$ 9,179	\$47,106	\$ 0	\$19,707,590

**KOSSUTH COUNTY**  
Algona, Iowa

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

For the Last Nine Years

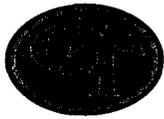
	Modified Accrual Basis		
	2013	2012	2011
<b>Revenues:</b>			
Property and Other County Tax	\$ 7,707,999	\$ 7,944,995	\$ 7,760,450
Local Option Sales Tax	940,831	752,628	935,066
Interest and Penalty on Property Tax	41,641	44,558	52,611
Intergovernmental	5,766,102	6,510,477	6,620,486
Licenses and Permits	17,018	15,587	9,528
Charges For Service	1,107,190	2,086,903	1,996,559
Use of Money and Property	167,579	195,386	181,386
Miscellaneous	289,001	333,299	1,094,404
<b>Total</b>	<b>\$16,037,361</b>	<b>\$17,883,833</b>	<b>\$18,650,490</b>
<b>Expenditures:</b>			
<b>Operating:</b>			
Public Safety and Legal Services	\$ 2,684,870	\$ 2,511,226	\$ 2,368,210
Physical Health and Social Services	303,038	352,197	350,379
Mental Health	1,000,131	2,367,978	2,010,942
County Environment and Education	920,924	897,806	829,702
Roads and Transportation	6,010,160	5,860,386	6,564,310
Governmental Services to Residents	736,341	690,096	654,815
Administration	1,749,707	1,581,827	1,559,489
Non-Program	3,508,669	3,243,728	3,263,086
Debt Service	0	60,000	141,659
Capital Projects	1,291,985	1,623,306	1,852,713
<b>Total</b>	<b>\$18,205,825</b>	<b>\$19,188,550</b>	<b>\$19,595,305</b>

See Accompanying Independent Auditor's Report

**Schedule 5**

Modified Accrual Basis

2010	2009	2008	2007	2006	2005
\$ 7,487,004	\$ 7,025,395	\$ 6,674,265	\$ 6,846,073	\$ 6,932,083	\$7,126,434
816,665	809,389	818,982	820,269	644,782	677,236
44,099	40,079	40,243	39,530	46,499	44,482
6,979,097	6,589,362	6,080,176	6,007,002	6,266,103	6,142,002
9,720	8,145	29,902	7,785	7,400	5,380
1,880,522	1,158,453	674,552	610,259	596,673	604,716
200,258	212,368	478,890	361,022	412,230	900,243
494,081	290,240	609,209	690,931	672,894	456,074
<b>\$17,911,446</b>	<b>\$16,133,431</b>	<b>\$15,406,219</b>	<b>\$15,382,871</b>	<b>\$15,578,664</b>	<b>\$15,956,567</b>
\$ 2,322,227	\$ 2,384,256	\$ 2,348,764	\$ 2,332,588	\$ 2,290,873	\$2,362,163
445,377	408,594	344,962	350,398	364,265	331,503
1,899,917	2,020,779	2,258,834	2,167,352	2,045,768	1,936,360
832,953	779,143	774,854	721,554	652,165	614,154
5,823,489	5,513,531	5,973,032	5,449,439	5,470,796	5,200,058
652,923	651,197	625,926	592,362	697,018	702,475
1,543,279	1,554,793	1,468,335	1,461,804	1,403,489	1,349,743
2,740,898	1,677,937	67,539	61,572	59,806	61,364
106,883	116,883	403,754	341,618	600,342	1,435,788
1,614,134	1,131,311	2,003,380	2,075,484	1,701,461	2,188,798
<b>\$17,982,080</b>	<b>\$16,238,424</b>	<b>\$16,269,380</b>	<b>\$15,554,171</b>	<b>\$15,285,983</b>	<b>\$16,182,406</b>



**Gardiner Thomsen**  
Certified Public Accountants

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

To the Officials of Kossuth County  
Algona, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2013, and the related notes to the financial statements, which collectively comprise Kossuth County, Iowa's basic financial statements and have issued our report thereon date March 27, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Kossuth County, Iowa's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kossuth County, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of Kossuth County, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that 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 described in the accompanying schedule of findings as items A and C to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item B to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kossuth County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and 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, 2013 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, Iowa's Response to Findings

Kossuth County, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings. Kossuth County, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### Purpose of This Report

The purpose of this report is solely to described the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kossuth County, Iowa's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kossuth County, Iowa's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

*Garland Thompson, P.C.*

Charles City, Iowa  
March 27, 2014

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

**Schedule of Findings**  
**Year Ended June 30, 2013**

**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**      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.

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

**Schedule of Findings (Continued)**  
**Year Ended June 30, 2013**

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

**B      Preparation of Full Disclosure Financial Statements (Continued)**

*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 it is not fiscally responsible to add additional staff at this time.

**C      Financial Reporting**

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

*Criteria* – A good financial reporting system to record capital assets, including infrastructure and the related depreciation calculations.

*Condition* – 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.

*Effect* – The capital asset listing was not correct.

*Recommendation* – The County should implement procedures to ensure all capital assets, infrastructure and related depreciation are recorded correctly 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.

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

**Schedule of Findings (Continued)**  
**Year Ended June 30, 2013**

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

**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, 2013 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.
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	\$3,263
<b>Cinnamon Mawdsley, Attorney's Office</b> Bugs N Stuff Owned by Cinnamon Mawdsley's Husband	Pest Control	1,463
<b>Karen Benschoter, County Recorder</b> Hometown Distributing LLC Owned by Karen Benschoter's Husband	Ice Melt and Car Cleaning Supplies	365

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

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

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

**Schedule of Findings (Continued)**  
**Year Ended June 30, 2013**

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

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, 2013, the County paid \$141,800 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, 2013 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.

*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.

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

**Schedule of Findings (Continued)**  
**Year Ended June 30, 2013**

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

*Response* – The Sheriff’s reserve account was turned over to the County Treasurer for the fiscal year ended June 30, 2014 and will be included in the County budget process, accounting system and financial reporting. The Sheriff will continue to separately maintain the Commissary account.

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