



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

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NEWS RELEASE

FOR RELEASE \_\_\_\_\_

March 15, 2012

Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released an audit report on O'Brien County, Iowa.

The County had local tax revenue of \$19,896,005 for the year ended June 30, 2011, which included \$887,202 in tax credits from the state. The County forwarded \$14,416,857 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,479,148 of the local tax revenue to finance County operations, a 3% increase over the prior year. Other revenues included charges for service of \$1,719,158, operating grants, contributions and restricted interest of \$4,635,284, capital grants, contributions and restricted interest of \$547,581, tax increment financing of \$277,107, local option sales tax of \$549,039, unrestricted investment earnings of \$84,160 and other general revenues of \$229,141.

Expenses for County operations totaled \$11,384,014, a 4% increase over the prior year. Expenses included \$4,062,714 for roads and transportation, \$2,694,264 for public safety and legal services and \$1,702,437 for mental health.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1110-0071-B00F.pdf>.

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

**JUNE 30, 2011**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor’s Report	5-6
Management’s Discussion and Analysis	7-13
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 16
Statement of Activities	B 17
Governmental Fund Financial Statements:	
Balance Sheet	C 18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D 21
Statement of Revenues, Expenditures and Changes in Fund Balances	E 22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 24
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 26
Statement of Cash Flows	I 27
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	J 28
Notes to Financial Statements	29-42
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	44-45
Budget to GAAP Reconciliation	46
Notes to Required Supplementary Information – Budgetary Reporting	47
Schedule of Funding Progress for the Retiree Health Plan	49
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 52-53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 54-55
Internal Service Funds:	
Combining Schedule of Net Assets	3 56
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	4 57
Combining Schedule of Cash Flows	5 59
Agency Funds:	
Combining Schedule of Fiduciary Assets and Liabilities	6 60-61
Combining Schedule of Changes in Fiduciary Assets and Liabilities	7 62-63
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	8 64-65
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 <u>Government Auditing Standards</u>	67-68
Schedule of Findings	69-72
Staff	73

**O'Brien County**

**Officials**

**(Before January 2011)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas Farnsworth	Board of Supervisors	Jan 2011
Jacob Moermond	Board of Supervisors	Jan 2011
John Haack	Board of Supervisors	Jan 2013
Richard Haack	Board of Supervisors	Jan 2013
Emily Waund	Board of Supervisors	Jan 2013
Barbara Rohwer	County Auditor	Jan 2013
Sylvia Nikles	County Treasurer	Jan 2011
Kurt Brown	County Recorder	Jan 2011
Michael J. Anderson	County Sheriff	Jan 2013
Bruce A. Green	County Attorney	Jan 2011
Lowell L. Dykstra	County Assessor	Jan 2016

**(After January 2011)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Haack	Board of Supervisors	Jan 2013
Richard Haack	Board of Supervisors	Jan 2013
Emily Waund	Board of Supervisors	Jan 2013
Jim DeBoom	Board of Supervisors	Jan 2015
Thomas Farnsworth	Board of Supervisors	Jan 2015
Barbara Rohwer	County Auditor	Jan 2013
Phyllis Green	County Treasurer	Jan 2015
Kurt Brown	County Recorder	Jan 2015
Michael J. Anderson	County Sheriff	Jan 2013
Micah Schreurs	County Attorney	Jan 2015
Lowell L. Dykstra	County Assessor	Jan 2016

**O'Brien County**



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## Independent Auditor's Report

To the Officials of O'Brien County:

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2012 on our consideration of O'Brien County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 44 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise O'Brien County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements due to the effects of the omission of general fixed assets. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 28, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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O'Brien County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2011, along with comparative data for the year ended June 30, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2011 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 11.2%, or approximately \$1,359,000, from fiscal year 2010 to fiscal year 2011. Property and other county tax increased approximately \$339,000, operating grants, contributions and restricted interest increased approximately \$770,000 and local option sales tax increased approximately \$131,000.
- Program expenses of the County's governmental activities were approximately \$11,384,000, or 4.2%, more in fiscal year 2011 than in fiscal year 2010.
- The County's net assets increased 11.3%, or approximately \$2,137,000, from June 30, 2010 to June 30, 2011.

### USING THIS ANNUAL REPORT

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

*Management's Discussion and Analysis* introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The *Government-wide Financial Statements* consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of O'Brien County as a whole and present an overall view of the County's finances.

The *Fund Financial Statements* tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report O'Brien County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which O'Brien 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.

*Other Supplementary Information* provides detailed information about the nonmajor governmental and Internal Service Funds and the individual Agency Funds.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

2) Proprietary funds account for the County's Internal Service, Employee Health Insurance and Workers' Compensation Self Insurance Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 surcharges, emergency management services and the County Assessor, to name a few.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

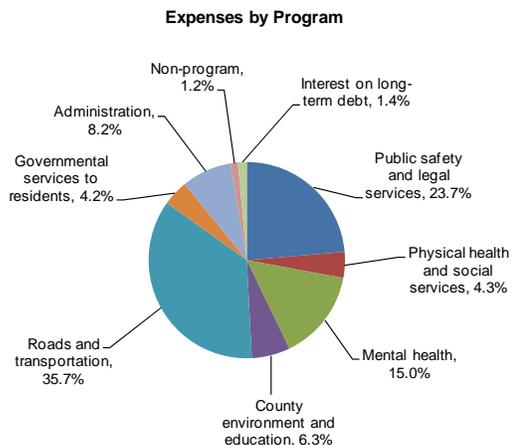
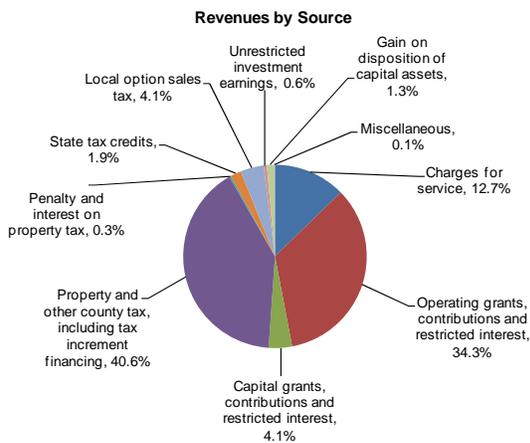
As noted earlier, net assets may serve over time as a useful indicator of financial position. O'Brien County's combined net assets increased from a year ago, from approximately \$19.0 million to approximately \$21.1 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2011	2010
Current and other assets	\$ 14,862	13,358
Capital assets	17,197	16,137
Total assets	<u>32,059</u>	<u>29,495</u>
Long-term liabilities	4,281	4,416
Other liabilities	6,686	6,124
Total liabilities	<u>10,967</u>	<u>10,540</u>
Net assets:		
Invested in capital assets, net of related debt	13,411	12,139
Restricted	4,631	3,843
Unrestricted	3,050	2,973
Total net assets	<u>\$ 21,092</u>	<u>18,955</u>

Net assets of O'Brien County's governmental activities increased approximately \$2,137,000, or 11.3%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased approximately \$77,000, or 2.6%, to approximately \$3,050,000 at June 30, 2011.

Changes in Net Assets of Governmental Activities  
(Expressed in Thousands)

	June 30,	
	2011	2010
Revenues:		
Program revenues:		
Charges for service	\$ 1,719	\$ 1,773
Operating grants, contributions and restricted interest	4,635	3,865
Capital grants, contributions and restricted interest	548	489
General revenues:		
Property and other county tax, including tax increment financing	5,494	5,155
Penalty and interest on property tax	39	41
State tax credits	262	281
Local option sales tax	549	418
Unrestricted investment earnings	84	90
Gain on disposition of capital assets	177	6
Miscellaneous	14	44
<b>Total revenues</b>	<b>13,521</b>	<b>12,162</b>
Program expenses:		
Public safety and legal services	2,694	2,623
Physical health and social services	484	490
Mental health	1,702	1,538
County environment and education	722	748
Roads and transportation	4,063	3,907
Governmental services to residents	478	472
Administration	938	861
Non-program	140	115
Interest on long-term debt	163	170
<b>Total expenses</b>	<b>11,384</b>	<b>10,924</b>
<b>Change in net assets</b>	<b>2,137</b>	<b>1,238</b>
<b>Net assets beginning of year</b>	<b>18,955</b>	<b>17,717</b>
<b>Net assets end of year</b>	<b>\$ 21,092</b>	<b>18,955</b>



O'Brien County's net assets of governmental activities increased approximately \$2,137,000 over the prior year. Revenues for governmental activities increased approximately \$1,359,000 over the prior year. Property and other county tax revenue increased approximately \$339,000, or 6.6%, over the prior year. Operating grants, contributions and restricted interest increased approximately \$770,000, due primarily to increases in road use tax and FEMA revenues.

The cost of all governmental activities this year was approximately \$11.4 million compared to approximately \$10.9 million last year. However, as shown in the Statement of Activities on page 17, the amount property taxpayers ultimately financed for these activities was approximately \$4.5 million because some of the cost was paid by those who directly benefited from the programs, approximately \$1.7 million, or by other governments and organizations which subsidized certain programs with grants and contributions, approximately \$5.2 million. Overall, the County's governmental activities program revenues, including intergovernmental aid and fees for services, increased in fiscal year 2011 from approximately \$6,127,000 to approximately \$6,902,000. The County paid for the remaining "public benefit" portion of governmental activities (approximately \$4,482,000) with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As O'Brien County completed the year, its governmental funds reported a combined fund balance of approximately \$7.0 million, an increase of approximately \$679,000 over last year's total of approximately \$6.3 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$97,000, or 2.0%, while expenditures increased approximately \$137,000 from the prior year to approximately \$4,456,000, an increase of 3.2% over the prior year. The ending fund balance increased approximately \$282,000 over the prior year to approximately \$2,786,000, partially due to the reclassification of the Ambulance and Conservation Land Acquisition Funds to the General Fund.
- Although, the County has continued to look for ways to effectively manage the cost of mental health services, expenditures for the year totaled approximately \$1,689,000, an increase of 9.8% over the prior year. Revenues increased approximately \$91,000, an increase of 5.3% over the prior year, primarily due to an increase in state grants and entitlements. The Special Revenue, Mental Health Fund balance increased approximately \$128,000 over the prior year to approximately \$461,000.
- Special Revenue, Rural Services Fund revenues increased approximately \$288,000, principally due to increases in local option sales tax of approximately \$131,000 and property and other county tax of approximately \$151,000. The County increased the rural services tax levy rate from \$3.17278 per \$1,000 of taxable valuation in fiscal year 2010 to \$3.3812 per \$1,000 of taxable valuation in fiscal year 2011. Expenditures and transfers out increased approximately \$143,000 over the prior year to approximately \$2,054,000, an increase of 7.5% over the prior year. The ending fund balance decreased approximately \$57,000 from the prior year to approximately \$404,000.
- Special Revenue, Secondary Roads Fund revenues increased approximately \$389,000, primarily due to an increase in road use tax and FEMA reimbursements for projects due to flooding in the summer of 2010. Expenditures increased approximately \$967,000 over the prior year to approximately \$4,481,000, an increase of 27.5% over the prior year. The increase is primarily due to the increase in roadway construction expenditures. The ending fund balance increased approximately \$134,000 over the prior year to approximately \$2,923,000.
- Debt Service Fund revenues, expenditures and fund balance remained similar to the prior year.

## BUDGETARY HIGHLIGHTS

Over the course of the year, O'Brien County amended its budget two times. The first amendment was made in March 2011 and resulted in increases or decreases in budgeted disbursements for all functions except roads and transportation, netting to an overall increase of \$47,179. The largest increases were \$150,000 and \$86,401 for the mental health and county environment and education functions, respectively. The capital projects function was decreased approximately \$315,000. The mental health function increased due to additional payback of mental health risk pool funds to the State of Iowa. The county environment and education function increased due to budgeting housing reserve funds for grant matches, budgeting remaining funds for the completion of the nature center and drainage district repairs. The second amendment was made in May 2011 and included increases in budgeted disbursements for the physical health and social services function for matching an emergency response grant and the administration function for computer equipment. The total amendment to disbursements was \$29,658.

The County's receipts were \$767,914 more than budgeted, a variance of 7%. The most significant variances resulted from the County receiving more intergovernmental receipts since road use tax receipts, prisoner reimbursement and I-Jobs funds were higher than anticipated.

Total disbursements were \$1,226,513, or 10.5%, less than the amended budget. Actual disbursements for the roads and transportation, mental health and debt service functions were \$453,157, \$270,477 and \$250,101, respectively, less than budgeted. This was primarily due to fewer disbursements for roadway maintenance and general roadway disbursements than anticipated, not as many mental health clients served this fiscal year and the County budgeted to pay an additional \$250,000 on the TIF debt but refunded the debt in fiscal year 2012 instead. Actual disbursements did not exceed the budget in any function during fiscal year 2011.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, O'Brien County had approximately \$17.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1 million, or 6.6%, from the prior year.

Capital Assets of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2011	2010
Land	\$ 133	133
Buildings and improvements	3,751	3,802
Equipment and vehicles	2,748	2,441
Infrastructure	10,565	9,760
Total	\$ 17,197	16,136
This year's major additions included (in thousands):		
Secondary Roads infrastructure	\$	1,376
Two motorgraders for Secondary Roads		297
Payloader for Secondary Roads		135
Bobcat for Secondary Roads		12
Rotary cutters for Conservation		6
Tractor for Conservation		49
Conservation storage building		45
Server		8
Cargo trailer for Sheriff's Department		5
Two vehicles for Sheriff's Department		47
Total	\$	1,980

The County had depreciation expense of \$1,084,273 in fiscal year 2011 and total accumulated depreciation of approximately \$8,236,000 at June 30, 2011. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### **Long-Term Debt**

At June 30, 2011, O'Brien County had \$3,785,448 of general obligation bonds/notes outstanding, compared to \$3,997,040 at June 30, 2010.

The County continues to carry a general obligation bond rating of AAA assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. O'Brien County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$50.0 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

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

O'Brien County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. According to information from Iowa Workforce Development, unemployment in the County stands at 4.7% versus 5.3% a year ago. This compares with the State's unemployment rate of 6.0% and the national rate of 9.2% for the period ended June 30, 2011.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget were approximately \$14.9 million, a decrease of 14% from the final fiscal year 2011 budget. Budgeted disbursements are expected to increase \$1,635,823 over the fiscal year 2011 actual. If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$1,317,906 by the close of fiscal year 2012.

O'Brien County considered the current year's revenues, along with the historical revenues versus expenditures, when setting the levy rates for fiscal year 2012. A major factor in estimating many of the revenues from the State of Iowa was the current financial condition of the State and the history of the Iowa Legislature cutting funding for counties.

The County fee structure is based on state law. Therefore, any increases in revenues in this area would need to be legislated. It is O'Brien County's position to charge the highest rate allowable by law to recoup the actual cost of the programs.

O'Brien County has a tendency to underestimate revenues, resulting in higher than anticipated ending fund balances. The County's philosophy is to budget for the recommended, but not currently legislated, 25% ending fund balances. This percentage is based on total expenditures in the respective fund for the year.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of O'Brien County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the O'Brien County Auditor's Office, O'Brien County Courthouse, 155 South Hayes, Primghar, Iowa 51045.

**O'Brien County**

## **Basic Financial Statements**

**Exhibit A**

O'Brien County  
Statement of Net Assets  
June 30, 2011

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 7,446,001
Receivables:	
Property tax:	
Delinquent	1,875
Succeeding year	5,347,000
Succeeding year tax increment financing	463,000
Interest and penalty on property tax	5,011
Accounts	1,779
Accrued interest	7,937
Due from other governments	592,618
Inventories	921,270
Prepaid insurance	75,318
Capital assets (net of accumulated depreciation)	17,196,913
<b>Total assets</b>	<u>32,058,722</u>
<b>Liabilities</b>	
Accounts payable	643,663
Accrued interest payable	12,345
Salaries and benefits payable	43,203
Due to other governments	176,706
Deferred revenue:	
Succeeding year property tax	5,347,000
Succeeding year tax increment financing	463,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds/notes	345,000
Compensated absences	245,395
Portion due or payable after one year:	
General obligation bonds/notes	3,440,448
Net OPEB liability	250,400
<b>Total liabilities</b>	<u>10,967,160</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	13,411,465
Restricted for:	
Supplemental levy purposes	508,220
Mental health purposes	448,008
Rural service purposes	373,645
Secondary roads purposes	2,852,885
Drainage purposes	62,014
Conservation land acquisition	9,454
County urban renewal	235,047
Debt service	1,110
Other purposes	139,520
Unrestricted	3,050,194
<b>Total net assets</b>	<u>\$ 21,091,562</u>

See notes to financial statements.

O'Brien County  
 Statement of Activities  
 Year ended June 30, 2011

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 2,694,264	817,233	6,006	-	(1,871,025)
Physical health and social services	484,154	15,544	250,315	-	(218,295)
Mental health	1,702,437	100,428	1,151,526	-	(450,483)
County environment and education	721,718	185,357	15,153	11,739	(509,469)
Roads and transportation	4,062,714	172,680	3,210,209	535,842	(143,983)
Governmental services to residents	477,510	258,379	-	-	(219,131)
Administration	938,165	14,684	-	-	(923,481)
Non-program	140,350	154,853	-	-	14,503
Interest on long-term debt	162,702	-	2,075	-	(160,627)
Total	\$ 11,384,014	1,719,158	4,635,284	547,581	(4,481,991)

**General Revenues:**

Property and other county tax levied for:		
General purposes		4,934,934
Debt service		282,405
Tax increment financing		277,107
Penalty and interest on property tax		38,543
State tax credits		261,809
Local option sales tax		549,039
Unrestricted investment earnings		84,160
Gain on disposition of capital assets		177,128
Miscellaneous		13,470
Total general revenues		6,618,595
Change in net assets		2,136,604
Net assets beginning of year		18,954,958
Net assets end of year		\$ 21,091,562

See notes to financial statements.

O'Brien County  
Balance Sheet  
Governmental Funds

June 30, 2011

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 2,697,974	677,422	303,940	2,181,268
Receivables:				
Property tax:				
Delinquent	1,481	205	62	-
Succeeding year	3,090,000	538,000	1,429,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	5,011	-	-	-
Accounts	389	342	-	1,048
Accrued interest	6,167	-	-	-
Advances to other funds	-	-	-	68,482
Due from other governments	164,075	28,958	97,834	301,751
Inventories	-	-	-	921,270
Prepaid insurance	40,811	-	7,477	27,030
<b>Total assets</b>	<b>\$ 6,005,908</b>	<b>1,244,927</b>	<b>1,838,313</b>	<b>3,500,849</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 35,069	73,113	2,997	464,793
Salaries and benefits payable	14,681	-	2,340	26,182
Advances to other funds	-	-	-	-
Due to other governments	3,900	172,806	-	-
Deferred revenue:				
Succeeding year property tax	3,090,000	538,000	1,429,000	-
Succeeding year tax increment financing	-	-	-	-
Other	76,409	205	62	86,527
Total liabilities	3,220,059	784,124	1,434,399	577,502
Fund balances:				
Nonexpendable:				
Inventories	-	-	-	921,270
Prepaid insurance	40,811	-	7,477	27,030
Advances to other funds	-	-	-	68,482
Restricted for:				
Supplemental levy purposes	526,701	-	-	-
Mental health purposes	-	460,803	-	-
Rural services purposes	-	-	396,437	-
Secondary roads purposes	-	-	-	1,906,565
Drainage purposes	-	-	-	-
Conservation land acquisition	9,454	-	-	-
County urban renewal	-	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Assigned for ambulance replacement	114,503	-	-	-
Unassigned	2,094,380	-	-	-
Total fund balances	2,785,849	460,803	403,914	2,923,347
<b>Total liabilities and fund balances</b>	<b>\$ 6,005,908</b>	<b>1,244,927</b>	<b>1,838,313</b>	<b>3,500,849</b>

See notes to financial statements.

Debt Service	Nonmajor	Total
6,701	511,499	6,378,804
127	-	1,875
290,000	-	5,347,000
-	463,000	463,000
-	-	5,011
-	-	1,779
-	191	6,358
-	-	68,482
-	-	592,618
-	-	921,270
-	-	75,318
<b>296,828</b>	<b>974,690</b>	<b>13,861,515</b>
-	-	575,972
-	-	43,203
-	68,482	68,482
-	-	176,706
290,000	-	5,347,000
-	463,000	463,000
127	-	163,330
<b>290,127</b>	<b>531,482</b>	<b>6,837,693</b>
-	-	921,270
-	-	75,318
-	-	68,482
-	-	526,701
-	-	460,803
-	-	396,437
-	-	1,906,565
-	62,014	62,014
-	-	9,454
-	241,674	241,674
6,701	-	6,701
-	139,520	139,520
-	-	114,503
-	-	2,094,380
<b>6,701</b>	<b>443,208</b>	<b>7,023,822</b>
<b>296,828</b>	<b>974,690</b>	<b>13,861,515</b>

**O'Brien County**

O'Brien County

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

June 30, 2011

**Total governmental fund balances (page 19)** \$ 7,023,822

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$25,432,872 and the accumulated depreciation is \$8,235,959. 17,196,913

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 163,330

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health insurance benefit plan and workers' compensation self insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets. 1,001,085

Long-term liabilities, including bonds/notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (4,293,588)

**Net assets of governmental activities (page 16)** \$ 21,091,562

See notes to financial statements.

O'Brien County

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

Year ended June 30, 2011

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 3,093,759	537,611	1,303,750	-
Local option sales tax	-	-	549,039	-
Tax increment financing	-	-	-	-
Interest and penalty on property tax	38,333	-	-	-
Intergovernmental	1,020,837	1,277,072	137,372	3,174,786
Licenses and permits	9,600	-	-	63,841
Charges for service	460,587	-	-	-
Use of money and property	163,274	-	-	927
Miscellaneous	48,779	2,518	-	62,160
<b>Total revenues</b>	<b>4,835,169</b>	<b>1,817,201</b>	<b>1,990,161</b>	<b>3,301,714</b>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	1,935,992	-	693,865	-
Physical health and social services	497,454	-	-	-
Mental health	-	1,689,437	-	-
County environment and education	607,351	-	147,923	-
Roads and transportation	-	-	-	3,608,080
Governmental services to residents	472,709	-	1,788	-
Administration	935,515	-	-	-
Non-program	7,099	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	873,214
<b>Total expenditures</b>	<b>4,456,120</b>	<b>1,689,437</b>	<b>843,576</b>	<b>4,481,294</b>
Excess (deficiency) of revenues over (under) expenditures	379,049	127,764	1,146,585	(1,179,580)
<b>Other financing sources (uses):</b>				
Sale of capital and other assets	330	-	6,790	6,258
Operating transfers in	-	-	-	1,307,666
Operating transfers out	(97,366)	-	(1,210,300)	-
<b>Total other financing sources (uses)</b>	<b>(97,036)</b>	<b>-</b>	<b>(1,203,510)</b>	<b>1,313,924</b>
Net change in fund balances	282,013	127,764	(56,925)	134,344
Fund balances beginning of year, as restated	2,503,836	333,039	460,839	2,789,003
Fund balances end of year	\$ 2,785,849	460,803	403,914	2,923,347

See notes to financial statements.

Debt Service	Nonmajor	Total
282,426	-	5,217,546
-	-	549,039
-	277,107	277,107
-	-	38,333
13,148	15,324	5,638,539
-	-	73,441
-	3,231	463,818
348	3,265	167,814
-	556	114,013
295,922	299,483	12,539,650
-	-	2,629,857
-	572	498,026
-	-	1,689,437
-	14,926	770,200
-	-	3,608,080
-	4,055	478,552
-	-	935,515
-	-	7,099
294,971	79,976	374,947
-	9,122	882,336
294,971	108,651	11,874,049
951	190,832	665,601
-	-	13,378
-	-	1,307,666
-	-	(1,307,666)
-	-	13,378
951	190,832	678,979
5,750	252,376	6,344,843
6,701	443,208	7,023,822

O'Brien County

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

Year ended June 30, 2011

**Net change in fund balances - Total governmental funds (page 23)** \$ 678,979

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

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

Expenditures for capital assets	\$ 1,443,760	
Capital assets contributed by the Iowa Department of Transportation	535,842	
Depreciation expense	<u>(1,084,273)</u>	895,329

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 165,070

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	(207)	
Other	<u>99,073</u>	98,866

Governmental funds report discounts when debt is first issued, whereas the discount is deferred and amortized in the Statement of Activities. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded discount amortization, as follows:

Amortization of bond discount	(8,408)	
Repayments	<u>220,000</u>	211,592

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

Compensated absences	(2,533)	
Other postemployment benefits	(74,095)	
Interest on long-term debt	<u>653</u>	(75,975)

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health insurance benefit plan and workers' compensation self insurance to individual funds. The change in net assets of the Internal Service Funds is reported with governmental activities. 162,743

**Change in net assets of governmental activities (page 17)** \$ 2,136,604

See notes to financial statements.

O'Brien County  
Statement of Net Assets  
Proprietary Funds

June 30, 2011

	<u>Internal Service</u>
<b>Assets</b>	
Cash	\$ 617,197
Investments	450,000
Accrued interest receivable	<u>1,579</u>
<b>Total assets</b>	1,068,776
<b>Liabilities</b>	
Accounts payable	<u>67,691</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 1,001,085</u></u>

See notes to financial statements.

**Exhibit H**

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O'Brien County  
Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2011

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds	\$ 967,620
Stop loss insurance reimbursements	93,269
Reimbursements from others	<u>12,796</u>
Total operating revenues	1,073,685
Operating expenses:	
Health claims and administrative services	<u>923,901</u>
Operating income	149,784
Non-operating revenues:	
Interest income	<u>12,959</u>
Net income	162,743
Net assets beginning of year	<u>838,342</u>
Net assets end of year	<u>\$ 1,001,085</u>

See notes to financial statements.

O'Brien County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2011

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 967,620
Cash received from stop loss insurance reimbursements	93,269
Cash received from others	12,796
Cash paid for health claims and for administrative services	(992,178)
Net cash provided by operating activities	<u>81,507</u>
Cash flows from investing activities:	
Sale of investments	2,788
Interest on investments	32,086
Net cash provided by investing activities	<u>34,874</u>
Net increase in cash and cash equivalents	116,381
Cash and cash equivalents beginning of year	<u>500,816</u>
Cash and cash equivalents end of year	<u>\$ 617,197</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 149,784
Adjustment to reconcile operating income to net cash provided by operating activities:	
Decrease in payables	<u>(68,277)</u>
Net cash provided by operating activities	<u>\$ 81,507</u>

See notes to financial statements.

O'Brien County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2011

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 1,142,757
Other County officials	14,552
Receivables:	
Property tax:	
Delinquent	8,771
Succeeding year	13,811,000
Accounts	14,693
Accrued interest	111
Special assessments	65,428
Due from other governments	21,536
<b>Total assets</b>	<u>15,078,848</u>

**Liabilities**

Accounts payable	654
Due to other governments	15,042,058
Trusts payable	7,343
Compensated absences	28,793
<b>Total liabilities</b>	<u>15,078,848</u>

**Net assets** \$ -

See notes to financial statements.

O'Brien County

Notes to Financial Statements

June 30, 2011

**(1) Summary of Significant Accounting Policies**

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

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

These financial statements present O'Brien County (the primary government) and eleven drainage districts (the component units). These component units 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 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 O'Brien 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 O'Brien County Auditor's Office.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: O'Brien County Assessor's Conference

Board, O'Brien County Emergency Management Services Commission and Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations: Northwest Iowa Multi-county Regional Juvenile Detention Center, Northwest Iowa Area Solid Waste Agency, Synergy Center and Iowa Great Lakes Drug Task Force. In addition, the County is involved in the following jointly governed organizations: Northwest Iowa Planning and Development Commission, Northwest Iowa Alcohol and Drug Treatment Center, Regional Transit Authority, Domestic Violence, Private Industries Council, Seasons Mental Health Center, Third Judicial District Department of Correctional Services, Upper Des Moines Opportunity, Inc., Iowa County Engineers Association Service Bureau, Regional Transit Authority/RIDES, Inc. and O'Brien County Economic Development Corporation.

B. Basis of Presentation

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

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

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

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

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

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

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

financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

Additionally, the County reports the following funds:

Proprietary Funds - Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-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 proprietary funds of the County apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

#### D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

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

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment, vehicles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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 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	\$ 65,000
Intangibles	50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Intangibles	5 - 20
Equipment	2 - 20
Vehicles	3 - 10

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

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

Nonspendable – Amounts which cannot be spent because they are in 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.

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

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

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,757,614 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

**(3) Interfund Assets/Liabilities**

The detail of advances to/from other funds at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: County Urban Renewal	<u>\$68,482</u>

The advance to/from other funds resulted from the payment of urban renewal project costs from the Secondary Roads Fund which will be repaid with tax increment financing collections.

**(4) Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 97,366
	Special Revenue: Rural Services	<u>1,210,300</u>
Total		<u>\$ 1,307,666</u>

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

**(5) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 133,500	-	-	133,500
Construction in progress, road network	136,884	1,376,473	(429,020)	1,084,337
Total capital assets not being depreciated	270,384	1,376,473	(429,020)	1,217,837
Capital assets being depreciated:				
Buildings	4,828,764	45,000	-	4,873,764
Improvements other than buildings	30,697	-	-	30,697
Equipment and vehicles	6,665,824	753,879	(466,619)	6,953,084
Infrastructure, road network	11,928,470	429,020	-	12,357,490
Total capital assets being depreciated	23,453,755	1,227,899	(466,619)	24,215,035
Less accumulated depreciation for:				
Buildings	1,047,756	94,894	-	1,142,650
Improvements other than buildings	9,823	614	-	10,437
Equipment and vehicles	4,225,107	416,606	(435,939)	4,205,774
Infrastructure, road network	2,304,939	572,159	-	2,877,098
Total accumulated depreciation	7,587,625	1,084,273	(435,939)	8,235,959
Total capital assets being depreciated, net	15,866,130	143,626	(30,680)	15,979,076
Governmental activities capital assets, net	\$ 16,136,514	1,520,099	(459,700)	17,196,913

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 145,256
Physical health and social services	261
County environment and education	49,319
Roads and transportation	879,504
Administration	9,933
Total depreciation expense - governmental activities	<u>\$ 1,084,273</u>

**(6) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 3,900
Special Revenue:		
Mental Health	Services	172,806
Total for governmental funds		<u>\$ 176,706</u>
Agency:		
County Assessor	Collections	\$ 589,861
Schools		8,069,835
Community Colleges		392,476
Corporations		4,996,373
Townships		143,494
City Special Assessments		65,755
Auto License, Use Tax and Driver's License		327,769
E911 Surcharges		151,670
All other		304,825
Total for agency funds		<u>\$ 15,042,058</u>

**(7) Long-Term Liabilities**

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

	General Obligation Bonds/Notes	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 3,997,040	242,862	176,305	4,416,207
Increases	8,408	290,325	102,595	401,328
Decreases	220,000	287,792	28,500	536,292
Balance end of year	<u>\$ 3,785,448</u>	<u>*</u> 245,395	250,400	<u>4,281,243</u>
Due within one year	<u>\$ 345,000</u>	<u>245,395</u>	-	<u>590,395</u>

\* Net of \$59,552 of unamortized discount at June 30, 2011.

General Obligation Bonds/Notes

A summary of the County's June 30, 2011 general obligation bonds/notes indebtedness is as follows:

Year Ending June 30,	Refunding Notes Series 2005		
	Issued Jul 1, 2005		
	Interest Rates	Principal	Interest
2012	3.625%	\$ 235,000	66,524
2013	3.400-3.625	245,000	57,915
2014	3.400-3.500	255,000	49,365
2015	3.400-3.600	260,000	40,415
2016	3.400-4.000	270,000	31,030
2017-2018	4.000	580,000	29,300
Total		\$ 1,845,000	274,549

Year Ending June 30,	Bond Series 2008			Total		
	Issued Sept 1, 2008					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2012	3.850%	\$ 110,000	79,525	345,000	146,049	491,049
2013	3.900	325,000	75,290	570,000	133,205	703,205
2014	3.950	340,000	62,615	595,000	111,980	706,980
2015	4.000	350,000	49,185	610,000	89,600	699,600
2016	4.000	505,000	35,185	775,000	66,215	841,215
2017-2018	4.050	370,000	14,985	950,000	44,285	994,285
Total		\$ 2,000,000	316,785	3,845,000	591,334	4,436,334

During the year ended June 30, 2011, the County retired \$220,000 of general obligation bonds/notes.

**(8) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$293,618, \$280,448 and \$277,907, respectively, equal to the required contributions for each year.

**(9) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 77 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The health coverage, which is a partially self-funded medical plan, is administered by First Administrators, Inc. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

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

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

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

Annual required contribution	\$ 102,295
Interest on net OPEB obligation	7,100
Adjustment to annual required contribution	<u>(6,800)</u>
Annual OPEB cost	102,595
Contributions made	<u>(28,500)</u>
Increase in net OPEB obligation	74,095
Net OPEB obligation beginning of year	<u>176,305</u>
Net OPEB obligation end of year	<u>\$ 250,400</u>

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

For the year ended June 30, 2011, the County contributed \$28,500 to the medical plan and there were no plan member contributions.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 102,181	9.4%	\$ 92,536
2010	102,346	18.2%	176,305
2011	102,595	27.8%	250,400

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$878,220, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$878,220. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,759,000 and the ratio of the UAAL to covered payroll was 23.4%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include 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, 2008 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual health trend rate is 9.5%. The ultimate health trend rate is 4.5%. The health trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$1,045 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(10) Risk Management**

The County is 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Employee Health Insurance Plan**

The Internal Service, Employee Health Insurance Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with First Administrators, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$50,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to First Administrators, Inc. from the Employee Health Insurance Fund. The County's contribution to the fund for the year ended June 30, 2011 was \$967,620.

Amounts payable from the Employee Health Insurance Fund at June 30, 2011 total \$67,691, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$981,888 at June 30, 2011 and is reported as a designation of the Internal Service, Employee Health Insurance Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 135,968
Incurred claims (including claims incurred but not reported at June 30, 2011)	923,901
Payment on claims during the fiscal year	<u>992,178</u>
Unpaid claims end of year	<u><u>\$ 67,691</u></u>

**(12) Contingent Liability**

The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Northwest Iowa Area Solid Waste Agency required by Chapter 567-113.14 of the Iowa Administrative Code. The County's financial assurance obligation is \$237,000.

**(13) Accounting Change/Restatement**

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

	General	Nonmajor Special Revenue	
		Land Acquisition	Ambulance Replacement
Balances June 30, 2010, as previously reported	\$ 2,401,571	6,372	95,893
Change in fund type classification per implementation of GASB Statement No. 54	<u>102,265</u>	<u>(6,372)</u>	<u>(95,893)</u>
Balances July 1, 2010, as restated	<u><u>\$ 2,503,836</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**(14) Subsequent Event**

In August 2011, the County approved the issuance of \$1,685,000 of general obligation urban renewal refunding bonds to refund the 2005 refunding notes.

**Required Supplementary Information**

O'Brien 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, 2011

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 6,035,836	-	6,035,836
Interest and penalty on property tax	38,333	-	38,333
Intergovernmental	5,562,872	-	5,562,872
Licenses and permits	73,621	-	73,621
Charges for service	460,553	-	460,553
Use of money and property	165,844	616	165,228
Miscellaneous	115,266	-	115,266
Total receipts	<u>12,452,325</u>	<u>616</u>	<u>12,451,709</u>
<b>Disbursements:</b>			
Public safety and legal services	2,652,292	-	2,652,292
Physical health and social services	493,654	-	493,654
Mental health	1,791,773	-	1,791,773
County environment and education	764,455	-	764,455
Roads and transportation	3,495,543	-	3,495,543
Governmental services to residents	476,715	-	476,715
Administration	933,391	-	933,391
Non-program	7,099	-	7,099
Debt service	374,946	-	374,946
Capital projects	673,240	-	673,240
Total disbursements	<u>11,663,108</u>	<u>-</u>	<u>11,663,108</u>
Excess (deficiency) of receipts over (under) disbursements	789,217	616	788,601
Other financing sources, net	13,378	-	13,378
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	802,595	616	801,979
Balance beginning of year	5,576,209	61,398	5,514,811
Balance end of year	<u>\$ 6,378,804</u>	<u>62,014</u>	<u>6,316,790</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net
Original	Final	Variance
5,948,045	6,034,676	1,160
12,550	12,500	25,833
4,752,865	4,979,438	583,434
73,500	69,000	4,621
366,535	374,606	85,947
141,802	149,404	15,824
60,425	64,171	51,095
11,355,722	11,683,795	767,914
2,715,035	2,734,689	82,397
445,622	523,345	29,691
1,912,250	2,062,250	270,477
744,128	830,529	66,074
3,948,700	3,948,700	453,157
508,452	501,566	24,851
915,999	980,597	47,206
8,650	8,936	1,837
624,948	625,047	250,101
989,000	673,962	722
12,812,784	12,889,621	1,226,513
(1,457,062)	(1,205,826)	1,994,427
-	6,789	6,589
(1,457,062)	(1,199,037)	2,001,016
3,982,992	5,441,419	73,392
2,525,930	4,242,382	2,074,408

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O'Brien County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 12,452,325	87,325	12,539,650
Expenditures	11,663,108	210,941	11,874,049
Net	789,217	(123,616)	665,601
Other financing sources, net	13,378	-	13,378
Beginning fund balances	5,576,209	768,634	6,344,843
Ending fund balances	\$ 6,378,804	645,018	7,023,822

See accompanying independent auditor's report.

O'Brien County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$76,837. The budget amendments are reflected in the final budgeted amounts.

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

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

**O'Brien County**

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O'Brien County

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

Required Supplementary Information

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Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008	\$ -	878	878	0.00%	\$ 3,779	23.2%
2010	Jul 1, 2008	-	878	878	0.00	3,816	23.0
2011	Jul 1, 2008	-	878	878	0.00	3,759	23.4

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**O'Brien County**

**Other Supplementary Information**

O'Brien County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2011

	Resource Enhancement and Protection	County Recorder's Records Management	Federal Drug Reimburse- ment	Car Seat Program
<b>Assets</b>				
Cash and pooled investments	\$ 44,306	28,892	4,501	712
Receivables:				
Succeeding year tax increment financing	-	-	-	-
Interest	-	-	-	-
<b>Total assets</b>	<b>\$ 44,306</b>	<b>28,892</b>	<b>4,501</b>	<b>712</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Advances from other funds	\$ -	-	-	-
Deferred revenue:				
Succeeding year tax increment financing	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Restricted for				
Drainage warrants	-	-	-	-
County urban renewal	-	-	-	-
Other purposes	44,306	28,892	4,501	712
Total fund balances	44,306	28,892	4,501	712
<b>Total liabilities and fund equity</b>	<b>\$ 44,306</b>	<b>28,892</b>	<b>4,501</b>	<b>712</b>

See accompanying independent auditor's report.

Special Revenue					
Housing Rehab	County Urban Renewal	Special Environment	Drainage Districts	Capital Projects	Total
53,487	309,965	7,161	62,014	461	511,499
-	463,000	-	-	-	463,000
-	191	-	-	-	191
53,487	773,156	7,161	62,014	461	974,690
-	68,482	-	-	-	68,482
-	463,000	-	-	-	463,000
-	531,482	-	-	-	531,482
-	-	-	62,014	-	62,014
-	241,674	-	-	-	241,674
53,487	-	7,161	-	461	139,520
53,487	241,674	7,161	62,014	461	443,208
53,487	773,156	7,161	62,014	461	974,690

O'Brien County

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

Year ended June 30, 2011

	Resource Enhancement and Protection	County Recorder's Records Management	Federal Drug Reimburse- ment	Car Seat Program
Revenues:				
Tax increment financing	\$ -	-	-	-
Intergovernmental	14,040	-	-	1,284
Charges for service	-	3,231	-	-
Use of money and property	476	265	-	-
Miscellaneous	-	-	-	-
Total revenues	14,516	3,496	-	1,284
Expenditures:				
Operating:				
Physical health and social services	-	-	-	572
County environment and education	9,400	-	-	-
Governmental services to residents	-	4,055	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	9,400	4,055	-	572
Excess (deficiency) of revenues over (under) expenditures	5,116	(559)	-	712
Fund balances beginning of year	39,190	29,451	4,501	-
Fund balances end of year	\$ 44,306	28,892	4,501	712

See accompanying independent auditor's report.

Special Revenue					
Housing Rehab	County Urban Renewal	Special Environment	Drainage Districts	Capital Projects	Total
-	277,107	-	-	-	277,107
-	-	-	-	-	15,324
-	-	-	-	-	3,231
142	1,727	18	616	21	3,265
556	-	-	-	-	556
698	278,834	18	616	21	299,483
-	-	-	-	-	572
5,526	-	-	-	-	14,926
-	-	-	-	-	4,055
-	79,976	-	-	-	79,976
-	-	-	-	9,122	9,122
5,526	79,976	-	-	9,122	108,651
(4,828)	198,858	18	616	(9,101)	190,832
58,315	42,816	7,143	61,398	9,562	252,376
53,487	241,674	7,161	62,014	461	443,208

**Schedule 3**

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## O'Brien County

Combining Schedule of Net Assets  
Internal Service Funds

June 30, 2011

	Employee Health Insurance	Workers' Compensation Self Insurance	Total
<b>Assets</b>			
Cash	\$ 598,000	19,197	617,197
Investments	450,000	-	450,000
Accrued interest receivable	1,579	-	1,579
<b>Total assets</b>	1,049,579	19,197	1,068,776
<b>Liabilities</b>			
Accounts payable	67,691	-	67,691
<b>Net Assets</b>			
Unrestricted	\$ 981,888	19,197	1,001,085

See accompanying independent auditor's report.

## O'Brien County

Combining Schedule of Changes in Revenues, Expenses and  
Changes in Fund Net Assets  
Internal Service Funds

Year ended June 30, 2011

	Employee Health Insurance	Workers' Compensation Self Insurance	Total
Operating revenues:			
Reimbursements from operating funds	\$ 967,620	-	967,620
Stop loss insurance reimbursements	93,269	-	93,269
Reimbursements from others	12,796	-	12,796
Total operating revenues	1,073,685	-	1,073,685
Operating expenses:			
Health claims and administrative services	923,901	-	923,901
Operating income	149,784	-	149,784
Non-operating revenues:			
Interest income	12,959	-	12,959
Net income	162,743	-	162,743
Net assets beginning of year	819,145	19,197	838,342
Net assets end of year	\$ 981,888	19,197	1,001,085

See accompanying independent auditor's report.

**O'Brien County**

O'Brien County  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2011

	Employee Health Insurance	Workers' Compensation Self Insurance	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ 967,620	-	967,620
Cash received from stop loss insurance reimbursements	93,269	-	93,269
Cash received from others	12,796	-	12,796
Cash paid for health claims and administrative services	(992,178)	-	(992,178)
Net cash provided by operating activities	81,507	-	81,507
Cash flows from investing activities:			
Sale of investments	2,788	-	2,788
Interest on investments	12,889	-	12,889
Net cash provided by investing activities	15,677	-	15,677
Net increase in cash and cash equivalents	97,184	-	97,184
Cash and cash equivalents beginning of year	500,816	19,197	520,013
Cash and cash equivalents end of year	\$ 598,000	19,197	617,197
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 149,784	-	149,784
Adjustment to reconcile operating income to net cash provided by operating activities:			
Decrease in payables	(68,277)	-	(68,277)
Net cash provided by operating activities	\$ 81,507	-	81,507

See accompanying independent auditor's report.

O'Brien County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,789	375,650	125,013	6,331
Other County officials	14,552	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	63	99	2,822	145
Succeeding year	-	177,000	232,000	7,942,000	386,000
Accounts	643	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 15,195</b>	<b>179,852</b>	<b>607,749</b>	<b>8,069,835</b>	<b>392,476</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	-	-	-
Due to other governments	11,003	179,852	589,861	8,069,835	392,476
Trusts payable	4,192	-	-	-	-
Compensated absences	-	-	17,888	-	-
<b>Total liabilities</b>	<b>\$ 15,195</b>	<b>179,852</b>	<b>607,749</b>	<b>8,069,835</b>	<b>392,476</b>

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Auto License, Use Tax and Driver's License	E911 Surcharges	Other	Total
59,735	2,490	327	327,769	128,695	113,958	1,142,757
-	-	-	-	-	-	14,552
5,638	4	-	-	-	-	8,771
4,931,000	141,000	-	-	-	2,000	13,811,000
-	-	-	-	14,050	-	14,693
-	-	-	-	111	-	111
-	-	65,428	-	-	-	65,428
-	-	-	-	9,162	12,374	21,536
<b>4,996,373</b>	<b>143,494</b>	<b>65,755</b>	<b>327,769</b>	<b>152,018</b>	<b>128,332</b>	<b>15,078,848</b>
-	-	-	-	348	306	654
4,996,373	143,494	65,755	327,769	151,670	113,970	15,042,058
-	-	-	-	-	3,151	7,343
-	-	-	-	-	10,905	28,793
<b>4,996,373</b>	<b>143,494</b>	<b>65,755</b>	<b>327,769</b>	<b>152,018</b>	<b>128,332</b>	<b>15,078,848</b>

O'Brien County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 22,303	167,567	685,414	7,610,225	380,625
Additions:					
Property and other county tax	-	177,833	233,503	7,974,165	387,466
E911 surcharge	-	-	-	-	-
State tax credits	-	8,525	13,291	384,516	19,358
Office fees and collections	984,870	-	-	-	-
Auto licenses, driver's licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	18,370	-	-	-	-
Miscellaneous	-	-	3,805	-	-
Total additions	1,003,240	186,358	250,599	8,358,681	406,824
Deductions:					
Agency remittances:					
To other funds	818,264	-	-	-	-
To other governments	174,065	174,073	328,264	7,899,071	394,973
Trusts paid out	18,019	-	-	-	-
Total deductions	1,010,348	174,073	328,264	7,899,071	394,973
Balances end of year	\$ 15,195	179,852	607,749	8,069,835	392,476

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Auto License, Use Tax and Driver's License	E911 Surcharges	Other	Total
5,210,060	147,333	59,244	333,090	146,159	126,990	14,889,010
4,875,195	141,413	-	-	-	1,889	13,791,464
-	-	-	-	114,478	-	114,478
192,636	6,971	-	-	-	96	625,393
-	-	-	-	-	-	984,870
-	-	-	4,163,414	-	-	4,163,414
-	-	28,239	-	-	-	28,239
-	-	-	-	-	128,038	146,408
-	-	-	-	1,381	153,751	158,937
5,067,831	148,384	28,239	4,163,414	115,859	283,774	20,013,203
-	-	-	155,011	-	7	973,282
5,281,518	152,223	21,728	4,013,724	110,000	152,612	18,702,251
-	-	-	-	-	129,813	147,832
5,281,518	152,223	21,728	4,168,735	110,000	282,432	19,823,365
4,996,373	143,494	65,755	327,769	152,018	128,332	15,078,848

O'Brien County

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

For the last ten years

	2011	2010	2009	2008
<b>Revenues:</b>				
Property and other county tax	\$ 5,217,546	5,061,082	4,596,836	4,580,718
Local option sales tax	549,039	418,232	550,006	567,367
Tax increment financing	277,107	92,439	52,139	-
Interest and penalty on property tax	38,333	40,933	31,568	29,515
Intergovernmental	5,638,539	5,086,425	5,316,142	5,427,698
Licenses and permits	73,441	7,925	4,050	3,200
Charges for service	463,818	480,827	511,611	509,384
Use of money and property	167,814	170,910	196,765	324,450
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	114,013	167,836	116,706	178,439
<b>Total</b>	<b>\$ 12,539,650</b>	<b>11,526,609</b>	<b>11,375,823</b>	<b>11,620,771</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 2,629,857	\$ 2,578,282	2,720,567	2,623,440
Physical health and social services	498,026	498,693	510,089	458,495
Mental health	1,689,437	1,538,454	1,866,966	1,954,462
County environment and education	770,200	712,447	776,160	956,874
Roads and transportation	3,608,080	3,282,107	3,347,948	3,294,303
Governmental services to residents	478,552	478,305	465,164	430,043
Administration	935,515	860,505	869,095	855,461
Non-program	7,099	5,190	4,942	4,902
Debt service	374,947	377,459	374,721	574,403
Capital projects	882,336	232,698	324,506	1,839,258
<b>Total</b>	<b>\$ 11,874,049</b>	<b>10,564,140</b>	<b>11,260,158</b>	<b>12,991,641</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2007	2006	2005	2004	2003	2002
4,394,292	4,244,506	4,206,237	4,332,901	3,839,758	3,796,567
500,479	409,283	398,515	347,754	412,997	334,358
-	-	-	-	-	-
25,929	27,537	27,329	28,979	27,467	27,495
5,010,777	4,903,597	4,613,268	4,474,319	3,456,156	4,044,170
2,025	2,945	2,900	2,490	2,130	2,653
455,847	450,537	438,879	429,707	826,538	317,334
292,660	247,089	175,374	122,939	159,671	216,667
-	-	-	-	-	19,220
182,915	195,699	117,822	92,822	104,351	79,408
10,864,924	10,481,193	9,980,324	9,831,911	8,829,068	8,837,872
2,506,085	2,429,677	2,088,365	1,988,860	1,811,584	1,735,215
413,728	426,163	419,935	401,973	460,947	442,874
1,790,088	1,610,403	1,481,050	1,432,499	1,513,629	1,511,855
553,618	608,032	460,886	457,522	479,319	737,798
3,187,986	3,117,446	2,971,035	2,869,960	2,297,184	2,606,244
408,498	501,337	402,674	385,449	340,608	320,057
834,441	896,972	818,498	816,791	810,551	706,773
7,945	4,856	5,114	5,728	5,010	8,063
363,602	343,075	304,149	301,999	304,684	307,104
478,061	1,791,724	1,131,844	518,023	403,049	861,249
10,544,052	11,729,685	10,083,550	9,178,804	8,426,565	9,237,232

**O'Brien County**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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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 O'Brien County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of O'Brien County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 28, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

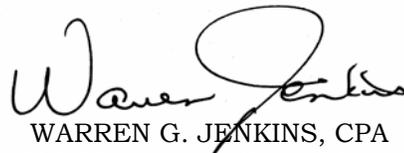
O'Brien County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit O'Brien County's responses and, accordingly, we express no opinion on them.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of O'Brien 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 28, 2012

O'Brien County

Schedule of Findings

Year ended June 30, 2011

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared.	Treasurer, Recorder, Sheriff, Public Health/ Sanitation and Conservation
(2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	Treasurer, Recorder, Sheriff, Public Health/ Sanitation and Conservation
(3) Bank reconciliations are not performed by a person who does not record cash receipts or prepare checks. In addition, bank reconciliations are not reviewed periodically by an independent person for propriety.	Recorder, Sheriff and Treasurer
(4) The person who signs checks is not independent of the person preparing checks, approving disbursements and recording cash receipts.	Recorder

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel 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.

O'Brien County

Schedule of Findings

Year ended June 30, 2011

Responses:

Treasurer – With only two people in the tax department, it is impossible to segregate duties. We cross check deposits, balancing, etc. as much as possible to lessen the risk. Deposits to the bank are made daily for each department – tax, motor vehicle and drivers licenses. The Treasurer normally makes all deposits.

Recorder – We will try to comply as best we can with our existing employees.

Sheriff – We will attempt to comply with our limited administrative staff.

Public Health and Sanitation – We will try to comply with this requirement even though we have a limited number of staff in our department.

Conservation – We will attempt to comply with the limited staff available.

Conclusions – Responses acknowledged. The Offices should also consider utilizing personnel from other offices or departments to provide additional internal control.

- (B) Financial Reporting – During the audit, we identified material amounts of receivables, deferred revenue and payables not properly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, deferred revenue and payables are properly recorded in the County's financial statements.

Response – We will implement a form which will be distributed to all County departments near fiscal year end to determine outstanding payables and receivables which will be recorded in the County's financial statements.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

O'Brien County

Schedule of Findings

Year ended June 30, 2011

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Pizza Ranch	Pizza for Local Board of Health Department regular meetings	\$ 81

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 an improper purpose is very thin.

Recommendation - The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including the requirement for proper documentation.

Response – These expenditures were reviewed and the practice was discontinued in December 2010.

Conclusion – Response accepted.

- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

O'Brien County

Schedule of Findings

Year ended June 30, 2011

- (4) Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Jim Norton, Conservation Board Member, owner of Hartley Farm and Home Center, Inc.	Supplies and parts	\$ 1,377
Emily Waund, Board of Supervisors, Co-owner of Getting Gravel Pit	Gravel stockpile rent	400
Matthew Rohwer, son of County Auditor	Mail courier	16
Sarah Rohwer, daughter of County Auditor	Election help	8

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since the cumulative total amount for each individual did not exceed \$1,500 during fiscal year 2011.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

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O'Brien County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager  
Dorothy O. Stover, Staff Auditor  
Jennifer M. Kopp, Staff Auditor  
Daniel J. Mikels, Assistant Auditor  
Michael T. Bunkers, Assistant Auditor  
Laura E. Grinnell, Assistant Auditor

A handwritten signature in black ink, appearing to read "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State