

OSCEOLA COUNTY

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

JUNE 30, 2014

De Noble, Austin & Company PC
Certified Public Accountants
Rock Rapids, Iowa

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Osceola County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires/Expired</u>
(Before January 2014)		
LeRoy DeBoer	Board of Supervisors	December 31, 2014
Michael Schulte	Board of Supervisors	December 31, 2014
Philip Bootsma	Board of Supervisors	December 31, 2016
Merlin Sandersfeld	Board of Supervisors	December 31, 2016
Jayson Vande Hoef	Board of Supervisors	December 31, 2016
Robert Hansen	County Attorney	December 31, 2014
Deb Van Beest	County Recorder	December 31, 2014
Becky Marco	County Treasurer	December 31, 2014
Barbara Echter	County Auditor	December 31, 2016
Douglas Weber	County Sheriff	December 31, 2016
Charles Bechtold	County Engineer	Indefinite
Nicholas Schmalen	County Conservation Director	Indefinite
Sharon Wolter	County Assessor	Indefinite
Dan Bechler	County Emergency Management	Indefinite
Gary Benz	Public Safety Commission Board	December 31, 2013
Philip Bootsma	Public Safety Commission Board	December 31, 2013
LeRoy DeBoer	Public Safety Commission Board	December 31, 2013
Patrick DeVries	Public Safety Commission Board	December 31, 2013
Jan Henningsen	Public Safety Commission Board	December 31, 2013
Jerry Johnson	Public Safety Commission Board	December 31, 2013
Jeff Loring	Public Safety Commission Board	December 31, 2013
Arlyn Pedley	Public Safety Commission Board	December 31, 2013

Osceola County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires/Expired</u>
(Beginning January 2014)		
LeRoy DeBoer	Board of Supervisors	December 31, 2014
Michael Schulte	Board of Supervisors	December 31, 2014
Philip Bootsma	Board of Supervisors	December 31, 2016
Merlin Sandersfeld	Board of Supervisors	December 31, 2016
Jayson Vande Hoef	Board of Supervisors	December 31, 2016
Robert Hansen	County Attorney	December 31, 2014
Deb Van Beest	County Recorder	December 31, 2014
Becky Marco	County Treasurer	December 31, 2014
Barbara Echter	County Auditor	December 31, 2016
Douglas Weber	County Sheriff	December 31, 2016
Charles Bechtold	County Engineer	Indefinite
Nicholas Schmalen	County Conservation Director	Indefinite
Sharon Wolter	County Assessor	Indefinite
Dan Bechler	County Emergency Management	Indefinite
Philip Bootsma	Public Safety Commission Board	December 31, 2014
Lee Dau	Public Safety Commission Board	December 31, 2014
LeRoy DeBoer	Public Safety Commission Board	December 31, 2014
Patrick DeVries	Public Safety Commission Board	December 31, 2014
Jan Henningsen	Public Safety Commission Board	December 31, 2014
Jerry Johnson	Public Safety Commission Board	December 31, 2014
Arlyn Pedley	Public Safety Commission Board	December 31, 2014
Greg Spaethe	Public Safety Commission Board	December 31, 2014

DE NOBLE, AUSTIN & COMPANY PC

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MEMBERS

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Independent Auditor's Report

To the Officials of Osceola County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Osceola County, Iowa, as of and for the year ended June 30, 2014, 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 U.S. generally accepted accounting principles. 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 County'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 County'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 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, each major fund and the aggregate remaining fund information of Osceola County as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 16 and 56 through 59 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 U.S. generally accepted auditing standards, 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 Osceola County'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 nine fiscal years ended June 30, 2013, (which are not presented herein) and expressed unqualified opinions on those financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 the 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2015, on our consideration of Osceola County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Osceola County's internal control over financial reporting and compliance.

De Noble, Austin & Company PC

De Noble & Company PC
d/b/a De Noble, Austin & Company PC
Certified Public Accountants

June 22, 2015

Management Discussion and Analysis

Osceola County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Fiscal Year 2014 Financial Highlights

- The County's governmental funds revenues/sale of capital assets for fiscal year 2014 were \$7,107,556, compared to \$7,204,044 in fiscal year 2013, a decrease of \$(96,488), or (1.34)%. Property taxes and other county tax increased by \$226,803, or 6.87%. Intergovernmental revenues decreased by \$(292,378), or (10.40)%; and all other revenue classifications/sale of capital assets netted to a decrease of \$(30,931), or (2.83)%. The County also received \$3,440,964 in General Obligation Long-Term Bond proceeds during fiscal year 2014.
- The County's governmental funds expenditures for fiscal year 2014 were \$8,107,206 compared to \$6,935,156 in fiscal year 2013, an increase of \$1,172,050, or 16.90%. The county environment and education function increased by \$1,193,723, or 172.45%; the debt service function increased by \$280,638, or 60.52%; the mental health function decreased by \$(389,8410), or (74.99)%; and all other expenditure functions increased by \$87,530 or 1.66%.
- The County's governmental funds fund balances for fiscal year 2014 were \$5,092,592 compared to \$3,226,347 in fiscal year 2013, an increase of \$1,866,245 or 57.84%. The County Tax Increment Financing Projects (Amended Ethanol TIF Areas) Fund increased by \$1,470,255 (from a \$(112,085) deficit fund balance); the Secondary Road Fund increased by \$471,084, or 22.44%; the General Fund increased by \$97,801, or 8.04%; the County TIF (Ethanol Plant) Funds, established for payment of Urban Renewal Revenue Capital Loan Notes decreased by \$(290,199), or (100)%; and all other governmental funds increased by a net amount of \$117,304.
- The County's governmental activities revenues for fiscal year 2014 were \$7,228,185, compared to \$9,552,004 in fiscal year 2013, a decrease of \$(2,323,819), or (24.33)%. The reason for the large decrease was primarily due to \$2,345,591 in capital grants from the Iowa Department of Transportation for roadway projects in fiscal year 2013, while there were only \$110,283 in such capital grants in fiscal year 2014. General revenues did increase by \$255,757, or 6.24%, mainly due to property and other county taxes levied for general purposes. The County also refunded \$585,660 in Urban Renewal Revenue Capital Loan Notes from some of the General Obligation Long-Term bond proceeds.
- The County's governmental activities expenses for fiscal year 2014 were \$6,896,310, compared to \$6,789,454 in fiscal year 2013, an increase of \$106,856 or 1.57%. The County environment and education function increased by \$223,570, or 37.72%; the roads and transportation function increased by \$182,682, or 6.19%; the mental health function decreased by \$(388,431), or (74.72)%; and all other expense areas increased by \$89,035, or 2.19%.
- The County's government-wide net position for fiscal year 2014 was \$15,352,878, compared to \$15,021,003 in fiscal year 2013, an increase of \$331,875 or 2.21%. This compares to an increase of \$2,762,550, or 22.54%, from fiscal year 2012 to fiscal year 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 activities.
- The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Osceola County as a whole and present an overall view of the County's finances, including data on the County's discretely presented component unit, the Public Safety Commission.
- The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Osceola County's operations in more detail than the governmental-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Osceola County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental Special Revenue Funds and the individual Agency Funds. In addition, financial statements, budgetary comparison information and the Schedule of Funding Progress for the Retiree Health Plan are presented for the Public Safety Commission.

Reporting the County's Financial Activities

Government-Wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse as a result of the year's activities?" The Statement of Net 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 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, non-program current, interest on long-term debt and small (noncapitalized) capital projects. Property tax, tax increment financing and intergovernmental financing (grants) fund most of these activities. The County has no business type activities.

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

Fund Financial Statements

The County has two kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows in and out of these funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Rural Services, Secondary Roads, County Tax Increment Projects (Amended Ethanol TIF Areas) and County Tax Increment Financing (Ethanol Plant – P&I Sinking), and 3) the Debt Service 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) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for the E911 Surcharge Fund, Emergency Management Services Fund, the County Assessor's Fund and all the tax funds necessary to collect and distribute property taxes to schools, cities and all other taxing authorities, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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

Component Unit

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

near future to finance the Public Safety Commission's programs. The Public Safety Commission adopts its budget on a cash basis.

Some of the financial highlights for fiscal year 2014 for the Public Safety Commission include:

- The discretely presented component unit – Public Safety Commission's government-wide net position for fiscal year 2014 was \$311,483, compared to \$331,728 in fiscal year 2013, a decrease of \$(20,245), or (6.10)%. The Public Safety Commission's governmental activities revenues for fiscal year 2014 were \$1,102,101, compared to \$1,037,561 in fiscal year 2013, an increase of \$64,540, or 6.22%. The Public Safety Commission's governmental activities expenses for fiscal year 2014 were \$1,123,626, compared to \$1,067,960 in fiscal year 2013, an increase of \$55,666, or 5.21%. Revenues increased due to higher contributions from the County and cities and more unified tax levy collections from the County. Disbursements increased primarily due to the uniformed patrol services program area.
- The Public Safety Commission's fund financial statements had modified accrual basis revenues for fiscal year 2014 of \$1,102,100 compared to \$1,038,157 in fiscal year 2013, an increase of \$63,943, or 6.16%. Modified accrual basis revenues increased for the same reason as full accrual revenues.
- The Public Safety Commission's fund financial statements had modified accrual basis expenditures for fiscal 2014 of \$1,140,847, compared to \$1,074,218 in fiscal year 2013, an increase of \$66,629, or 6.20%. Expenditures increased primarily in the administration program area, which had an increase of \$68,355, or 32.49% due primarily to capital asset purchases in fiscal year 2014.
- The Public Safety Commission's fund balance for fiscal year 2014 was \$228,580 compared to \$242,749 in fiscal year 2013, a decrease of (14,169), or (5.84)%. This compares to a decrease of \$(34,345), or (12.40)%, from fiscal year 2012 to fiscal year 2013.
- The Public Safety Commission did not exceed its final amended budgeted disbursements for fiscal year 2014. During fiscal year 2014, the Public Safety Commission approved one budget amendment. The budget amendment did not change receipts but did increase disbursements by \$69,000. The Public Safety Commission's actual cash basis receipts of \$1,102,069 came in \$23,175 over the final amended budget. The Public Safety Commission's actual cash basis disbursements of \$1,146,724 came in \$57,576 under the final amended budget.

Government-Wide Financial Analysis

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

	Net Position			
	Governmental Activities		Public Safety Commission	
	June 30,		June 30,	
	2014	2013	2014	2013
Current and Other Assets	\$ 10,072,815	\$ 7,932,809	\$ 237,144	\$ 257,076
Capital Assets	13,584,195	12,912,018	168,521	161,339
Total Assets	23,657,010	20,844,827	405,665	418,415
Other Liabilities	4,804,411	4,526,644	8,430	13,895
Long-Term Liabilities	3,499,721	1,297,180	85,752	72,792
Total Liabilities	8,304,132	5,823,824	94,182	86,687
Net Position:				
Net Investment in Capital Assets	10,873,270	12,624,219	168,521	161,339
Restricted	4,151,660	2,928,850	0	0
Unrestricted	327,948	(532,066)	142,962	170,389
Total Net Position	\$ 15,352,878	\$ 15,021,003	\$ 311,483	\$ 331,728

The increase in “current and other assets” was mainly due to increases in cash and pooled investments; succeeding year property tax and tax increment financing receivables; and inventories. “Other liabilities” increased as a result of larger amounts in accounts and contracts payable, and deferred revenues for succeeding year property tax and tax increment financing receivables. “Long-Term liabilities” increased essentially due to the issuance of “General Obligation County Purpose and Refunding Bonds, Series 2013A”.

The largest portion of Osceola County’s net position, making up 70.82% of the total, is net investment in capital assets (e.g., land, infrastructure, buildings and improvements and vehicles/equipment/machinery) – book value of capital assets less related debt. Restricted net position, which makes up 27.06% of the total, represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, 2.12% of the total net position, is the portion 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.

Of the total net position for the County’s governmental activities during fiscal year 2014, net investment in capital assets decreased by \$(1,750,949), restricted net position increased by \$1,222,810 (mainly due to an increase in amounts restricted for urban renewal projects and secondary roads purposes), and unrestricted net position increased by \$860,014.

Changes in Net Position

	Governmental Activities		Public Safety Commission	
	Year Ended		Year Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenues:				
Program Revenues:				
Charges for Service	\$ 444,935	\$ 466,113	\$ 1,071,067	\$ 1,019,333
Operating Grants, Contributions and Restricted Interest	2,296,344	2,532,189	31,034	18,228
Capital Grants, Contributions and Restricted Interest	131,231	2,453,784	0	0
General Revenues:				
Property Tax Levied for:				
General Purposes	3,144,140	2,936,049	0	0
Unified Law	385,898	366,998	0	0
Tax Increment Financing	499,650	504,503	0	0
Penalty and Interest on Property Tax	18,809	12,942	0	0
State Tax Credits	201,956	186,941	0	0
Grants and Contributions Not Restricted to Specific Purposes	6,146	3,989	0	0
Unrestricted Investment Earnings	12,819	16,649	0	0
Rents	48,533	45,833	0	0
Drainage Assessments	16,011	20,352	0	0
Gain on Disposal of Capital Assets	4,163	0	1,280	0
Miscellaneous	17,550	5,662	0	0
Total Revenues	7,228,185	9,552,004	1,103,381	1,037,561
Program Expenses:				
Public Safety and Legal Services	1,225,729	1,150,322	0	0
Physical Health and Social Services	205,044	210,925	0	0
Mental Health	131,431	519,862	0	0
County Environment and Education	816,286	592,716	0	0
Roads and Transportation	3,132,274	2,949,592	0	0
Governmental Services to Residents	308,601	290,169	0	0
Administration	817,450	748,485	0	0
Non-program Current	67,425	64,297	0	0
Interest on Long-Term Debt	56,036	46,223	0	0
Capital Projects	136,034	216,863	0	0
Public Safety Commission	0	0	1,123,626	1,067,960
Total Expenses	6,896,310	6,789,454	1,123,626	1,067,960
Increase (Decrease) in Net Position	331,875	2,762,550	(20,245)	(30,399)
Net Position Beginning of Year	15,021,003	12,258,453	331,728	362,127
Net Position End of Year	\$ 15,352,878	\$ 15,021,003	\$ 311,483	\$ 331,728

The County's portion of governmental activities costs financed by users (charges for service) decreased by \$(21,178), or (4.54)% (mainly in the public safety and legal services and County environment and education functions). Operating grants, contributions and restricted interest decreased by \$(235,845), or (9.31)% (mainly due to changes in the mental health function at the County level). Capital grants, contributions and restricted interest decreased by \$(2,322,553), or (94.65)% (due mainly to a large decrease in the roads and transportation function). General revenues increased by \$255,757, or 6.24% (primarily due to property and other county taxes levied for general purposes).

Program expenses for governmental activities this fiscal year increased in total by \$106,856, or 1.57% (the County environment and education and roads and transportation functions had larger increases, which was partially offset by a decrease in the mental health function).

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Major Fund Highlights

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

As Osceola County completed fiscal year 2014, its governmental funds reported a combined fund balance of \$5,092,592. This is in comparison to fiscal year 2013, when the combined fund balance was \$3,226,347. This is a \$1,866,245 increase from last year. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior fiscal year.

GENERAL FUND: The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The general operating expenses of the County are paid from this fund. The fiscal year 2014 General Fund ending fund balance was \$1,313,977. This is in comparison to last fiscal year when the fund balance was \$1,216,176. This is a \$97,801 increase from last year, or 8.04%. Of the June 30, 2014 fund balance, \$126,767 is nonspendable, \$543,585 is restricted and \$643,625 is unassigned. Total revenues for fiscal year 2014 were consistent with fiscal year 2013 by decreasing only \$(4,830), or (0.18)%. Expenditures increased by \$1,074,082, or 43.46% (essentially due to an increase in urban renewal projects in the county environment and education functions). During fiscal year 2014, the General Fund also had \$1,005,890 in other financing sources (\$993,007 in long-term debt proceeds, \$3,500 from sales of capital assets and \$9,383 from operating transfers compared to \$0 in other financing sources in fiscal year 2013).

RURAL SERVICES FUND: 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, including secondary road and sanitarian services, but excluding services financed by other statutory funds. The fiscal year 2014 Rural Services ending fund balance was \$60,324. This is in comparison to last fiscal year when the fund balance was \$33,692. This is a \$26,632 increase from last year, or 79.05%. The County transferred \$845,290 from the Rural Services Fund to the Secondary Roads Fund in fiscal year 2014 (compared to \$785,026 in fiscal year 2013). Revenues increased by \$107,204, or 11.59% (due essentially to property and other county tax collections, which is a direct result of an increase in property valuations), and expenditures increased by \$8,160, or 5.37% (main increase was in the County environment and education function).

SECONDARY ROADS FUND: The Secondary Roads Fund is used to account for secondary roads construction and maintenance. The fiscal year 2014 Secondary Roads ending fund balance was \$2,570,218. This is in comparison to last fiscal year when the fund balance was \$2,099,135. This is a \$471,083 increase from last year, or 22.44%. Revenues increased (mainly due to intergovernmental proceeds) by \$45,127, or 2.04%; expenditures decreased (due to a reduction in capital projects) by \$(109,471), or (3.97)%; capital asset sales were \$13,350 (compared to \$3,082 in fiscal year 2013), a \$10,268 increase, or 333.16%; and operating transfers in amounted to \$845,290 (compared to \$785,026 in fiscal year 2013), a \$60,264 increase over last year, or 7.68%.

COUNTY TAX INCREMENT FINANCING (AMENDED ETHANOL TIF AREAS): County Tax Increment Financing Projects (Amended Ethanol TIF Areas) Fund is used to pay the issuance costs of the “General Obligation County Purpose and Refunding Bonds, Series 2013A” and expenditures related to projects in the Amended Urban Renewal District 1 (Ethanol Plant) Plan areas. Projects consist of constructing water system extensions and improvements, constructing road improvements to assist in economic development resulting in job and wealth creation, constructing sanitary sewer system improvements, and any other projects deemed to meet public purpose within the urban renewal plan areas. For fiscal year 2014, this fund had revenues (interest earnings) of \$652 (compared to none in fiscal year 2013); expenditures (County environment and education functions) of \$385,098 (compared to \$112,085 in fiscal year 2013); other financing sources (long-term bond proceeds) of \$1,868,841 (compared to none in fiscal year 2013); other financing use (operating transfers out) of \$14,140 (compared to none in fiscal year 2013); and an ending fund balance of \$1,358,170 (compared to a deficit ending fund balance in fiscal year 2013 of \$(112,085)). Also, beginning July 1, 2014, this fund is going to be used to account for the collection of tax increment financing from Otter Creek Ethanol, LLC. The tax increment financing proceeds will be collected in order to satisfy debt service requirements of the general obligation bonds issued in December 2013.

COUNTY TAX INCREMENT FINANCING (ETHANOL PLANT – PLAN AREA REVENUE) FUND: The County Tax Increment Financing (Ethanol Plant – Plan Area Revenue) Fund was used through fiscal year 2014 to account for the collection of tax increment financing from Otter Creek Ethanol, LLC. The tax increment financing proceeds were being collected in order to satisfy urban renewal revenue capital loan note debt service requirements (until that note was refunded in December 2013) and are now being collected to satisfy general obligation bonds (issued in December 2013) debt service requirements. For fiscal year 2014, this fund had revenues of \$417,014 (compared to \$420,276 in fiscal year 2013), transfers out of \$417,873 (compared to \$420,648 in fiscal year 2013), a beginning fund balance of \$859 and an ending fund balance of \$0.

COUNTY TAX INCREMENT FINANCING (ETHANOL PLANT - PRINCIPAL AND INTEREST SINKING) FUND: The County Tax Increment Financing (Ethanol Plant - Principal and Interest Sinking) Fund was used to account for the payment of principal and interest on the urban renewal revenue capital loan notes. This fund for fiscal year 2014 had revenues (interest earnings) of \$2,392; general obligation long-term bond proceeds of \$587,230; net operating transfers in of \$33,334; expenditures of \$16,445 (urban renewal revenue capital loan interest; operating transfers out to the Debt Service Fund of \$20,851; refunded Urban Renewal Revenue Loan Notes of \$585,660; and a beginning and ending fund balance of \$0.

DEBT SERVICE: Debt Service Fund was established in December 2013. This fund is utilized to account for interest earned by amounts in this fund and for operating transfers in of tax increment financing collections generated by the Urban Renewal District 1 (Ethanol Plant) Plan area. These proceeds are to be used for the payment of interest and principal on the County’s general obligation bonds (which were issued in December 2013) long-term debt. For fiscal year 2014, this fund had revenues of \$580 (interest earnings); general obligation long-term bond proceeds of \$2,477; operating transfers in of \$410,147; and expenditures for debt service of \$392,353 (principal of \$360,000 and interest/fees of \$32,353).

OTHER SPECIAL REVENUE FUNDS: The other Special Revenue Funds, which include Case Management, Mental Health, Unified Law Levy, County Recorder’s Records Management, Sheriff’s Asset Forfeiture, Resource Enhancement and Protection, Drainage Districts, County Attorney Incentive, County TIF (Ethanol Plant – Revenue Surplus), County TIF (Ethanol Plant - Revenue Reserve), and County Tax Increment Financing (Cenex Coop Project) are classified as nonmajor.

Budgetary Highlights

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

<u>Budget Amendment Date</u>	<u>Amounts Changed</u>	<u>Reasoning for Changes</u>
July 30, 2013	Other Financing Sources = \$500,000 Expenditures = \$528,788	Short-term project note proceeds Veterans' Affairs grant costs; data processing costs; insurance premiums increase; and urban renewal projects
October 15, 2013	Revenues = \$213,000 Other Financing Sources = \$550,000 Expenditures = \$557,000	Intergovernmental proceeds Short-term project note proceeds Medical examiner fees; public health grant; and urban renewal projects
December 23, 2013	Other Financing sources = \$3,441,545 Expenditures = \$2,170,775 Other Financing Use = \$1,449,032	General obligation bond proceeds Urban renewal projects; insurance premiums increase; reclassify projects and reclassify note payments Refunded debt – urban renewal revenue capital loan notes and short-term project notes
March 25, 2014	Revenues = \$13,810 Other Financing Sources/Uses = \$1,451 Expenditures = \$133,819	TIF operating transfer between funds Medical examiner fees; attorney fees; emergency planning costs; conservation costs/ economic development grants; administration costs; vehicle purchase; health; liability and workers comp Insurance premiums higher; and correction of debt service
May 13, 2014	Expenditures = \$106,000	Autopsies; crushed concrete; and computers

The County ended up collecting less than its amended budgeted revenues by \$197,685; coming in below its amended budgeted disbursements by \$2,307,712 and receiving other financing sources, net of \$170,359 below its amended budget. The actual beginning cash basis balance was \$409,726 higher than budgeted and the ending cash basis balance was \$2,349,394 more than the amended budgeted amount.

Capital Assets and Debt Administration

Capital Assets

Osceola County concluded fiscal year 2014 with \$19,040,129 invested in a broad range of capital assets. The Public Safety Commission concluded fiscal year 2014 with \$411,451 invested in a broad range of capital assets. The capital assets include public safety/secondary roads/conservation/general County

machinery/equipment, vehicles, buildings, land, roads and bridges. See Note to the Financial Statements (5) for more information about the County's and Public Safety Commission's capital assets.

Capital Assets at Year End

	Governmental Activities		Public Safety Commission	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Land	\$ 1,505,716	\$ 1,505,716	\$ 0	\$ 0
Buildings and Improvements	1,052,546	1,052,546	0	0
Machinery, Equipment and Vehicles	5,597,254	5,415,582	411,451	419,806
Infrastructure	10,884,613	9,677,626	0	0
Total	\$ 19,040,129	\$ 17,651,470	\$ 411,451	\$ 419,806

This fiscal year's major additions for the County's governmental activities included a lawn mower; 2007, 2013, and 2014 pickups; a 2013 tractor/loader; Cimline roadwork equipment; voting equipment; urban renewal area improvements; and bridges-asphalt overlay. The Public Safety Commission purchased a 2014 Explorer and 2014 pickup.

The County's governmental activities had depreciation expense of \$770,273 in fiscal year 2014 and total accumulated depreciation of \$5,455,934 on June 30, 2014. The Public Safety Commission had depreciation expense of \$23,495 in fiscal year 2014 and total accumulated depreciation of \$242,930 on June 30, 2014.

Long-Term Debt

At June 30, 2014, the County had the following long-term debt issuances outstanding:

	Urban Renewal Revenue Capital Loan Notes	OCEDC General Obligation Loan	Osceola Electric Coop General Obligation Loan	General Obligation County Purpose & Refunding Bonds	John Deere Financial Installment Purchase
Balance Beginning of Year	\$ 875,000	103,298	184,500	0	0
Increases	0	0	0	3,430,000	10,591
Decreases	(875,000)	(4,786)	(36,900)	(360,000)	0
Balance End of Year	\$ 0	98,512	147,600	3,070,000	10,591

The urban renewal revenue capital loan notes were issued for the purpose of paying the costs of aiding in the planning, undertaking and carrying out of an urban renewal project, including road improvements, traffic and rail control devices and a grant to Otter Creek Ethanol, LLC, in the Osceola County Urban Renewal District 1 Plan Area. These notes were redeemed/refunded in December 2013.

The loan with the Osceola County Economic Development Commission was used to purchase real estate known as "Hawkeye Point". The fiscal year 2014 principal and interest payments were paid by the Rural Services Fund.

The loan with the Osceola Electric Cooperative, Inc. (Rural Economic Development Loan and Grant Program) was used to assist in the purchase of 41 acres of land near Highways 9 and 60. This land was

purchased for economic development purposes. The fiscal year 2014 principal payment was made through the Rural Services Fund.

The “General Obligation County Purpose and Refunding Bonds, Series 2013A” in the amount of \$3,430,000 and dated December 15, 2013, were issued to pay expenditures related to projects in the Amended Urban Renewal District 1 (Ethanol Plant) Plan areas, to refund the County’s “Urban Renewal Revenue Capital Loan Notes, Series 20014,” and to refund the County’s “General Obligation County Purpose Loan Agreement Anticipation Project Note, Series 2013”. The general obligation bonds are being redeemed through the Debt Service Fund.

On July 31, 2013, the County entered into an installment purchase contract with John Deere Financial to acquire a tractor and loader for the conservation department at a 0% annual percentage interest rate. This installment will be paid through the General Fund.

The Constitution of the State of Iowa limits the amount of debt counties can issue to 5 percent of the assessed value of all taxable property within the County’s corporate limits (this figure is 100% valuation less military exemptions). Osceola County’s outstanding debt (even when considering TIF debt/rebate agreements toward the limitation) is significantly below its constitutional debt limit of approximately \$35,660,000. Additional information about the County’s long-term debt plus additional long-term debt related to compensated absences and the net OPEB liability is presented in Notes to the Financial Statements (8) and (10).

Economic Factors, Next Fiscal Year’s Budget, and Property Taxation

Osceola County’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and the fees for various County activities. Factors include the economy, state funding levels and property valuations. Unemployment as of December 2013 in Osceola County was 4.1% (this compares with the State of Iowa unemployment rate of 4.2% and the national rate of 6.5%). Inflation in the State is also somewhat lower than the national Consumer Price Index increase. The State’s December 2013 CPI rate was 221.194. The national December 2013 CPI rate was 233.548.

These types of indicators were taken into account when adopting the County’s budget for fiscal year 2015. The fiscal year 2014 actual figures for funds required to be budgeted and the original adopted budget for fiscal year 2015 for receipts and disbursements are as follows:

	Fiscal Year 2014 Actual	Fiscal Year 2015 Original Adopted Budget
Receipts:		
Property and Other County Tax	\$ 4,029,110	\$ 4,340,200
Interest and Penalty on Property Tax	16,298	00
Intergovernmental	2,541,947	2,506,442
Licenses and Permits	21,955	20,950
Charges for Service	321,682	277,229
Use of Money and Property	68,573	53,080
Miscellaneous	77,410	58,640
Total Receipts	\$ 7,076,975	\$ 7,256,541

Disbursements

Public Safety and Legal Services	\$	1,188,560	\$	1,247,337
Physical Health and Social Services		210,535		225,732
Mental Health		301,087		230,225
County Environment and Education		1,817,219		550,351
Roads and Transportation		2,648,787		3,077,286
Governmental Services to Residents		282,665		319,618
Administration		791,853		823,602
Nonprogram Current		67,426		61,027
Debt Service		744,376		468,662
Capital Projects		102,465		220,000
Total Disbursements	\$	<u>8,154,973</u>	\$	<u>7,223,840</u>

The property taxation by type, tax rates per \$1,000 taxable valuation, and valuation with gas and electric utilities for fiscal year 2014 and 2015 are as follows:

Property Taxation by Type

	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2015</u>
Countywide Levies	\$ 2,250,087	\$ 2,408,179
Rural Only Levies	\$ 1,387,593	\$ 1,488,659
Utility Replacement Excise Tax	\$ 93,503	\$ 90,249

Tax Rates per \$1,000 Taxable Valuation

	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2015</u>
Countywide Areas	5.35305	5.32185
Rural Areas	9.4114	9.4012

Valuation with Gas and Electric Utilities

	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2015</u>
Countywide Areas	\$ 430,908,548	\$ 462,78,146
Rural Only Areas	\$ 351,006,655	\$ 373,647,376

Contacting the County's Financial Management

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

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

Osceola County
Basic Financial Statements

Osceola County
Statement of Net Position
June 30, 2014

	Primary Government Governmental Activities	Component Unit Public Safety Commission
Assets		
Cash and Pooled Investments	\$ 4,884,077	\$ 215,744
Receivables:		
Property Tax:		
Delinquent	2,610	0
Succeeding Year	3,760,961	0
Tax Increment Financing:		
Succeeding Year	554,717	0
Interest and Penalty on Property Tax	9,180	0
Accounts	95	0
Accrued Interest	3,528	0
Due from Primary Government (County)	0	6,304
Due from County's Agency Funds	208,375	134
Due from Other Governments	185,794	0
Inventories	408,585	0
Prepaid Expenses	54,893	14,962
Capital Assets, Net of Accumulated Depreciation	13,584,195	168,521
Total Assets	23,657,010	405,665

Liabilities		
Accounts Payable	232,916	6,014
Contracts Payable	48,906	0
Salaries and Benefits Payable	27,844	2,416
Due to Component Unit	6,304	0
Due to Other Governments	167,632	0
Accrued Interest Payable	5,131	0
Deferred Revenue:		
Succeeding Year Property Tax	3,760,961	0
Succeeding Year Tax Increment Financing	554,717	0

Osceola County

Statement of Net Position

June 30, 2014

	Primary Government Governmental Activities	Component Unit Public Safety Commission
Liabilities (Continued)		
Long-Term Liabilities:		
Portion Due or Payable Within One Year:		
Compensated Absences	79,761	68,133
General Obligation County Purpose and Refunding Bonds	360,000	0
OCEDC General Obligation Loan	5,007	0
Osceola Electric Coop. General Obligation Loan	36,900	0
Portion Due or Payable After One Year:		
General Obligation County Purpose and Refunding Bonds	2,710,000	0
John Deere Installment Purchase Payable	10,591	0
OCEDC General Obligation Loan	93,505	0
Osceola Electric Coop. General Obligation Loan	110,700	0
Net OPEB Liability	93,257	17,619
Total Liabilities	8,304,132	94,182
Net Position		
Net Investment in Capital Assets	10,873,270	168,521
Restricted for:		
Supplemental Levy Purposes	347,392	0
Conservation Land Acquisition Purposes	152,985	0
Jail Improvements/Courthouse Security Purposes	148,062	0
Rural Services Purposes	60,542	0
Secondary Roads Purposes	2,518,598	0
Urban Renewal Purposes	742,393	0
Debt Service Purposes	15,720	0
Other Purposes	165,968	0
Unrestricted	327,948	142,962
Total Net Position	\$ 15,352,878	\$ 311,483

See notes to financial statements.

Osceola County

Statement of Activities

Year Ended June 30, 2014

	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental Activities:				
Public Safety and Legal Services	\$ 1,225,729	231,488	6,124	0
Physical Health and Social Services	205,044	200	58,033	0
Mental Health	131,431	624	108	0
County Environment and Education	816,286	7,578	42,083	20,948
Roads and Transportation	3,132,274	61,262	2,184,654	110,283
Governmental Services to Residents	308,601	137,890	18	0
Administration	817,450	5,893	0	0
Non-Program Current	67,425	0	0	0
Interest on Long-Term Debt	56,036	0	5,324	0
Capital Projects	136,034	0	0	0
Total Primary Government	\$ 6,896,310	444,935	2,296,344	131,231
Component Unit:				
Public Safety Commission	\$ 1,123,626	1,071,067	31,034	0

General Revenues:

- Property and Other County Tax Levied for:
 - General Purposes
 - Unified Law
- Tax Increment Financing
- Penalty and Interest on Property Tax
- State Tax Credits
- Grants and Contributions Not Restricted to Specific Purposes
- Unrestricted Investment Earnings
- Rents
- Drainage Assessments
- Gain on Disposal of Capital Assets
- Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position	
Primary Government Governmental Activities	Component Unit Public Safety Commission
(988,117)	0
(146,811)	0
(130,699)	0
(745,677)	0
(776,075)	0
(170,693)	0
(811,557)	0
(67,425)	0
(50,712)	0
(136,034)	0
<u>(4,023,800)</u>	<u>0</u>
<u>0</u>	<u>(21,525)</u>
3,144,140	0
385,898	0
499,650	0
18,809	0
201,956	0
6,146	0
12,819	0
48,533	0
16,011	0
17,550	1,280
4,163	0
<u>4,355,675</u>	<u>1,280</u>
331,875	(20,245)
<u>15,021,003</u>	<u>331,728</u>
<u>\$ 15,352,878</u>	<u>\$ 311,483</u>

Balance Sheet
Governmental Funds

June 30, 2014

	Revenue								Total
	Special	County Tax			County Tax			Nonmajor	
		Rural Services	Secondary Roads	Financing Projects (Amended Ethanol TIF Areas)	Increment	Financing (Ethanol Plant - P&I Sinking)	Debt Service	Special Revenue	
Assets									
Cash and Pooled Investments	\$ 1,398,514	46,525	1,725,226	1,440,038	20,851	0	252,923	4,884,077	
Receivables:									
Property Tax:									
Delinquent	2,120	218	0	0	0	0	272	2,610	
Succeeding Year	2,129,929	1,029,138	0	0	0	0	601,894	3,760,961	
Tax Increment Financing:									
Succeeding Year	0	0	0	470,151	0	0	84,566	554,717	
Interest and Penalty on Property Tax	9,180	0	0	0	0	0	0	9,180	
Accounts	95	0	0	0	0	0	0	95	
Accrued Interest	2,857	0	0	652	0	0	19	3,528	
Due from County's Governmental Funds	96,000	11,650	310,228	125,286	0	20,851	0	564,015	
Due from Agency Funds	208,283	0	0	0	0	0	92	208,375	
Due from Other Governments	11,275	3,125	160,135	0	0	0	11,259	185,794	
Inventories	0	0	408,585	0	0	0	0	408,585	
Prepaid Expenditures	30,767	0	22,196	0	0	0	1,930	54,893	
Total Assets	\$ 3,889,020	1,090,656	2,626,370	2,036,127	20,851	20,851	952,955	10,636,830	

Liabilities and Fund Balances

Liabilities:

Accounts Payable	\$ 132,690	343	35,581	51,250	0	0	13,052	232,916
Contracts Payable	0	0	0	48,906	0	0	0	48,906
Salaries and Benefits Payable	6,468	633	20,558	0	0	0	185	27,844
Due to County's Governmental Funds	125,286	0	0	107,650	20,851	0	310,228	564,015
Due to Component Unit	0	0	0	0	0	0	6,304	6,304
Due to Other Governments	201	0	13	0	0	0	167,418	167,632
Deferred Revenue:								
Succeeding Year Property Tax	2,129,929	1,029,138	0	0	0	0	601,894	3,760,961
Succeeding Year Tax Increment Financing	0	0	0	470,151	0	0	84,566	554,717
Other	180,469	218	0	0	0	0	256	180,943
Total Liabilities	2,575,043	1,030,332	56,152	677,957	20,851	0	1,183,903	5,544,238

Fund Balances:

Nonspendable:

Advance for Interfund County TIF Projects

(Amended Ethanol TIF Areas)

Inventories

Prepaid Expenditures

Restricted for:

Supplemental Levy Purposes

Jail Improvements/Courthouse Security

Conservation Land Acquisition Purposes

Rural Services Purposes

Secondary Roads Purposes

Urban Renewal Purposes

Debt Service

Other Purposes

Unassigned

Total Fund Balances

	96,000	0	0	0	0	0	0	96,000
	0	0	408,585	0	0	0	0	408,585
	30,767	0	22,196	0	0	0	1,930	54,893
	324,022	0	0	0	0	0	0	324,022
	66,578	0	0	0	0	0	0	66,578
	152,985	0	0	0	0	0	0	152,985
	0	60,324	0	0	0	0	0	60,324
	0	0	2,139,437	0	0	0	0	2,139,437
	0	0	0	1,358,170	0	0	0	1,358,170
	0	0	0	0	20,851	0	0	20,851
	0	0	0	0	0	0	164,014	164,014
	643,625	0	0	0	0	0	(396,892)	246,733
Total Fund Balances	1,313,977	60,324	2,570,218	1,358,170	20,851	0	(230,948)	5,092,592

Total Liabilities and Fund Balances

	\$ 3,889,020	1,090,656	2,626,370	2,036,127	20,851	20,851	952,955	10,636,830
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See notes to financial statements.

Osceola County

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

June 30, 2014

Total Governmental Fund Balances (pages 22-23) \$ 5,092,592

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 assets is \$19,040,129 and the accumulated depreciation is \$5,455,934. 13,584,195

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 180,943

Long-term liabilities, including accrued interest payable, certain compensated absences payable, general obligation bonds and loans, an installment payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (3,504,852)

Net Position of Governmental Activities (pages 18-19) \$ 15,352,878

See notes to financial statements.

Osceola County
Statement of Revenues, Expenditures and
Changes in Fund Balances Governmental Funds
Year Ended June 30, 2014

	<u>General</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Special</u>
Revenues:				
Property and Other County Tax	\$ 1,993,294	966,076	0	
Tax Increment Financing	0	0	0	
Interest and Penalty on Property Tax	16,592	0	0	
Intergovernmental	206,170	61,657	2,184,655	
Licenses and Permits	830	4,225	17,530	
Charges for Service	336,669	0	147	
Use of Money and Property	50,842	0	13,054	
Miscellaneous	33,002	0	43,486	
Total Revenues	<u>2,637,399</u>	<u>1,031,958</u>	<u>2,258,872</u>	
Expenditures:				
Operating:				
Public Safety and Legal Services	794,837	0	0	
Physical Health and Social Services	190,766	13,545	0	
Mental Health	0	0	0	
County Environment and Education	1,388,998	98,863	0	
Roads and Transportation	0	0	2,584,465	
Governmental Services to Residents	348,505	1,390	0	
Administration	799,621	0	0	
Non-Program Current	5,295	0	0	
Debt Service	0	46,238	0	
Capital Projects	17,466	0	61,964	
Total Expenditures	<u>3,545,488</u>	<u>160,036</u>	<u>2,646,429</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(908,089)</u>	<u>871,922</u>	<u>(387,557)</u>	
Other Financing Sources (Uses):				
General Obligation Long-Term Bond Proceeds	982,416	0	0	
General Obligation Long Term Bond Proceeds-Premium	0	0	0	
Proceeds from Other Long Term Debt (Installment Purchase)	10,591	0	0	
Sale of Capital Assets	3,500	0	13,350	
Operating Transfers In	9,383	0	845,290	
Operating Transfers Out	0	(845,290)	0	
Refunded Urban Renewal Revenue Capital Loan Notes	0	0	0	
Total Other Financing Sources (Uses)	<u>1,005,890</u>	<u>(845,290)</u>	<u>858,640</u>	
Changes in Fund Balances	97,801	26,632	471,083	
Fund Balances Beginning of Year	1,216,176	33,692	2,099,135	
Fund Balances End of Year	<u>\$ 1,313,977</u>	<u>60,324</u>	<u>2,570,218</u>	

See notes to financial statements.

Revenue						
County Tax Increment Financing Projects (Amended Ethanol TIF Areas)	County Tax Increment Financing (Ethanol Plant - Plan Area Revenue)	County Tax Increment Financing (Ethanol Plant - Principal and Interest Sinking)	Debt Service	Nonmajor Special Revenue	Total	
0	0	0	0	570,176	3,529,546	
0	415,314	0	0	84,336	499,650	
0	0	0	0	0	16,592	
0	0	0	0	65,760	2,518,242	
0	0	0	0	0	22,585	
0	0	0	0	1,881	338,697	
652	1,700	2,392	580	190	69,410	
0	0	0	0	19,496	95,984	
652	417,014	2,392	580	741,839	7,090,706	
0	0	0	0	407,957	1,202,794	
0	0	0	0	0	204,311	
0	0	0	0	130,023	130,023	
385,098	0	0	0	12,984	1,885,943	
0	0	0	0	0	2,584,465	
0	0	0	0	2,318	352,213	
0	0	0	0	0	799,621	
0	0	0	0	62,130	67,425	
0	0	16,445	392,353	289,340	744,376	
0	0	0	0	56,605	136,035	
385,098	0	16,445	392,353	961,357	8,107,206	
(384,446)	417,014	(14,053)	(391,773)	(219,518)	(1,016,500)	
1,857,877	0	587,230	2,477	0	3,430,000	
10,964	0	0	0	0	10,964	
0	0	0	0	0	10,591	
0	0	0	0	0	16,850	
0	0	33,334	410,147	0	1,298,154	
(14,140)	(417,873)	(20,851)	0	0	(1,298,154)	
0	0	(585,660)	0	0	(585,660)	
1,854,701	(417,873)	14,053	412,624	0	2,882,745	
1,470,255	(859)	0	20,851	(219,518)	1,866,245	
(112,085)	859	0	0	(11,430)	3,226,347	
1,358,170	0	0	20,851	(230,948)	5,092,592	

Osceola County
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances –
Governmental Funds to the Statement
of Activities

Year Ended June 30, 2014

Change in Fund Balances - Total Governmental Funds (pages 26-27) **\$ 1,866,245**

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. Capital outlay expenditures and contributed capital assets exceeded depreciation expense and capital assets contributed in the current year as follows:

Expenditures for capital assets	\$ 1,374,651	
Depreciation expense	(770,273)	
Capital asset contributed by the Iowa Department of Transportation	<u>110,283</u>	714,661

In the Statement of Activities, the gains and losses on the disposition of capital assets are reported, whereas the governmental funds report the proceeds from the disposition of capital assets as an increase in financial resources (the basis of the capital assets disposed does not affect the governmental funds). (42,484)

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

Property Tax	(490)	
Other	<u>(830)</u>	(1,320)

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 and repayments were as follows:

Issued long-term debt	(3,440,591)	
Repaid long-term debt	<u>1,276,686</u>	(2,163,905)

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

Interest on long-term debt	(2,686)	
Compensated absences	(8,945)	
Other postemployment benefits	<u>(29,691)</u>	<u>(41,322)</u>

Change in Net Position of Governmental Activities (pages 20-21) **\$ 331,875**

See notes to financial statements.

Osceola County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

Assets

Cash and Pooled Investments:	
County Treasurer	\$ 736,151
Other County Officials	19,532
Receivables:	
Property Tax:	
Delinquent	12,197
Succeeding Year	7,460,662
Tax Increment Financing:	
Succeeding Year	166,905
Accounts	197,764
Accrued Interest	2
Special Assessments	3,601
Due from Other Agency Fund	92
Due from Other Governments	7,492
Prepaid Expenses	10,259
	<hr/>
Total Assets	8,614,657
	<hr/>

Liabilities

Accounts Payable	31,475
Salaries and Benefits Payable	502
Due to Primary Government	208,375
Due to Other Agency Fund	92
Due to Component Unit	134
Due to Other Governments	8,323,823
Trusts Payable	45,004
Compensated Absences	5,252
	<hr/>
Total Liabilities	8,614,657
	<hr/>
Net Position	\$ 0
	<hr/> <hr/>

See notes to financial statements.

Osceola County

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

Fifty-one drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Osceola County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Osceola County Auditor's office.

Discretely Presented Component Unit – The Public Safety Commission is presented in a separate column to emphasize that it is legally separate from the County, but is financially accountable to the County, or whose relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. The Public Safety Commission, a Chapter 28E Organization formed by Osceola County and each of the cities in Osceola County, is governed by representatives appointed by each of the members and is the sole provider of public (governmental) law enforcement for all of Osceola County. Osceola County approves the Public Safety Commission's tax rates and levies a unified law tax on behalf of the Commission. Osceola County collected and expended \$406,957 (\$406,926 on a cash basis) to the Public Safety Commission for the unified law levy for the fiscal year. Osceola County's expenditure for its contribution for contract law enforcement to the Public Safety Commission was \$208,338 for the fiscal year. In addition, the County provided the Public Safety Commission with bookkeeping and payroll services (which, in exchange for providing these services, the County gets to keep all investment income earned on Public Safety Commission funds). The financial statements for the Public Safety Commission, which are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board, are presented in this audit report as a discretely presented component unit and more detailed financial information is reported as other supplementary information in the schedules.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Osceola County Assessor's Conference Board, Osceola County Emergency Management Commission, Osceola County Joint E911 Service Board, the Northwest Iowa Area Solid Waste Agency, the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County for the Osceola County Assessor, Osceola County Emergency Management Commission and Osceola County Joint E911 and not reported for the Northwest Iowa Solid Waste Agency, the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority. During the year ended June 30, 2014, the County did not contribute any money to the County Assessor, E911, the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium and the Northwest Iowa Regional Housing Authority; while the County expended \$30,000 in support for the Emergency Management Services

and paid \$186 to the Northwest Iowa Solid Waste Agency for tire disposal. In addition, the County provided the County Assessor, Emergency Management and E911 with bookkeeping and payroll services (which, in exchange for providing these services, the County gets to keep all investment income earned on the County Assessor and Emergency Management funds).

Joint Venture – The County is a participant with the cities in Osceola County in a joint venture to manage the Osceola County Economic Development Commission, a Chapter 28E Organization. The Commission is governed by a six-member board composed of one representative from each governmental entity. The purpose of the Commission is to develop new economic opportunities in Osceola County. The County has an ongoing financial responsibility to provide funding to the Commission for the Commission's continued existence. During the year ended June 30, 2014, the amount of money expended by the County for the Commission amounted to \$73,388 in support. Please see Note to the Financial Statements (8) for information on a general obligation loan that the County owes to the Osceola County Economic Development Commission. Financial information on the Commission is not included with the County's financial statements. Financial statements for the Commission may be obtained from the Commission's office in the Osceola County Courthouse in Sibley, Iowa.

B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net 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 the following categories.

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

Restricted net position results when constraints placed on net assets 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 imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or

privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The County reports the following major governmental funds:

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

Special Revenue:

The 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 Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

The County Tax Increment Financing Projects (Amended Ethanol TIF Areas) Fund is used to pay the issuance costs of the “General Obligation County Purpose and Refunding Bonds, Series 2013A” and expenditures related to projects in the Amended Urban Renewal District 1 (Ethanol Plant) Plan areas. Projects consist of constructing water system extensions and improvements, constructing road improvements to assist in economic development resulting in job and wealth creation, constructing sanitary sewer system improvements, and any other projects deemed to meet public purpose within the urban renewal plan areas.

The County Tax Increment Financing (Ethanol Plant - Plan Area Revenue) Fund was used during the fiscal year to account for the collection of tax increment financing related to the Urban Renewal District 1 (Ethanol Plant) Plan area. The tax increment financing proceeds were originally being collected for the County’s “Urban Renewal District 1 Plan Revenue Capital Loan Notes” debt service requirements and, currently, are being collected for the County’s “General Obligation County Purpose and Refunding Bonds, Series 2013A” debt service requirements.

The County Tax Increment Financing (Ethanol Plant - Principal and Interest Sinking) Fund was used to account for payments of principal and interest on the County’s Urban Renewal District 1 Plan revenue capital loan notes.

The Debt Service Fund is utilized to account for interest earned by amounts in this fund and for operating transfers in of tax increment financing collections generated by the Urban Renewal District 1 (Ethanol Plant) Plan area. These proceeds are to be used for the payment of interest and principal on the County's general obligation bonds long-term debt.

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, any claims and judgments and compensated absences (for employees who haven't terminated employment) are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds (this also applies to the Public Safety Commission). Proceeds of general long-term debt and any

acquisitions under capital leases/installment purchases are reported as other financing sources.

Under the terms of grant agreements, the County and Public Safety Commission fund 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 positions available to finance the program. It is both the County's and Public Safety Commission's policy to first apply 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. The Public Safety Commission also follows this same policy.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax and tax increment financing revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; are based on January 1, 2012, assessed property valuations; are for the tax accrual period July 1, 2013 through June 30, 2014; and reflect the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

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

Accounts Receivable – Accounts receivable represents money owed to the County, mainly for services provided by the County, which was not paid as of June 30, 2014. The accounts receivable in the County Offices Funds (Agency Funds) total includes \$135,807 in jail fees receivables and \$54,790 in ambulance charges receivables. These jail fees and ambulance charges receivables are owed by the County Offices Fund to the County's General Fund. It is possible that a large portion of the \$135,807 in jail fees and up to \$26,774 in ambulance charges receivables may not be collected within one year.

Due from Primary Government (County), Due from County's Agency Funds, Due from County's Governmental Funds, Due from Other Agency Fund, Due to Component Unit, Due to County's Governmental Funds, Due to Primary Government (County), and Due to Other Agency Fund – During the course of its normal operations, the County has numerous transactions between the County's governmental funds, agency funds and the Public Safety Commission. To the extent that certain transactions between the County's governmental funds, agency funds and the Public Safety Commission had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the financial statements.

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

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

Prepaid Expenses/Expenditures – Prepaid expenses/expenditures represent insurance coverages and other expenses/expenditures which will benefit a future fiscal year. Prepayments are recorded as expenses/expenditures when utilized rather than when paid.

Capital Assets – Capital assets, which include property, equipment/machinery and vehicles, intangibles (when applicable) and infrastructure assets (e.g., roads, bridges, drainage systems and similar items which are immovable and of value only to the County), are reported in the governmental activities and component unit –

Public Safety Commission columns in the government-wide Statement of Net Position. Only costs related to infrastructure assets that are finished on or after July 1, 2004 are reported in the financial statements. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County and Public Safety Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Intangibles	25,000
Land, Buildings and Improvements	5,000
Machinery, Equipment and Vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings and Improvements	25 – 50
Land Improvements	10 – 50
Infrastructure	10 – 65
Intangibles	3 – 40
Machinery and Equipment	3 – 20
Vehicles	5 – 15

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

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

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 and the Public Safety Commission financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax/tax increment financing receivables, charges for services receivables, 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 and tax increment financing receivables that will not be recognized as revenue until the year for which each is levied.

Compensated Absences – County and Public Safety Commission employees accumulate a limited amount of earned but unused vacation hours and compensatory time for subsequent use or for payment upon termination, death, or retirement. Sick pay is also accumulated on a limited basis by employees for subsequent use, but is not paid upon termination, death, or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for the cost of vacation and compensatory time termination accumulations is reported in governmental fund financial statements, and the separate financial statements for the discretely presented component unit – Public Safety Commission presented in the schedules, only for employees that have resigned, retired or employment has terminated for any other reason. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities of the County will be paid primarily by the General and Secondary Roads Funds.

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

In the governmental fund financial statements, the premium on debt issuances and the face amount of debt issued is reported as other financing sources (when applicable). Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Equity – In the County’s governmental funds and Public Safety Commission financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a 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/Public Safety Commission Board through passage of an ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors/Public Safety Commission Board removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors/Public Safety Commission Board intend to use for specific purposes (when applicable).

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The County's budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements did not exceed the amount budgeted for any function or the amount appropriated for any department; however, please see "Other Findings Related to Required Statutory Reporting: 14-1" for a comment related to the budget amendment approved on December 23, 2013.

(2) **Cash and Pooled Investments**

The County's deposits in banks at June 30, 2014, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$593,120 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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

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

The detail of the receivables and payables between the County's governmental funds (primary government) and the discretely presented component unit – Public Safety Commission as of June 30, 2014, are as follows:

Receivable Fund	Payable Fund	Amount
Component Unit: Public Safety Commission	Special Revenue: Unified Law Levy	<u>\$ 6,304</u>

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

The detail of receivables and payables between the County's different governmental funds, between agency funds and the County's governmental funds, between different agency funds, and between agency funds and the Public Safety Commission for transactions at June 30, 2014, is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: County TIF Projects (Amended Ethanol TIF Areas)	\$ 96,000
	Agency: County Offices (Recorder, Sheriff, Ambulance and Auditor)	202,852
	Auto License and Use Tax	5,396
	Other (Flex Spending)	35
Special Revenue: Rural Services	Special Revenue: County TIF Projects (Amended Ethanol TIF Areas)	11,650
Secondary Roads	County TIF Project (Cenex Coop TIF Area)	310,228
County TIF Projects (Amended Ethanol TIF Areas)	General	125,286
County Recorder's Records Management	Agency: County Offices (Recorder)	92
Debt Service	Special Revenue: County TIF (Ethanol Plant P&I Sinking)	20,851
Agency: Other (Co. Recorder's Electronic Fee)	Agency: County Offices (Recorder)	92
Component Unit: Public Safety Commission	Agency: County Offices (Sheriff)	<u>134</u>
	Total	<u>\$ 772,616</u>

Most of these balances result from the time lag between the dates interfund goods and services are provided, reimbursable expenditures occur and/or money is collected in an agency fund, the transactions/collections are recorded in the accounting system, and the resulting payments are made to the County's appropriate governmental or agency fund or the Public Safety Commission.

The balances owed to the General and Rural Services Funds by the County Tax Increment Financing Projects (Amended Ethanol TIF Areas) Fund and to the Secondary Roads Fund by the County Tax Increment Financing Project (Cenex Coop TIF Area) Fund are the result of interfund loans to help finance development projects within the County's designated urban renewal areas. Repayments will be made on these interfund loans as tax increment financing proceeds are received. The \$96,000 owed to the General Fund by the County Tax Increment Financing Projects (Amended Ethanol TIF Areas) is not expected to be repaid in fiscal year 2015; therefore, this amount of the General Fund's fund balance is reported as "nonspendable" in the Balance Sheets. The \$11,650 owed to the Rural Services Fund by the County Tax Increment Financing Projects (Amended Ethanol TIF Areas) Fund is expected to be repaid in fiscal year 2015. Of the \$310,228 owed to the Secondary Roads Fund by the County Tax Increment Financing Project (Cenex Coop TIF Area) Fund, \$23,340 is expected to be repaid in fiscal year 2015 and \$286,888 is not expected to be collected until after fiscal year 2015.

The \$125,286 owed to the County Tax Increment Financing Projects (Amended Ethanol TIF Areas) Fund by the General Fund and the \$20,851 owed to the Debt Service Fund by the County Tax Increment Financing (Ethanol Plant – P&I Sinking) Fund are mainly due to how long-term bond proceeds were allocated between the funds, and also, a reimbursement for an expenditure was deposited into the General Fund after the General Fund had already received long-term bond proceeds for the expenditure. These interfund amounts are expected to be repaid in full during fiscal year 2015.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014, is as follows:

Transfer to	Transfer from	Amount
General Basic	Special Revenue: County Tax Increment Financing Projects (Amended Ethanol TIF Areas)	\$ 9,383
Special Revenue: Secondary Roads	Rural Services	845,290
County Tax Increment Financing (Ethanol Plant – Principal & Interest Sinking)	County Tax Increment Financing (Ethanol Plant-Plan Area Revenue)	33,334
Debt Service	County Tax Increment Financing Projects (Amended Ethanol TIF Areas)	4,757
	County Tax Increment Financing (Ethanol Plant - Plan Area Revenue)	384,539
	County Tax Increment Financing (Ethanol Plant – P & I Sinking)	20,851
Total		<u>\$ 1,298,154</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer into the General Basic Fund was for a reimbursement of “Amended Urban Renewal District 1 (Ethanol Plant) Plan areas” costs incurred before the long-term bond proceeds were received, the transfer into Secondary Roads was for compliance with the local effort provision (Iowa Code Section 312.2(5)), the transfer into the County TIF (Ethanol Plant – Principal & Interest Sinking) Fund was for payment on the urban renewal revenue capital loan notes and the transfers into Debt Service were/are to provide funding to pay off the General Obligation County Purpose and Refunding Bonds, Series 2013A.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2014, was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
County Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,505,716	0	0	1,505,716
Total Capital Assets Not Being Depreciated	1,505,716	0	0	1,505,716
Capital Assets Being Depreciated:				
Buildings and Improvements	1,052,546	0	0	1,052,546
Machinery, Equipment and Vehicles	5,415,582	277,947	(96,275)	5,597,254
Infrastructure	9,677,626	1,206,987	0	10,884,613
Total Capital Assets Being Depreciated	16,145,754	1,484,934	(96,275)	17,534,413
Less Accumulated Depreciation For:				
Buildings and Improvements	479,343	27,680	0	507,023
Machinery, Equipment and Vehicles	2,792,236	243,174	(53,791)	2,981,619
Infrastructure	1,467,873	499,419	0	1,967,292
Total Accumulated Depreciation	4,739,452	770,273	(53,791)	5,455,934
Total Capital Assets Being Depreciated, Net	11,406,302	714,661	(42,484)	12,078,479
Governmental Activities Capital Assets, Net	\$ 12,912,018	714,661	(42,484)	13,584,195

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public Safety and Legal Services	\$ 17,588
County Environment and Education	80,198
Roads and Transportation	642,096
Governmental Services to Residents	14,870
Administration	15,521
Total Depreciation Expense – Governmental Activities	\$ 770,273

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Discretely Presented Component Unit –				
Public Safety Commission:				
Capital Assets Depreciated:				
Machinery, Equipment and Vehicles	\$ 419,806	56,088	(64,443)	411,451
Less Accumulated Depreciation For:				
Machinery, Equipment and Vehicles	258,467	23,495	(39,032)	242,930
Public Safety Commission				
Capital Assets, Net	<u>\$ 161,339</u>	<u>32,593</u>	<u>(25,411)</u>	<u>168,521</u>

The County and the Public Safety Commission do not have any “intangible” capital assets as of June 30, 2014.

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax and other County tax (including TIF) for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2014, is as follows:

Fund	Description	Amount
General	Services/Concrete	\$ 201
Special Revenue:		
Secondary Roads	Utilities	13
Mental Health	Services	157,887
Drainage	Services	9,531
		<u>167,231</u>
Total for Governmental Funds		<u>\$ 167,432</u>
Agency:		
County Offices	Collections	\$ 6,513
Agricultural Extension Education		132,162
County Assessor		309,481
Schools		5,390,923
Community Colleges		302,131
Corporations		1,594,255
Townships		143,306
Auto License and Use Tax		147,501
E911 Surcharge		216,025
Emergency Management Services		79,231
Other Funds		2,296
Total for Agency Funds		<u>\$ 8,323,826</u>

(7) General Obligation County Purpose Loan Anticipation Project Note

On July 9, 2013, the County established a General Obligation County Purpose Loan Anticipation Project Note, Series 2013 with Sibley State Bank. The project note, set up as a “draw note”, allowed for maximum principal borrowing of \$2,075,000, carried an interest rate of 1.75%, and had a maturity date of June 30, 2014. The project note was for costs related to urban renewal projects in the County’s Amended Urban Renewal District 1 (Ethanol Plant) Plan areas. During fiscal year ended June 30, 2014, the County borrowed \$1,050,000 against this anticipation project note. The County repaid in full the entire \$1,050,000, along with \$5,295 of accrued interest, on December 19, 2013 upon receipt of the proceeds from the General Obligation County Purpose and Refunding Bonds, Series 2013A.

(8) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014, is as follows:

<u>County</u>	Compensated Absences	Urban Renewal Revenue Capital Loan Notes	OCEDC General Obligation Loan	Osceola Electric Coop. General Obligation Loan
Balance Beginning of Year	\$ 70,816	875,000	103,298	184,500
Increases	90,933	0	0	0
Decreases	(81,988)	(875,000)	(4,786)	(36,900)
Balance End of Year	\$ 79,761	0	98,512	147,600
Due Within One Year	\$ 79,761	0	5,007	36,900

<u>County (Continued)</u>	Net OPEB Liability	General Obligation County Purpose & Refunding Bonds	John Deere Financial Installment Purchase	Total
Balance Beginning of Year	\$ 63,566	0	0	1,297,180
Increases	29,691	3,430,000	10,591	3,561,215
Decreases	0	(360,000)	0	(1,358,674)
Balance End of Year	\$ 93,257	3,070,000	10,591	3,499,721
Due Within One Year	\$ 0	360,000	10,591	492,259

Component Unit-Public Safety Commission	Compensated Absences	Net OPEB Liability	Total
Balance Beginning of Year	\$ 53,820	18,972	72,792
Increases	35,167	0	35,167
Decreases	(20,854)	(1,353)	(22,207)
Balance End of Year	\$ 68,133	17,619	85,752
Due Within One Year	\$ 68,133	0	68,133

Urban Renewal Revenue Capital Loan Notes

During the year ended June 30, 2014, the County retired \$875,000 in urban renewal revenue capital loan notes and paid interest of \$16,445 on these capital loan notes (total of \$891,445). These urban renewal revenue capital loan notes and related interest were redeemed through the County Tax Increment Financing (Ethanol Plant - Principal & Interest Sinking) Fund (the \$16,445 in interest was paid out of the Debt Service function from available funds, while \$585,660 in principal, reported as an "other financing use", was paid off from proceeds of the General Obligation County Purpose & Refunding Bonds, Series 2013A issuance), the County Tax Increment Financing (Ethanol Plant - Revenue Reserve) Fund (\$284,500 in principal was paid out of the Debt Service function from available funds), and the County Tax Increment Financing (Ethanol Plant - Revenue Surplus) Fund (the remaining \$4,840 in principal was paid out of the Debt Service function from available funds).

Osceola County Economic Development Commission (OCEDC) General Obligation Loan

On February 28, 2008, the County entered into a loan agreement with the Osceola County Economic Development Commission (OCEDC) for \$140,000. This loan was used to purchase real estate known as the "Highpoint of Iowa" or "Hawkeye Point". This note payable carries a 4.5% interest rate. Payments are scheduled to be made on this note payable quarterly based on a 25 year payback schedule with a balloon payment due after 10 years. A summary of the County's June 30, 2014, OCEDC note payable indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	4.50%	\$ 5,007	4,331	9,338
2016	4.50%	5,225	4,113	9,338
2017	4.50%	5,477	3,861	9,338
2018	4.50%	82,803	2,433	85,236
Totals		\$ 98,512	14,738	113,250

During the year ended June 30, 2014, the County paid off principal of \$4,786 and interest of \$4,552 on this loan. This loan is being repaid through the Rural Services Fund in the Debt Service function.

If default is made in the payment of this note, or if the OCEDC believes itself insecure, the entire principal and accrued interest may be declared due and payable by the OCEDC.

The interest rate during the default period is 10%. This note is secured by a real estate mortgage on the “Hawkeye Point” property. The “Hawkeye Point” property is recorded as a capital asset on the County’s financial statements with a June 30, 2014, book value (capitalized cost of \$124,740 less accumulated depreciation of \$16,469) of \$108,271.

See Note to the Financial Statements (15) for refinancing done on this loan during fiscal year 2015.

Osceola Electric Cooperative, Inc. General Obligation Loan

On September 14, 2007, the County entered into a loan agreement with the Osceola Electric Cooperative, Inc. for \$369,000 at a 0% interest rate through the Cooperative’s revolving loan fund (Rural Economic Development Loan and Grant Program). The loan is payable in ten annual payments of \$36,900. The \$369,000 in loan proceeds was actually received in December 2008. The proceeds of the loan were used to purchase 41 acres of land near Highways 9 and 60 for economic development. Additionally, in September 2007, as a matching requirement for this 0% interest loan, the County made a \$69,000 contribution to the Osceola Electric Cooperative, Inc. out of the General Basic Fund. A summary of the County’s June 30, 2014, Osceola Electric Cooperative, Inc. note payable indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal
2015	0%	\$ 36,900
2016	0%	36,900
2017	0%	36,900
2018	0%	36,900
Total		\$ 147,600

During the year ended June 30, 2014, the County paid off principal of \$36,900 on this note (there is no interest). This loan is being repaid through the Rural Services Fund in the Debt Service function. If any payment is made more than ten days after the due date, a late charge will be computed. If default is made in the payment of this note, the entire principal and a calculated accrued interest amount may be declared due and payable by the Cooperative.

General Obligation County Purpose and Refunding Bonds, Series 2013A

A summary of the County’s June 30, 2014 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	2.00%	\$ 360,000	62,423	422,423
2016	2.00%	365,000	55,222	420,222
2017	2.00%	370,000	47,923	417,923
2018	2.00%	380,000	40,522	420,522
2019	2.00%	385,000	32,923	417,923
2020-2022	2.00-2.20%	1,210,000	51,565	1,261,565
Totals		\$ 3,070,000	290,578	3,360,578

The “General Obligation County Purpose and Refunding Bonds, Series 2013A” in the amount of \$3,430,000 and dated December 15, 2013, were issued to pay expenditures related to projects in the Amended Urban Renewal District 1 (Ethanol Plant) Plan areas, to refund the County’s “Urban Renewal Revenue Capital Loan Notes, Series 2004,” and to refund the County’s “General Obligation County Purpose Loan Agreement Anticipation Project Note, Series 2013”. Anticipated urban renewal projects consist of constructing water system extensions and improvements, constructing road improvements to assist in economic development resulting in job and wealth creation, constructing sanitary sewer system improvements, and any other projects deemed to meet public purpose within the urban renewal areas.

The general obligation bonds were issued at a net premium of \$10,964 (reoffering premium of \$69,274 less underwriter’s discount of \$58,310). The net interest cost for these bonds is 1.988%. The County reserves the right to optionally prepay part or all of the principal of the Bonds maturing in each of the years 2021 and 2022, inclusive, prior to and in any order of maturity on June 1, 2020, or on any date thereafter upon terms of par and accrued interest.

During the year ended June 30, 2014, the County retired \$360,000 of the general obligation bonds, paid \$32,103 in interest and \$250 in bond administration fees. These general obligation bonds are being redeemed through the Debt Service Fund and reported as Debt Service function expenditures.

John Deere Financial Installment Purchase

On July 31, 2013, the County entered into an installment purchase contract with John Deere Financial to acquire a tractor and loader for the conservation department at a 0% annual percentage interest rate. The total cost of the tractor and loader, including fees, was \$40,091 after receiving \$4,200 in trade-in value on a Ford 5000. During fiscal year 2014, the County paid \$29,500 toward the purchase of the tractor and loader out of the General Fund. The remaining balance of \$10,591 was reported as an “other financing source” and as a County Environment and Education function expenditure. The June 30, 2014 John Deere Financial installment purchase payable indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2017	0%	\$ 1,693	0	1,693
2018	0%	8,898	0	8,898
Totals		\$ 10,591	0	10,591

(9) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the County/Commission 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, 2014, 2013, and 2012, were \$168,245, \$158,365 and \$154,625 respectively, equal to the required contributions for each year. The Public Safety Commission's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012, were \$62,693, \$64,174 and \$61,321, respectively, equal to the required contributions for each year.

(10) Other Postemployment Benefits (OPEB)

Plan Description. The County, including the Public Safety Commission, operates a single employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 56 (41.5 County and 14.5 Public Safety Commission) active members and 1 retired member participating in the County's plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County and the Public Safety Commission's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County and Public Safety Commission's net OPEB obligation:

	County's Governmental Activities	Public Safety Commission
Annual required contribution	\$ 37,156	\$ 6,006
Interest on net OPEB obligation	2,543	759
Adjustment to annual required contribution	(2,854)	(414)
Annual OPEB cost	36,845	6,351
Contributions made	(7,154)	(7,704)
Increase (decrease) in net OPEB obligation	29,691	(1,353)
Net OPEB obligation beginning of year	63,566	18,972
Net OPEB obligation end of year	\$ 93,257	\$ 17,619

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the County contributed \$7,154 and the Public Safety Commission contributed \$7,704 to the medical plan. Plan members eligible for benefits did not make any contributions.

The County's governmental activities annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014, are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 21,157	46.5%	33,919
2013	36,801	19.4%	63,566
2014	36,845	19.4%	93,257

The Public Safety Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014, are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 6,714	0.0%	20,300
2013	6,375	120.8%	18,972
2014	6,351	121.3%	17,619

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013, through June 30, 2014, the actuarial accrued liability of the County was \$216,548, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$216,548. The County's covered payroll (annual payroll of active employees covered by the plan) was \$1,648,392 and the ratio of the UAAL to covered payroll was 13.1%. The actuarial accrued liability of the Public Safety Commission was \$70,314, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$70,314. The Public Safety Commission's covered payroll (annual payroll of active employees covered by the plan) was \$686,159 and the ratio of the UAAL to covered payroll was 10.3%. As of June 30, 2014, there were no trust fund assets for either the County or the Public Safety Commission.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual

revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012, actuarial valuation date, the projected unit credit with linear proration to decrement actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County and Public Safety Commission's funding policy. The projected annual medical trend rate is 9.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Combined Mortality Table Fully Generational using Scale AA. Annual retirement is based on the assumption that County employees would retire at age 61 (age 58 for Public Safety Commission employees) or upon meeting the minimum age/service requirement, whichever is later. If an employee is currently over 61 (58 for a Public Safety employee) and has met the minimum age/service requirement, the employee is assumed to retire immediately. Termination rates were set based on the age of the participants of the County and Public Safety Commission.

Projected claim costs of the medical plan are \$13,318 annually for retirees. All coverage ceases when the retiree reaches age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) Risk Management

Osceola County and the Public Safety Commission are exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County and Public Safety Commission assume liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past three fiscal years, except for \$185,022 paid from the General Fund to a former employee in a wrongful termination lawsuit settlement in fiscal year ending June 30, 2012. Also, the County did decrease the limit on the Treasurer's surety bond coverage from \$260,000 to \$100,000 for fiscal year 2014.

(12) Intergovernmental Agreement

The County has entered into an agreement with the Northwest Iowa Area Solid Waste Agency, a political subdivision created in accordance with Chapter 28E of the Code of Iowa,

for disposal of solid waste produced or generated from within the County. The County did not have to make any payments under this agreement for the fiscal year ended June 30, 2014, except for \$186 for the disposal of tires.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County by resolution has approved to act as a "Local Government Guarantee" in order to provide a financial assurance mechanism instrument for the Agency. The closure and postclosure costs to the Agency have been estimated at \$3,491,198 as of June 30, 2014, and the portion of the liability that has been recognized by the Agency as of June 30, 2014, is \$1,724,048. The estimated remaining life of the landfill is 41 years and the capacity used at June 30, 2014, is approximately 49 percent. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2014, assets of \$1,656,370 are restricted for these purposes.

The Agency has fully demonstrated financial assurance for closure and postclosure care costs as required by Chapter 113 of the Iowa Administrative Code by establishing a dedicated fund and funding it in accordance with GASB 18 funding rules (a local government guarantee and local government financial test in place for the unfunded amounts). Also, please see the Agency's audit report for note disclosure regarding litigation between the Agency and the Iowa Attorney General. The Iowa Attorney General is seeking penalties for supposed improper solid waste disposal. No estimate has been made as to any possible future assessments to the County.

(13) Deficit Fund Balances

The Special Revenue, Mental Health Fund, had a deficit modified accrual fund balance of \$(86,664) at June 30, 2014. Demand and the related costs for Mental Health services have continued to exceed the available revenue for several years. The County is continuing evaluation of what options are available to address the financial stress of the Mental Health Fund and how Iowa legislative changes will affect the Mental Health Fund (the County is in the process of transitioning Mental Health operations from the county level to a regional level as part of Senate File 2315, the Mental Health and Disability (MH/DS) Redesign bill).

The Special Revenue, County Tax Increment Financing (Cenex Coop Project) Fund, had a deficit modified accrual fund balance of \$(310,228) at June 30, 2014. This deficit balance is the result of road construction project costs in a County urban renewal area in excess of available funds. This deficit should be eliminated in future years upon collection of tax increment financing revenues.

(14) Commitments

The County has an agreement with the City of Sioux City, Iowa for the provision of hazardous materials response services. The agreement is in effect until June 30, 2017, unless terminated for cause earlier. The County is committed to pay or reimburse the City of Sioux City for all costs incurred by the City to staff and equip a HAZMAT team to respond to hazardous condition emergencies in the County. The County is also responsible for an annual base charge. In fiscal year ending June 30, 2015 to June 30, 2016, the annual base charge will be revised to adjust to the U.S. Census Bureau population figures from 2011.

In fiscal year ending June 30, 2017, the annual base charge will be adjusted to reflect the estimated U.S. Census Bureau population data for 2015. Assuming no revisions to the agreement for program costs or population base, the annual base charges for fiscal years ending June 30, 2015-17 would be \$5,493 per year for a total of \$16,479. The payments for these charges are scheduled to be paid through either the County's General Fund or the Osceola County Emergency Management Services. The County's General Fund paid \$5,493 during the fiscal year ended June 30, 2014.

In September 2013, the County entered into a construction contract for an Enterprise Park grading and paving project for \$228,902 to be paid from the County Tax Increment Financing Projects (Amended Ethanol TIF Areas) Fund. No work has been started on this project to date.

In April 2014, the County entered into a construction contract for a 2014 Railroad Street improvement project for \$463,756 to be paid from the County Tax Increment Financing Projects (Amended Ethanol TIF Areas) Fund (also, see "Subsequent Events").

(15) Subsequent Events

During fiscal year 2015, the construction contract for the 2014 Railroad Street improvement project was completed and paid in full from the County Tax Increment Financing Projects (Amended Ethanol TIF Areas) Fund. The final ending contract amount after change orders amounted to \$465,937.

In February 2015, the County refinanced the outstanding general obligation loan balance of \$80,000 owed to the Osceola Economic Development Commission for the purchase of real estate known as the "Highpoint of Iowa" or "Hawkeye Point". The terms of the new loan is a 3% interest rate payable over 10 years.

In March 2015, the County approved the sale of land in the Enterprise Park for \$78,120. Upon receipt of the land sale proceeds, the County approved and paid an economic development grant of \$78,120 to the company which purchased the land in the Enterprise Park. The sale of the land and the grant expenditure, which offset the land's purchase price, were recorded through the General Basic Fund.

In June 2015, the County approved two development agreements with companies for projects to be located in the County's Amended Urban Renewal District 1 (Ethanol Plant) Plan areas. The development agreements entered into include provisions for TIF rebates for the two companies.

(16) Estimates

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

(17) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Osceola County
Required Supplementary Information

Osceola County

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

Required Supplementary Information

Year Ended June 30, 2014

	All County Governmental Funds - Actual	Less Funds Not Required to be Budgeted	County Governmental Funds - Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property and Other County Tax	\$ 4,029,110	0	4,029,110	4,068,669	4,068,669	(39,559)
Interest and Penalty on Property Tax	16,298	0	16,298	0	0	16,298
Intergovernmental	2,541,947	0	2,541,947	2,592,527	2,818,527	(276,580)
Licenses and Permits	21,955	0	21,955	18,250	18,250	3,705
Charges for Service	321,682	0	321,682	275,184	275,184	46,498
Use of Money and Property	68,737	164	68,573	54,380	54,380	14,193
Miscellaneous	94,603	17,193	77,410	38,840	39,650	37,760
Total Receipts	7,094,332	17,357	7,076,975	7,047,850	7,274,660	(197,685)
Disbursements						
Public Safety and Legal Services	1,188,560	0	1,188,560	1,215,518	1,236,518	47,958
Physical Health and Social Services	210,535	0	210,535	256,802	277,590	67,055
Mental Health	301,087	0	301,087	370,030	370,030	68,943
County Environment and Education	1,817,219	0	1,817,219	480,913	3,395,862	1,578,643
Roads and Transportation	2,648,787	0	2,648,787	2,793,308	2,793,308	144,521
Governmental Services to Residents	282,665	0	282,665	295,429	298,829	16,164
Administration	791,853	0	791,853	739,226	792,626	773
Non-Program Current	67,426	0	67,426	67,400	70,900	3,474
Debt Service	744,376	0	744,376	462,677	937,022	192,646
Capital Projects	135,878	33,413	102,465	285,000	290,000	187,535
Total Disbursements	8,188,386	33,413	8,154,973	6,966,303	10,462,685	2,307,712
Excess (Deficiency) of Receipts Over (Under) Disbursements	(1,094,054)	(16,056)	(1,077,998)	81,547	(3,188,025)	2,110,027
Other Financing Sources, Net	2,872,154	0	2,872,154	0	3,042,513	(170,359)
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	1,778,100	(16,056)	1,794,156	81,547	(145,512)	1,939,668
Balances Beginning of Year	3,105,977	98,555	3,007,422	2,597,696	2,597,696	409,726
Balances End of Year	\$ 4,884,077	82,499	4,801,578	2,679,243	2,452,184	2,349,394

See accompanying independent auditor's report.

Osceola County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year Ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 7,094,332	(3,626)	7,090,706
Expenditures	8,188,386	(81,180)	8,107,206
Net	(1,094,054)	77,554	(1,016,500)
Other Financing Sources, Net	2,872,154	10,591	2,882,745
Beginning Fund Balances	3,105,977	120,370	3,226,347
Ending Fund Balances	\$ 4,884,077	208,515	5,092,592

See accompanying independent auditor's report.

Osceola County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

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 (drainage districts) 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 current, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds (when applicable). Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, five budget amendments increased budgeted receipts by a total of \$226,810, budgeted disbursements by a total of \$3,496,382 and other financing sources, net by a total of \$3,042,513; resulting in an \$227,059 decrease in the budgeted end of year balance. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board, for Emergency Management Services by the County Emergency Management Commission and for the Public Safety Commission by the Public Safety Commission Board. Please see Schedule 9 for financial information on the Public Safety Commission budget. These budgets may also be amended during the year utilizing similar statutorily prescribed procedures.

During the year ended June 30, 2014, disbursements did not exceed the amount budgeted for any function or the amount appropriated for any department; however, please see “Other Findings Related to Required Statutory Reporting: 14-1” for a comment related to the budget amendment approved on December 23, 2013.

Osceola County

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Osceola County's Governmental Activities:

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$0	168,978	168,978	0.00%	1,333,157	12.7%
2011	July 1, 2009	\$0	168,978	168,978	0.00%	1,639,871	10.3%
2012	July 1, 2009	\$0	168,978	168,978	0.00%	1,574,276	10.7%
2013	July 1, 2012	\$0	216,548	216,548	0.00%	1,618,037	13.4%
2014	July 1, 2012	\$0	216,548	216,548	0.00%	1,648,392	13.1%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Osceola County
Supplementary Information

Osceola County

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2014**

	Case Management	Mental Health	Unified Law Levy	County Recorder's Records Management
Assets				
Cash and Pooled Investments	\$ 2,431	71,592	6,304	16,236
Receivables:				
Property Tax:				
Delinquent	0	183	89	0
Succeeding Year	0	183,371	418,523	0
Tax Increment Financing:				
Succeeding Year	0	0	0	0
Accrued Interest	0	0	0	5
Due from Agency Funds	0	0	0	92
Due from Other Governments	10,849	0	0	0
Prepaid Expenditures	0	0	0	1,930
Total Assets	\$ 13,280	255,146	424,916	18,263
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 12,852	200	0	0
Salaries and Benefits Payable	0	185	0	0
Due to County's Governmental Funds	0	0	0	0
Due to Component Unit	0	0	6,304	0
Due to Other Governments	0	157,887	0	0
Deferred Revenue:				
Succeeding Year Property Tax	0	183,371	418,523	0
Succeeding Year Tax Increment Financing	0	0	0	0
Other	0	167	89	0
Total Liabilities	12,852	341,810	424,916	0
Fund Balances:				
Nonspendable:				
Prepaid Expenditures	0	0	0	1,930
Restricted For:				
Other Purposes	428	0	0	16,333
Unassigned	0	(86,664)	0	0
Total Fund Balances	428	(86,664)	0	18,263
Total Liabilities and Fund Balances	\$ 13,280	255,146	424,916	18,263

See accompanying independent auditor's report.

County Attorney Incentive	Sheriff's Asset Forfeiture	County Tax Increment Financing Project (Cenex Coop TIF Area)	Drainage Districts	Resource Enhancement and Protection	Total
7,189	9,493	0	82,499	57,179	252,923
0	0	0	0	0	272
0	0	0	0	0	601,894
0	0	84,566	0	0	84,566
0	0	0	13	1	19
0	0	0	0	0	92
410	0	0	0	0	11,259
0	0	0	0	0	1,930
7,599	9,493	84,566	82,512	57,180	952,955
0	0	0	0	0	13,052
0	0	0	0	0	185
0	0	310,228	0	0	310,228
0	0	0	0	0	6,304
0	0	0	9,531	0	167,418
0	0	0	0	0	601,894
0	0	84,566	0	0	84,566
0	0	0	0	0	256
0	0	394,794	9,531	0	1,183,903
0	0	0	0	0	1,930
7,599	9,493	0	72,981	57,180	164,014
0	0	(310,228)	0	0	(396,892)
7,599	9,493	(310,228)	72,981	57,180	(230,948)
7,599	9,493	84,566	82,512	57,180	952,955

Osceola County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2014

	Case Management	Mental Health	Unified Law Levy	County Recorder's Records Management	County Attorney Incentive
Revenues:					
Property and Other County Tax	\$ 0	184,296	385,880	0	0
Tax Increment Financing	0	0	0	0	0
Intergovernmental	21,632	11,154	21,077	0	0
Charges for Service	0	517	0	1,364	0
Use of Money and Property	0	0	0	18	0
Miscellaneous	0	107	0	0	2,196
Total Revenues	21,632	196,074	406,957	1,382	2,196
Expenditures:					
Operating:					
Public Safety and Legal Services	0	0	406,957	0	0
Mental Health	21,673	108,350	0	0	0
County Environment and Education	0	0	0	0	0
Governmental Services to Residents	0	0	0	2,318	0
Non-Program Current	0	0	0	0	0
Debt Service	0	0	0	0	0
Capital Projects	0	0	0	0	0
Total Expenditures	21,673	108,350	406,957	2,318	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(41)	87,724	0	(936)	2,196
Fund Balances Beginning of Year	469	(174,388)	0	19,199	5,403
Fund Balance End of Year	\$ 428	(86,664)	0	18,263	7,599

See accompanying independent auditor's report.

Sheriff's Asset Forfeiture	County Tax Increment Financing (Ethanol Plant - Revenue Surplus)	County Tax Increment Financing (Ethanol Plant - Revenue Reserve)	County Tax Increment Financing Project (Cenex Coop TIF Area)	Drainage Districts	Resource Enhancement and Protection	Total
0	0	0	0	0	0	570,176
0	0	0	84,336	0	0	84,336
0	0	0	0	0	11,897	65,760
0	0	0	0	0	0	1,881
0	0	0	0	165	7	190
0	0	0	0	17,193	0	19,496
0	0	0	84,336	17,358	11,904	741,839
1,000	0	0	0	0	0	407,957
0	0	0	0	0	0	130,023
0	0	0	0	0	12,984	12,984
0	0	0	0	0	0	2,318
0	0	0	62,130	0	0	62,130
0	4,840	284,500	0	0	0	289,340
0	0	0	0	42,001	14,604	56,605
1,000	4,840	284,500	62,130	42,001	27,588	961,357
(1,000)	(4,840)	(284,500)	22,206	(24,643)	(15,684)	(219,518)
10,493	4,840	284,500	(332,434)	97,624	72,864	(11,430)
9,493	0	0	(310,228)	72,981	57,180	(230,948)

Osceola County

**Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds**

June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and Pooled Investments:					
County Treasurer	\$ 0	1,943	136,478	87,655	4,640
Other County Officials	19,041	0	0	0	0
Receivables:					
Property Tax:					
Delinquent	0	129	196	5,062	296
Succeeding Year	0	130,090	197,248	5,298,206	297,195
Tax Increment Financing:					
Succeeding Year	0	0	0	0	0
Accounts	190,641	0	4	0	0
Accrued Interest	0	0	0	0	0
Special Assessments	0	0	0	0	0
Due from Other Agency Fund	0	0	0	0	0
Due from Other Governments	0	0	0	0	0
Prepaid Expenses	0	0	10,240	0	0
Total Assets	\$ 209,682	132,162	344,166	5,390,923	302,131
Liabilities					
Accounts Payable	\$ 0	0	29,433	0	0
Salaries and Benefits Payable	0	0	0	0	0
Due to Primary Government	202,944	0	0	0	0
Due to Other Agency Fund	92	0	0	0	0
Due to Component Unit	134	0	0	0	0
Due to Other Governments	6,512	132,162	309,481	5,390,923	302,131
Trusts Payable	0	0	0	0	0
Compensated Absences	0	0	5,252	0	0
Total Liabilities	\$ 209,682	132,162	344,166	5,390,923	302,131

See accompanying independent auditor's report.

Schedule 3

Corporations	Townships	Auto License and Use Tax	E911 Surcharge	Emergency Management Services	Future Tax Collections	Other	Total
25,247	2,408	152,897	209,839	73,329	39,899	1,816	736,151
0	0	0	0	0	0	491	19,532
6,472	41	0	0	0	0	1	12,197
1,395,631	140,857	0	0	0	0	1,435	7,460,662
166,905	0	0	0	0	0	0	166,905
0	0	0	7,119	0	0	0	197,764
0	0	0	2	0	0	0	2
0	0	0	0	0	0	3,601	3,601
0	0	0	0	0	0	92	92
0	0	0	0	7,492	0	0	7,492
0	0	0	0	19	0	0	10,259
1,594,255	143,306	152,897	216,960	80,840	39,899	7,436	8,614,657
0	0	0	935	1,107	0	0	31,475
0	0	0	0	502	0	0	502
0	0	5,396	0	0	0	35	208,375
0	0	0	0	0	0	0	92
0	0	0	0	0	0	0	134
1,594,255	143,306	147,501	216,025	79,231	0	2,296	8,323,823
0	0	0	0	0	39,899	5,105	45,004
0	0	0	0	0	0	0	5,252
1,594,255	143,306	152,897	216,960	80,840	39,899	7,436	8,614,657

Osceola County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year Ended June 30, 2014

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances Beginning of Year	\$ 191,357	123,766	325,445	5,674,969	311,559
Additions:					
Property and Other County Tax (Including T.I.F.)	0	130,146	197,342	5,130,800	297,089
State Tax Credits	0	7,240	9,674	325,551	17,334
Intergovernmental Replacements, Grants and Revenues	9,964	130	226	5,608	344
Contribution from Osceola County	0	0	0	0	0
E911 Surcharge/State Wireless	0	0	0	0	0
Permits	4,283	0	0	0	0
Office Fees and Collections	452,642	0	1,176	0	0
Electronic Transaction Fee	0	0	0	0	0
Auto & Drivers Licenses, Use Tax and Postage	0	0	0	0	0
Interest	23	0	0	0	0
Assessments	0	0	0	0	0
Tax Sale Redemptions	0	0	0	0	0
Trusts	5,800	0	0	0	0
Insurance Proceeds	8,545	0	0	0	0
Miscellaneous	3,000	0	0	0	0
Sale of Capital Assets	24,578	0	0	0	0
Total Additions	508,835	137,516	208,418	5,461,959	314,767
Deductions:					
Agency Remittances:					
To Other Funds/Component Unit/Other Agency Funds	334,552	0	0	0	0
To Other Governments	149,860	129,120	189,697	5,746,005	324,195
Trusts Paid Out	6,098	0	0	0	0
Total Deductions	490,510	129,120	189,697	5,746,005	324,195
Balances End of Year	\$ 209,682	132,162	344,166	5,390,923	302,131

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	E911 Surcharge	Emergency Management Services	Future Tax Collections	Other	Total
1,619,085	134,383	148,488	179,038	79,422	68,342	4,389	8,860,243
1,564,480	140,863	0	0	0	0	1,433	7,462,153
120,390	7,938	0	0	0	0	80	488,207
1,893	117	0	0	17,602	0	1	35,885
0	0	0	0	30,000	0	0	30,000
0	0	0	88,202	0	0	0	88,202
0	0	0	0	0	0	0	4,283
0	0	0	8	0	0	0	453,826
0	0	0	0	0	0	1,364	1,364
0	0	2,107,972	0	0	0	0	2,107,972
0	0	0	17	0	0	0	40
0	0	0	0	0	0	12,194	12,194
0	0	0	0	0	0	136,041	136,041
0	0	0	0	0	39,869	30,393	76,062
0	0	0	0	0	0	0	8,545
0	0	0	0	0	0	0	3,000
0	0	0	0	0	0	0	24,578
1,686,763	148,918	2,107,972	88,227	47,602	39,869	181,506	10,932,352
0	0	75,720	0	0	0	0	410,272
1,711,593	139,995	2,027,843	50,305	46,184	0	2,756	10,517,553
0	0	0	0	0	68,312	175,703	250,113
1,711,593	139,995	2,103,563	50,305	46,184	68,312	178,459	11,177,938
1,594,255	143,306	152,897	216,960	80,840	39,899	7,436	8,614,657

Osceola County

Balance Sheet
Component Unit – Public Safety Commission

June 30, 2014

Assets

Cash and Pooled Investments	\$	215,744
Due from Primary Government (County)		6,304
Due from County's Agency Funds		134
Prepaid Expenditures		14,962
		14,962
Total Assets	\$	237,144
		237,144

Liabilities and Fund Balance

Liabilities:

Accounts Payable	\$	6,014
Salaries and Benefits Payable		2,416
Deferred Revenue:		
Other		134
		134
Total Liabilities		8,564
		8,564

Fund Balance:

Nonspendable:		
Prepaid Expenditures		14,962
Unassigned		213,618
		213,618
Total Fund Balance		228,580
		228,580
Total Liabilities and Fund Balance	\$	237,144
		237,144

See accompanying independent auditor's report.

Osceola County

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

June 30, 2014

Total Component Unit Fund Balance (page 70) \$ 228,580

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

Capital assets used in the component unit are not current financial resources and, therefore, are not reported in the Public Safety Commission's Balance Sheet. The cost of assets is \$411,451 and the accumulated depreciation is \$242,930. 168,521

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the Commission's Balance Sheet. 134

Long-term liabilities, which include certain compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the Commission's Balance Sheet. (85,752)

Net Position of Component Unit (pages 18-19) \$ 311,483

See accompanying independent auditor's report.

Osceola County

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

Year Ended June 30, 2014

Revenues:

Intergovernmental	\$ 1,059,462
Charges for Service	22,802
Miscellaneous	19,836
Total Revenues	<u>1,102,100</u>

Expenditures:

Operating:	
Law Enforcement:	
Uniformed Patrol Services	623,590
Law Enforcement Communications	213,422
Administration	278,772
Central Services:	
Information Tech Services	2,698
Risk Management Services:	
Tort Liability and Safety of the Workplace	22,365
Total Expenditures	<u>1,140,847</u>

Deficiency of Revenues Under Expenditures (38,747)

Other Financing Source:

Sale of Capital Assets	<u>24,578</u>
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Deficiency of Revenues and Other

Financing Source Under Expenditures (14,169)

Fund Balance Beginning of Year 242,749

Fund Balance End of Year \$ 228,580

See accompanying independent auditor's report.

Osceola County

**Reconciliation of the Statement of Revenues, Expenditures and
Change in Fund Balance to the Statement of Activities
Component Unit – Public Safety Commission**

Year Ended June 30, 2014

Net Change in Fund Balance - Component Unit (page 72) \$ (14,169)

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

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

Expenditures for capital assets	\$ 56,088	
Depreciation expense	<u>(23,495)</u>	32,593

In the Statement of Activities, the gains and losses on the disposition of capital assets are reported, whereas in the Statement of Revenues, Expenditures and Change in Fund Balance, the proceeds from the disposition of capital assets is reported as an increase in financial resources. (25,411)

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

Other		(298)
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Some accrued expenses decreased from the prior fiscal year; therefore, these expenses need to be decreased in the current year's Statement of Activities. Since certain accrued expenses do not require the use of current financial resources in the prior or the current year, these expenditures are not reported in the Statement of Revenues, Expenditures and Change in Fund Balance, as follows:

Compensated absences	(14,313)	
Other postemployment benefits	<u>1,353</u>	<u>(12,960)</u>

Change in Net Position of Component Unit (pages 20-21) \$ (20,245)

See accompanying independent auditor's report.

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

Year Ended June 30, 2014

<u>Budget to Actual Comparison:</u>	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
County Contribution	\$ 208,338	208,338	208,338	0
City Contribution	432,969	432,969	432,969	0
Unified Law Levy	406,926	406,587	406,587	339
Other Receipts	53,836	31,000	31,000	22,836
Total Receipts	1,102,069	1,078,894	1,078,894	23,175
Disbursements:				
Uniformed Patrol Services	624,989	652,200	681,200	56,211
Investigations	0	500	500	500
Law Enforcement Communications	221,142	231,700	231,700	10,558
Administration	275,319	221,400	261,400	(13,919)
Information Tech Services	2,781	3,000	3,000	219
Tort Liability and Safety of the Workplace	22,493	26,500	26,500	4,007
Total Disbursements	1,146,724	1,135,300	1,204,300	57,576
Deficiency of Receipts Under Disbursements	(44,655)	(56,406)	(125,406)	80,751
Other Financing Source	24,578	0	0	24,578
Deficiency of Receipts and Other Financing Source Under Disbursements	(20,077)	(56,406)	(125,406)	105,329
Balances Beginning of Year	235,821	189,010	235,821	0
Balances End of Year	\$ 215,744	132,604	110,415	105,329

Note: Although the budget document presents disbursements by program, the legal level of control is at the aggregated total of all disbursements, not by program; therefore, actual disbursements did not exceed the amended budget total during the fiscal year ended June 30, 2014. During the year, one budget amendment increased budgeted disbursements by \$69,000. The budget amendment is reflected in the final budgeted amounts.

<u>Reconciliation:</u>	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 1,102,069	31	1,102,100
Expenditures	1,146,724	(5,877)	1,140,847
Net	(44,655)	5,908	(38,747)
Other Financing Source	24,578	0	24,578
Beginning Fund Balances	235,821	6,928	242,749
Ending Fund Balances	\$ 215,744	12,836	228,580

See accompanying independent auditor's report.

Osceola County

Schedule of Funding Progress for the Retiree Health Plan

Component Unit – Public Safety Commission

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$0	44,511	44,511	0.00%	610,658	7.3%
2011	July 1, 2009	\$0	44,511	44,511	0.00%	527,119	8.4%
2012	July 1, 2009	\$0	44,511	44,511	0.00%	593,219	7.5%
2013	July 1, 2012	\$0	70,314	70,314	0.00%	608,924	11.5%
2014	July 1, 2012	\$0	70,314	70,314	0.00%	686,159	10.3%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Osceola County

**Schedule of Revenues by Source and Expenditures by Function –
All Governmental Funds**

For the Last Ten Years

	Modified Accrual Basis			
	2014	2013	2012	2011
Revenues:				
Property and Other County Tax	\$ 3,529,546	3,302,743	2,997,555	2,854,959
Tax Increment Financing	499,650	504,503	464,851	496,086
Interest and Penalty on Property Tax	16,592	11,790	16,332	24,465
Intergovernmental	2,518,242	2,810,620	2,929,449	3,004,066
Licenses and Permits	22,585	19,520	24,313	16,240
Charges for Service	338,697	352,121	336,983	356,065
Use of Money and Property	69,410	65,726	68,027	81,376
Miscellaneous	95,984	133,939	78,992	113,088
Total Revenues	\$ 7,090,706	7,200,962	6,916,502	6,946,345
Expenditures:				
Operating:				
Public Safety and Legal Services	\$ 1,202,794	1,144,795	1,300,489	1,155,129
Physical Health and Social Services	204,311	210,238	219,324	245,644
Mental Health	130,023	519,864	813,627	691,005
County Environment and Education	1,885,943	692,220	364,262	350,789
Roads and Transportation	2,584,465	2,573,438	2,668,495	2,740,145
Governmental Services to Residents	352,213	276,902	278,909	249,553
Administration	799,621	727,801	678,985	689,563
Non-program Current	67,425	64,297	65,543	69,564
Debt Service	744,376	463,738	424,788	451,365
Capital Projects	136,035	261,863	174,100	235,583
Total Expenditures	\$ 8,107,206	6,935,156	6,988,522	6,878,340

See accompanying independent auditor's report.

2010	2009	2008	2007	2006	2005
2,574,397	2,432,660	2,369,853	2,329,758	2,221,623	2,049,051
389,348	349,325	323,713	320,185	210,292	0
28,587	18,319	15,725	14,166	13,275	8,324
2,956,720	3,099,186	2,488,781	2,384,880	2,331,151	2,339,771
17,775	16,580	20,973	17,210	10,750	9,113
361,642	282,757	258,441	271,659	225,263	250,401
84,106	117,326	197,159	207,348	177,756	123,817
157,960	117,851	89,776	69,472	28,752	31,509
6,570,535	6,434,004	5,764,421	5,614,678	5,218,862	4,811,986
1,023,045	993,477	989,801	982,964	930,874	850,645
280,640	261,231	143,070	129,747	126,981	121,043
745,270	685,581	792,245	678,848	532,029	524,588
428,044	340,781	434,717	300,820	379,376	2,684,018
2,320,555	2,436,760	2,335,424	1,900,778	2,250,666	1,644,789
234,001	280,276	222,734	198,224	307,555	197,544
665,562	722,417	706,932	605,044	598,664	557,568
0	0	0	0	0	0
376,862	356,750	306,913	312,088	210,913	110,836
244,676	481,479	1,115,557	506,008	462,538	251,478
6,318,655	6,558,752	7,047,393	5,614,521	5,799,596	6,942,509

Osceola County

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

For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Intergovernmental	\$ 1,059,462	1,001,447	958,246	946,441	947,382	930,885	868,725	842,103	875,389	801,430
Charges for Service	22,802	22,022	27,018	27,127	24,110	23,962	22,958	29,534	24,531	19,090
Miscellaneous	19,836	14,688	3,358	8,587	6,506	5,629	9,959	22,729	4,875	1,630
Total Revenues	\$ 1,102,100	1,038,157	988,622	982,155	977,998	960,476	901,642	894,366	904,795	822,150
Expenditures:										
Operating:										
Law Enforcement:										
Uniformed Patrol Services	\$ 623,590	611,205	558,041	605,821	535,673	519,494	563,796	530,450	501,156	506,787
Investigations	0	150	0	0	0	0	500	183	2,992	0
Law Enforcement Communications	213,422	221,811	215,520	207,216	193,264	181,136	179,810	162,298	160,028	190,821
Administration	278,772	210,417	203,377	201,313	192,512	190,665	171,432	163,347	156,285	163,196
Central Services:										
Information Tech Services	2,698	5,837	0	2,231	322	400	1,873	798	319	4,731
Risk Management Services:										
Tort Liability and Safety of the Workplace	22,365	24,798	18,749	18,435	13,407	18,351	13,818	11,891	11,855	13,331
Total Expenditures	\$ 1,140,847	1,074,218	995,687	1,035,016	935,178	910,046	931,229	868,967	832,635	878,866

See accompanying independent auditor's report.

Osceola County

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

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

To the Officials of Osceola County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the component unit of Osceola County, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Osceola County's internal control over financial reporting to determine the audit procedures 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 Osceola County's internal control. Accordingly, we do not express an opinion on the effectiveness of Osceola County'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 we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in Osceola County's internal control described in Part I of the accompanying Schedule of Findings as items 14-A, B, D, E, F, H, I and J to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged

with governance. We consider the deficiencies in Osceola County's internal control described in Part I of the accompanying Schedule of Findings as items 14-C, G and K to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Osceola County's Responses to Findings

Osceola County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Osceola County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County'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 Osceola County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

De Noble, Austin & Company PC

De Noble & Company PC
d/b/a De Noble, Austin & Company PC
Certified Public Accountants

June 22, 2015

Osceola County
Schedule of Findings

**Osceola County
Schedule of Findings
Year Ended June 30, 2014**

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

We also noted that checks do not require dual signatures to be issued.

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

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

**Osceola County
Schedule of Findings
Year Ended June 30, 2014**

- h. Long-term debt records should be maintained by an individual who does not perform any cash functions. Notes/loans that have been paid should be reconciled to the note/loan records by an independent person.
- i. All checks issued should be analyzed by an independent person to verify that the numerical sequence is accurate and all checks are accounted for. This should apply to both computer generated and handwritten checks.
- j. Payroll records, including comp time, vacation and sick leave earned and accumulated, should be maintained or reviewed by an independent person.
- k. Complete, detailed personnel records should be maintained outside the payroll section. The personnel records should periodically be compared to the actual payroll by an independent individual.

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

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

Conclusion – Response acknowledged. However, it is important that you do thoroughly review your procedures and attempt to implement these recommendations. Please consider using personnel from other departments/related entities to assist with reviews.

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

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

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

**Osceola County
Schedule of Findings
Year Ended June 30, 2014**

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

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

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

Response – We will attempt to have each appropriate office develop an accounting procedures manual.

Conclusion – Response acknowledged. However, please stress to each appropriate office the importance of actually developing an accounting manual in the near future.

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

There are no written policies that require:

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

Recommendation – Written policies should be developed addressing the aforementioned information system issues in order to improve the control over computer based systems.

Response – We will work on implementing these computer related policies in all offices/entities. We will seek assistance from Solutions and any other software providers to address these recommendations.

Conclusion – Response acknowledged. Please do work on implementing these information system recommendations in the near future.

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

Recommendation – The County should consider the need for financial personnel to annually take a minimum amount of vacation time and have each person’s duties performed by another employee when a person is on vacation. Employees should be cross-trained to be able to

**Osceola County
Schedule of Findings
Year Ended June 30, 2014**

perform a fellow employee's duties. This recommendation does apply to the Emergency Management, E911, County Assessor, County Extension and the Public Safety Commission also.

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

Conclusion – Response acknowledged. However, please stress the importance of implementing this recommendation. Employees from other offices/departments could be used to implement this recommendation.

- 14-F Collection Procedures/Write-Off of Bad Debt – The County does not have any written policies or procedures on collecting delinquent non-property tax receivables (especially on jail stay fees and ambulance charges) or on approval for write-off of bad debt.

Recommendation – The County needs to develop written policies and procedures regarding collection of delinquent non-property tax receivables/approval for write-off of bad debt (which needs to be documented in the Board minutes).

Response – We will attempt to develop policies and procedures for collection of receivables; we will document in the Board minutes any approval to stop collection procedures on bad debts.

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

- 14-G Vehicle Usage/Fuel Test – When filling County, Public Safety Commission, Emergency Management, or County Assessor vehicles with fuel, the vehicle's identification and the mileage at the time of fueling are not always noted on the receipt. Vehicle/machinery mileage logs are not always being maintained and being compared to fuel consumption on a regular basis by an independent person.

Recommendation – When filling County, Public Safety Commission, Emergency Management, or County Assessor vehicles with fuel, the vehicle's/machinery's identification and the mileage at the time of fueling should be noted on the receipt. Mileage logs should be kept on each vehicle/piece of machinery, tested against the fuel charged to each vehicle/piece of machinery to verify reasonableness and any differences/variations noted should be investigated.

Response – We will stress to each appropriate department/entity that they make an attempt to implement this recommendation.

Conclusion – Response acknowledged. Please have the appropriate offices/entities work on attempting to implement this recommendation.

- 14-H Ambulance Records – The ambulance run reports are not prenumbered. Additionally, the ambulance accounts receivable records kept by the ambulance coordinator are not reconciled on a regular basis to the billing company's records, the accounts in the offset program and the prior year outstanding receivables.

Recommendation – The ambulance run reports should be prenumbered and the numerical sequence should be monitored for completeness. A system should be developed to have an

Osceola County
Schedule of Findings
Year Ended June 30, 2014

independent person reconcile the accounts receivable records kept by the ambulance coordinator to the billing company's records, the accounts in the offset program and the prior year outstanding receivables.

Response – We will have the ambulance coordinator address this.

Conclusion – Response acknowledged. Please work with the ambulance personnel to get this implemented.

- 14-I Financial Reporting – During the audit, we identified material amounts of assets, liabilities, revenues/receipts and expenses/expenditures/disbursements not recorded properly in the County's and Public Safety Commission's financial statements. There were a few instances when grant proceeds from the State of Iowa were coded as a "reimbursement" instead of as an intergovernmental revenue and at least one instance when an expenditure was reimbursed to a fund but the revenue was not coded as a "reimbursement" for the County's cash basis budget reporting and financial reports. Adjustments were subsequently made by the County to properly include these amounts in the financial statements and the County's and Public Safety Commission's budget.

Recommendation – The County and Public Safety Commission should implement procedures to ensure all assets, liabilities, revenues/receipts, and expenses/expenditures/disbursements are identified and included in the County's and Public Safety Commission's financial statements and cash basis budget reporting. All accounting personnel should be trained on when a receipt should and should not be reported as a "reimbursement". Management should be reviewing the financial records on a regular basis to help ensure the accuracy of the financial records and the County's and Public Safety Commission's budget.

Response – We will review our procedures to identify areas where we can improve on our financial records. We will specifically review our procedures in regards to when to code a receipt as a "reimbursement".

Conclusion – Response accepted. Please perform an evaluation of all aspects of your financial reporting procedures.

- 14-J Management Procedures – Based on findings during the audit, we identified that there appears to be a lack of oversight by management over developing internal control, compliance and antifraud procedures; monitoring existing procedures that are in place to ensure the procedures are enforced; and communicating the County's and Public Safety Commission's expected ethics.

Recommendation – County and Public Safety Commission management needs to establish policies and procedures that ensure effective internal control, compliance and antifraud procedures are in place and monitored on a regular basis. County and Public Safety Commission management needs to review audit findings identified and assess the level of risk associated with each finding and incorporate this assessed level of risk into its development of policies and procedures. County and Public Safety Commission management also needs to communicate the

**Osceola County
Schedule of Findings
Year Ended June 30, 2014**

County's and Public Safety Commission's expected ethics and hold County and Public Safety Commission employees accountable to those expected ethics.

Response – We will work on implementing your recommendations.

Conclusion – Response accepted. Please do have each of the offices/entities evaluate what procedures can be developed to implement our recommendations.

- 14-K Payroll Issues – Payroll time sheets are not always being signed/formally approved by the employee or the employee's supervisor. Also, we noted at least one salaried employee that does not complete time sheets or a time card.

Recommendation – Timesheets or time cards should be prepared and signed to attest to the accuracy of the timesheets by all personnel. The timesheets or time cards should be reviewed and approved by the employee's supervisor or another independent person before issuing payment for the payroll period. Formal proof of the review and approval of a timesheet or time card should be established by having the independent person initial each timesheet or time card.

Response – The County will evaluate its payroll procedures, especially in regards to timesheets, in order to implement your recommendations.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

**Osceola County
Schedule of Findings
Year Ended June 30, 2014**

Part II: Other Findings Related to Required Statutory Reporting:

14-1 Certified Budget – During the year ended June 30, 2014, disbursements did not exceed the amount budgeted for any function or the amount appropriated for any department; however, although the “Notice of Public Hearing Amendment of Current County Budget” tied to the “Record of Hearing and Determination on the Amendment to County Budget” for the December 23, 2013 budget amendment, the budget amendment resolution adopted by the Board of Supervisors in the minutes did not include the amendments shown (on these two other documents) for the Debt Service function, Capital Projects function, and Refunded Debt (other financing use).

Recommendation – In accordance with Chapter 331.434 of the Code of Iowa, the County’s budget should be amended by resolution after conducting a public hearing. The resolution adopting the budget amendment approved by the Board of Supervisors should agree with the “Record of Hearing and Determination on the Amendment to County Budget”. Procedures need to be developed to ensure the adopted resolution and the “Record of Hearing and Determination on the Amendment to County Budget” reconcile properly.

Response – We will implement procedures to ensure this error does not happen again in the future.

Conclusion – Response accepted.

14-2 Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented or the necessary documentation to support the expenditure was not present. These expenditures are detailed as follows:

We noted many credit card charges and employee reimbursements which did not have any supporting documentation/invoice being retained. We also noted some instances where sales tax was paid on purchases that appear to be exempt from sales tax.

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

Recommendation – The County and Public Safety Commission should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County and Public Safety Commission should establish written policies and procedures requiring detailed supporting documentation for all expenditures. All disbursements, including credit card charges and employee reimbursements, should be supported by an actual receipt/invoice that supports the charge in detail. Also, please establish procedures to ensure sales tax is only paid on required purchases.

**Osceola County
Schedule of Findings
Year Ended June 30, 2014**

Response – We will stress to employees the need to retain invoices that support all expenditures (including all credit card charges and employee reimbursements) and to make sure sales tax is not being charged when not required.

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

14-3 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted. However, please see “Other Findings Related to Required Statutory Reporting: 14-2” for a possible related comment.

14-4 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Business Connection, and Title	Transaction Description	Amount
Echter’s Greenhouse, Barb Echter’s Husband is the Owner, County Auditor	Lawn products and plants	\$ 1,165
Bosma Water Service, Jayson Vande Hoef is a Partner, Board of Supervisors Member	Water	\$ 2,005
Sibley Sheet Metal, Sharri Stanton’s Husband is the Owner, County Assessor Clerk	Steel, metal	\$ 11,858
Corbett Plumbing, John Corbett is the Owner, Conservation Board Member	Plumbing	\$ 1,614

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

Name, Business Connection, and Title	Transaction Description	Amount
The Ocheyedon Press – Melvin News, Arlyn Pedley is the Owner, Public Safety Commission Board Member	Publications and office supplies	\$ 1,634

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Echter’s Greenhouse do not appear to represent conflicts of interest since the total transactions were less than \$1,500 during the fiscal year. Also, The Ocheyedon Press – Melvin News is considered an “official” Public Safety Commission newspaper and the majority of the costs were for required publications. However; the transactions with Bosma Water Service, Sibley Sheet Metal and

**Osceola County
Schedule of Findings
Year Ended June 30, 2014**

Corbett Plumbing appear to represent conflicts of interest since total transactions were more than \$1,500 during the fiscal year and were not entered into through competitive bidding.

Recommendation – The County should comply with the Iowa Code regarding business transactions between the County and County officials, employees, and their family members. The County should consult with the County Attorney to determine the disposition of this potential issue.

Response – We will consult with the County attorney regarding your comment. We will be sure to bid jobs with related parties when total payments are expected to exceed \$1,500.

Conclusion – Response accepted.

- 14-5 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure that the coverage is adequate for current operations. While the Treasurer’s bond coverage of \$100,000 exceeds the Code of Iowa’s requirement of \$50,000, the County’s “Investment Policy” required the Treasurer’s Bond coverage to be a minimum of \$260,000 during fiscal year 2013/2014.

Recommendation – The Board of Supervisors needs to address whether the County’s “Investment Policy” should be revised or the Treasurer’s bond coverage needs to be increased to meet the “Investment Policy” requirements.

Response – We have considered your recommendation and have already approved a revision to the County’s “Investment Policy”. The Treasurer’s bond coverage minimum requirement has been lowered to \$100,000.

Conclusion – Response accepted.

- 14-6 Board Minutes — In order for the County’s accounting records to be in accordance with the short-term and the long-term debt issued during fiscal year 2014, the County needed to record a few operating transfers between funds which were not approved by the Board in the minutes. During a review of the Board of Supervisor Minutes, we found an instance where the minutes were not published for 41 days and also an instance where the minutes were not published for 29 days.

Recommendation — The Board of Supervisors should formally approve all operating transfers between funds by resolution in the minutes in accordance with Chapter 331.432 of the Code of Iowa. In accordance with Chapter 349.18 of the Code of Iowa, the minutes for publication should be furnished within one week of the meeting.

Response — The County will make every effort to have the Board of Supervisors approve all operating transfers by resolution in the minutes and to publish the meeting minutes on a timely basis.

**Osceola County
Schedule of Findings
Year Ended June 30, 2014**

Conclusion — Response accepted.

- 14-7 Deposits and Investments – Except as identified in “Other Findings Related to Required Statutory Reporting: 14-5”, 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.
- 14-8 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).
- 14-9 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2014 for the County Extension Office did not exceed the amount budgeted.

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

The County Extension incurred a few fees for exceeding its credit card limit.

Recommendation – The County Extension Council needs to determine if the credit card limit needs to be increased or develop procedures to ensure the current limit is adequate in order to eliminate the fees being charged.

Response – We have increased the credit card limit in order to accommodate our business needs.

Conclusion – Response accepted.

- 14-10 Urban Renewal Annual Report – The County’s urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1; however, the “TIF Levy Authority” reports contained various errors on the County’s Otter Creek urban renewal area.

Recommendation – The County needs to inform the Iowa Department of Management of the errors, inquire about what the County needs to do to get the errors corrected, and proceed to make the necessary corrections.

Osceola County
Schedule of Findings
Year Ended June 30, 2014

Response – We will be in contact with the State and make the necessary adjustments so our reports are correct.

Conclusion – Response accepted.

- 14-11 Financial Conditions – The Mental Health Fund had a deficit fund balance at June 30, 2014 of \$86,664 and the County Tax Increment Financing Project (Cenex Coop TIF Area) Fund had a deficit fund balance at June 30, 2014 of \$310,228.

Recommendation – The County should investigate alternatives to eliminate these deficit fund balances in order to return each of these funds to a sound financial position.

Response – The County is continuing evaluation of what options are available to address the financial stress of the Mental Health Fund and how Iowa legislative changes will affect the Mental Health Fund (the County is in the process of transitioning Mental Health operations from the county level to a regional level as part of Senate File 2315, the Mental Health and Disability (MH/DS) Redesign bill). Tax increment financing collections are going to be used to eventually eliminate the deficit in the County Tax Increment Financing Project (Cenex Coop TIF Area) Fund.

Conclusion – Response accepted

- 14-12 General Obligation Loan Issuance – The public notice for proposed action to institute proceedings to enter into a general obligation county purpose loan agreement anticipation project note and borrow money in a principal amount not to exceed \$275,000 was not properly published in one of the official County newspapers (publication inadvertently omitted from the Gazette-Tribune) as the \$1,800,000 portion of the proposed loan was published twice. Also, per a review of the Board minutes, it appears the \$275,000 portion of the general county purpose loan agreement anticipation project note was omitted from the discussion at the public hearing held to discuss possible loan issuances in the amount of \$1,800,000 and \$275,000 (the \$275,000 loan amount and the purpose for this loan portion were not directly included in the Board minutes of the public hearing; rather, the inclusion was more by inference).

Recommendation – To ensure compliance with a general obligation loan issuance, the County should implement procedures to ensure that all requirements for proper publishing of public notice is completed in accordance with Chapter 331.305 of the Code of Iowa and a public hearing is held and properly documented in the Board minutes in accordance with Chapter 331.442 of the Code of Iowa. The County Attorney should be consulted in regards to these issues.

Response – We will discuss this issue with the County Attorney but we did supply both official newspapers with the proper publications and a public hearing was properly held (the Board minutes should have been more detailed).

Conclusion – Response accepted.

Osceola County
Schedule of Findings
Year Ended June 30, 2014

- 14-13 E911 and Emergency Management Minutes – We noted that several of the E911 and Emergency Management Board minutes were not properly signed by the Director and by the Board chairman or any other Board member.

Recommendation – The E911 and Emergency Management Boards should have the minutes of all its meetings properly signed by the Director and a Board member as soon as the Board approves the minutes. Signing of the minutes is needed to attest to the accuracy of the minutes.

Response – We will work on making sure that in the future all minutes are signed timely.

Conclusion – Response accepted.

- 14-14 Outstanding Obligations Reporting – The County did not include all of the County’s debt when completing the “Outstanding Obligations Report” as of June 30, 2014 for the Treasurer of the State of Iowa.

Recommendation - The County needs to get the State of Iowa’s Office of Treasurer an all-inclusive and accurate listing as to the debt outstanding as of the end of fiscal year 2014 and develop procedures to ensure the obligations outstanding at the end of each fiscal year are properly reported to the Treasurer of the State of Iowa in accordance with Chapter 12.1 of the Code of Iowa.

Response - We will get the State the proper debt figures for fiscal year ending June 30, 2014 and we will attempt to implement procedures to ensure that all debt is properly reported in the future.

Conclusion – Response accepted.

- 14-15 Electronic Municipal Market Access Reporting- The County complied with the continuing disclosure requirements for the General Obligation County Purpose and Refunding Bonds, Series 2013A, except the County’s June 30, 2014 dated fiscal year 2012/2013 audited financial statements were not posted timely to the Electronic Municipal Market Access (EMMA) website. These financial statements were not posted to the website until February 10, 2015.

Recommendation – The County needs to make sure that all required financial information is posted to the Electronic Municipal Market Access (EMMA) website on a timely manner in order to ensure compliance with reporting requirements of SEC Rule 15c2-12 for the County’s General Obligation County Purpose and Refunding Bonds, Series 2013A.

Response – We will work with Northland Securities to get all reporting requirements done timely in the future.

Conclusion – Response accepted.

Osceola County
Schedule of Findings
Year Ended June 30, 2014

14-16 Tax Increment Financing Reporting – The County’s tax increment financing certification forms and tax increment financing reconciliation documents contained various errors (primarily related to limitations on the amounts to be paid on rebate agreements and change order to existing tax increment financing debt).

Recommendation – The County needs to develop procedures to ensure all the County’s tax increment financing certification forms and tax increment financing reconciliation documents are prepared accurately and completely.

Response – We will work on developing procedures to ensure future County tax increment financing certification forms and tax increment financing reconciliation documents are prepared accurately and completely.

Conclusion – Response accepted.

14-17 Interfund Loans – The County had three interfund loans outstanding as of June 30, 2014 which were not issued in accordance with Chapters 331.305, 331.477, 331.478, and 331.479 of the Code of Iowa.

Recommendation – Interfund loans, which will not be repaid by the end of the fiscal year, need to be issued in accordance with the Code of Iowa. These interfund loans need to be issued following proper publishing of public notice in the official county newspapers, a public hearing is held discussing the interfund loans, and the Board of Supervisors passes a resolution authorizing the interfund loans. The holding of the public hearing and the resolution approved should be documented in the Board of Supervisor’s minutes.

Response – We will make sure long-term interfund loans are adopted following the Code of Iowa requirements of public notice, a public hearing and approval of a resolution by the Board of Supervisors.

Conclusion – Response accepted.

14-18 Annual Financial Reports – The County’s June 30, 2014 cash basis (same basis as the County’s budget) annual financial report was properly published in the County’s official newspapers and filed, along with the County’s modified accrual basis, with the Iowa Department of Management by December 1, 2015 as required by Chapter 331.403 of the Code of Iowa. While the reports were published/filed timely, both the cash and modified accrual annual financial reports contained errors.

Recommendation - The County needs to inform the Iowa Department of Management of the errors, inquire about what the County needs to do to get the errors corrected, and proceed to make the necessary corrections.

Response – We will be in contact with the State and make the necessary adjustments so our reports are correct.

Conclusion- Response accepted.

Osceola County

Staff

This audit was performed by:

David De Noble, CPA, Senior Auditor
Carmen Austin, CPA, Senior Auditor
Kayla Reck, Assistant Auditor
Nathan Hoekstra, Assistant Auditor

De Noble & Company PC
d/b/a De Noble, Austin & Company PC
Certified Public Accountants