



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

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**NEWS RELEASE**

FOR RELEASE May 28, 2004

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Kossuth County, Iowa.

The County has implemented new reporting standards for the year ended June 30, 2003, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$22,693,871 for the year ended June 30, 2003, which included \$1,380,058 in tax credits from the state. The County forwarded \$16,370,381 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,323,490 of the local tax revenue to finance County operations, a less than one percent decrease from the prior year. Other revenue included charges of service of \$1,539,714, operating grants, contributions and restricted interest of \$10,944,621, capital grants, contributions and restricted interest of \$517,576, local option sales tax of \$616,651, unrestricted investment earnings of \$144,409 and other general revenues of \$491,296.

Expenses for County operations totaled \$19,600,837. Expenses included \$6,512,382 for roads and transportation, \$5,706,888 for county environment and education and \$2,305,553 for public safety and legal services.

The report contains recommendations to the Board of Supervisors and other County officials. For example, the County Auditor, Treasurer, Sheriff and conservation department should review the operating procedures of their offices to obtain the maximum internal control possible under the circumstances. Also, the County Sheriff should deposit commissary profits,

DARE program collections and special investigation monies with the County Treasurer and utilize the County's process for issuing warrants to pay expenditures to ensure expenditures are properly authorized and reflected in the County's accounting system. The report also includes recommendations for compliance with various statutory requirements. The County's responses to the recommendations are included in the audit report.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

# # #

**KOSSUTH COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2003**

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Kossuth County

Officials

| <u>Name</u>                  | <u>Title</u>         | <u>Term Expires</u> |
|------------------------------|----------------------|---------------------|
| <b>(Before January 2003)</b> |                      |                     |
| Laurel Fantz Anderson        | Board of Supervisors | Jan 2003            |
| Donald Besch                 | Board of Supervisors | Jan 2003            |
| Donald G. McGregor           | Board of Supervisors | Jan 2003            |
| Robert J. Cink               | Board of Supervisors | Jan 2005            |
| Eugene Elsbecker             | Board of Supervisors | Jan 2005            |
| Joann Bormann                | County Auditor       | Jan 2005            |
| Nicholas P. Rahm             | County Treasurer     | Jan 2003            |
| Karen Benschoter             | County Recorder      | Jan 2003            |
| Paul Gronbach (appointed)    | County Sheriff       | Nov 2002            |
| Todd Holmes (appointed)      | County Attorney      | Nov 2002            |
| K. Donald Patton             | County Assessor      | Jan 2004            |
| <b>(After January 2003)</b>  |                      |                     |
| Robert J. Cink               | Board of Supervisors | Jan 2005            |
| Eugene Elsbecker             | Board of Supervisors | Jan 2005            |
| Donald Besch                 | Board of Supervisors | Jan 2007            |
| Lee Froehlich                | Board of Supervisors | Jan 2007            |
| Donald G. McGregor           | Board of Supervisors | Jan 2007            |
| Joann Bormann                | County Auditor       | Jan 2005            |
| Nicholas P. Rahm             | County Treasurer     | Jan 2007            |
| Karen Benschoter             | County Recorder      | Jan 2007            |
| Paul Gronbach                | County Sheriff       | Jan 2005            |
| Todd Holmes                  | County Attorney      | Jan 2007            |
| K. Donald Patton             | County Assessor      | Jan 2004            |

**Kossuth County**



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Independent Auditor's Report

To the Officials of Kossuth County:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Kossuth County, Iowa, as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements listed in the table of contents. These basic financial statements are the responsibility of Kossuth County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Kossuth County at June 30, 2003, 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.

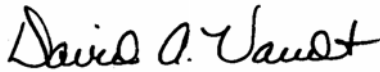
As described in Note 13 to the financial statements, during the year ended June 30, 2003, Kossuth County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2004 on our consideration of Kossuth County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

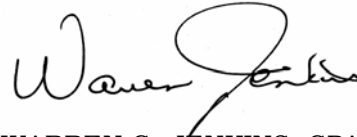
Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 48 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Kossuth County's basic financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 for the year ended June 30, 2003.

The financial statements for the year ended June 30, 2002 (none of which are presented herein) were audited by other auditors who expressed a qualified opinion on those financial statements because of the omission of separate accounts maintained by the Sheriff's Office. The financial statements for the two years ended June 30, 2001 (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The report of the other auditors stated the supplementary information for the years ended June 30, 2002, June 30, 2001 and June 30, 2000 was subject to auditing procedures applied in their audit of the financial statements and in their opinion, was fairly stated in all material respects in relation to the financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 6, 2004



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

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Kossuth County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2003. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because Kossuth County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the County's financial position and results of operations.

### **FINANCIAL HIGHLIGHTS**

- The assets of Kossuth County exceeded liabilities at June 30, 2003 by \$39,809,326. Of this amount, \$1,242,867 is unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net assets increased by \$976,920 during the year. Of this amount, the assets of our governmental activities increased \$971,797 and the assets of our business type activities increased by \$5,123.
- The County issued \$5,080,000 of general obligation bonds during the year.

### **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 Kossuth County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report Kossuth County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Kossuth County acts solely as an agent or custodian for the benefit of those outside of the government.

Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information, other than MD&A, provides information about the required budgetary comparison information.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds and the individual Agency Funds.

## **REPORTING THE COUNTY AS A WHOLE**

### **The Statement of Net Assets and the Statement of Activities**

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 about activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus. This 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 fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

In the Statement of Net Assets and the Statement of Activities, we have divided the County into two kinds of activities:

- **Governmental Activities** – Most of the County's basic services are reported here, such as 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 and interest on long-term debt. Property tax and state and federal grants finance most of these activities.
- **Business Type Activities** – The County charges fees to customers to cover the cost of these services. These activities include operation of the County Landfill.

## **REPORTING THE COUNTY BY FUNDS**

### **Fund Financial Statements**

The fund financial statements provide detailed information about individual, significant funds, not the County as a whole. Some funds are required to be established by Iowa law or by bond covenants. The County can establish other funds to help it control and manage money for particular purposes. The County has three kinds of funds:

#### **Governmental Funds**

Governmental funds account for most of the County's basic services. These fund financial statements focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include the General Fund and Special Revenue Funds such as Mental Health, Rural Services, Secondary Roads and Midwest Grain Processors. 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 government 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 financial statements required for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

**Proprietary Funds**

The County’s proprietary funds report services for which the County charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business type activities included in the government-wide financial statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements.

The financial statements required 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.

**Fiduciary Funds**

Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County’s own programs. These fiduciary funds include agency funds that account for emergency management services, E911 services and the County assessor to name a few.

The financial statement required 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. The following analysis shows the County’s total net assets at June 30, 2003.

|  | Governmental<br>Activities | Business Type<br>Activities | Total             |
|--|----------------------------|-----------------------------|-------------------|
| Current and other assets                           | \$ 18,608,677              | 1,059,155                   | 19,667,832        |
| Capital assets, net                                | 34,659,088                 | 636,323                     | 35,295,411        |
| Total assets                                       | <u>53,267,765</u>          | <u>1,695,478</u>            | <u>54,963,243</u> |
| Long-term liabilities                              | 6,836,178                  | 548,278                     | 7,384,456         |
| Other liabilities                                  | 7,735,577                  | 33,884                      | 7,769,461         |
| Total liabilities                                  | <u>14,571,755</u>          | <u>582,162</u>              | <u>15,153,917</u> |
| Net assets:  |                            |                             |                   |
| Invested in capital assets,<br>net of related debt | 33,448,992                 | 636,323                     | 34,085,315        |
| Restricted   | 3,829,504                  | 651,640                     | 4,481,144         |
| Unrestricted                                       | 1,417,514                  | (174,647)                   | 1,242,867         |
| Total net assets                                   | <u>\$ 38,696,010</u>       | <u>1,113,316</u>            | <u>39,809,326</u> |

Net assets of governmental activities increased from FY02 by \$971,797, or approximately 2.6%. Net assets of business type activities increased from FY02 by \$5,123, or approximately .46%. 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 sources other than capital assets. Restricted net assets represents resources that are 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, legislation or other legal requirements, is \$1,417,514 for governmental activities and is at a deficit of \$174,647 for business type activities. The deficit unrestricted net assets for business type activities results primarily from the County Landfill's liability for closure and postclosure care costs. As permitted by statutory provisions, these costs are not yet fully funded at June 30, 2003.

The following analysis provides the changes in net assets for the County's governmental and business type activities for the year ended June 30, 2003.

|  | Governmental<br>Activities | Business Type<br>Activities | Total             |
|--|----------------------------|-----------------------------|-------------------|
| Revenues:  |                            |                             |                   |
| Program revenues:  |                            |                             |                   |
| Charges for service  | \$ 1,124,687               | 415,027                     | 1,539,714         |
| Operating grants, contributions<br>and restricted interest     | 10,921,620                 | 23,001                      | 10,944,621        |
| Capital grants, contributions<br>and restricted interest       | 517,576                    | -                           | 517,576           |
| General revenues:  |                            |                             |                   |
| Property and other county tax                                  | 5,938,752                  | -                           | 5,938,752         |
| Penalty and interest on property<br>tax                        | 99,039                     | -                           | 99,039            |
| State tax credits  | 384,738                    | -                           | 384,738           |
| Local option sales tax   | 616,651                    | -                           | 616,651           |
| Grants and contributions not<br>restricted to specific purpose | 213,612                    | -                           | 213,612           |
| Unrestricted investment earnings                               | 108,815                    | 35,594                      | 144,409           |
| Gain/loss on disposal of capital assets                        | 126,203                    | (1,907)                     | 124,296           |
| Miscellaneous  | 44,140                     | 10,209                      | 54,349            |
| Total assets   | <u>20,095,833</u>          | <u>481,924</u>              | <u>20,577,757</u> |
| Program expenses:  |                            |                             |                   |
| Public safety and legal services                               | 2,305,553                  | -                           | 2,305,553         |
| Physical health and social services                            | 476,267                    | -                           | 476,267           |
| Mental health  | 1,977,025                  | -                           | 1,977,025         |
| County environment and education                               | 5,706,888                  | -                           | 5,706,888         |
| Roads and transportation                                       | 6,512,382                  | -                           | 6,512,382         |
| Governmental services to residents                             | 410,967                    | -                           | 410,967           |
| Administration   | 1,248,781                  | -                           | 1,248,781         |
| Non-program  | 249,027                    | -                           | 249,027           |
| Interest on long-term debt                                     | 237,146                    | -                           | 237,146           |
| Landfill   | -                          | 476,801                     | 476,801           |
| Total liabilities  | <u>19,124,036</u>          | <u>476,801</u>              | <u>19,600,837</u> |
| Increase in net assets   | 971,797                    | 5,123                       | 976,920           |
| Net assets July 1, 2002, as restated                           | <u>37,724,213</u>          | <u>1,108,193</u>            | <u>38,832,406</u> |
| Net assets June 30, 2003                                       | <u>\$38,696,010</u>        | <u>1,113,316</u>            | <u>39,809,326</u> |

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As Kossuth County completed the year, its governmental funds reported a combined fund balance of \$5,448,391, which is greater than the \$4,502,188 combined fund balance at the end of FY02, as restated.

The General Fund, the operating fund for Kossuth County, ended FY03 with a fund balance of \$1,023,776. This was a decrease from FY02's ending balance of \$1,321,225. Property valuations decreased from \$914,015,403 in FY02 to \$906,805,200 in FY03 while the levy rate remained constant at \$3.50 per \$1,000 of taxable valuation.

Kossuth County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. Fiscal year 2003 ended with a \$682,459 balance, compared to the prior year balance of \$371,960. Revenues remained relatively constant while expenditures decreased approximately \$316,000.

The Rural Services Fund ended FY03 with a \$356,748 balance compared to the prior year ending balance \$223,807. Although the property tax levy rate for the Rural Services Fund remained the same from FY02 to FY03, the taxable valuation increased from \$698,209,947 to \$701,455,606.

The Secondary Roads Fund ended FY03 with a \$2,684,306 balance compared to the prior year ending balance of \$2,126,173. Capital project expenditures in the fund decreased from FY02 by approximately \$717,000. Kossuth County maintained 1,118 miles of gravel, 37 miles of dirt and 500 miles of paved roads, as well as 285 bridges, with the resources of this fund.

The Midwest Grain Processors Fund, a new fund created during FY03, ended the year with a balance of \$241,846. This fund accounts for activity relating to general obligation bonds issued during the year for the purpose of providing an economic development loan to Midwest Grain Processors Cooperative to construct an ethanol plant.

## **INDIVIDUAL MAJOR BUSINESS TYPE ACTIVITY FUND ANALYSIS**

The Landfill Fund ended FY03 with a \$1,113,316 net asset balance compared to the prior year ending net asset balance of \$1,108,193.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Kossuth County amended the operating budget twice. The first amendment was made in March, 2003 for various reasons as summarized: public safety and legal services for purchase of hazmat suits; physical health and social services for decrease in expenditures for relief, care facility and veterans affairs budgets; county environment and education for a loan payment to Midwest Grain Processors, conservation tree purchases and a change in health insurance classification; and debt service for additional principal payments on the local option sales tax revenue bonds. The second amendment was made in May, 2003 for various reasons as summarized: public safety and legal services for Sheriff supplies and jailer's salaries; county environment and education for payment to Midwest Grain Processors for an Iowa Department of Transportation grant; and debt service for additional principal payments on the local option sales tax revenue bonds.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of FY03, Kossuth County had approximately \$66.3 million invested in a broad range of capital assets used for governmental activities, including public safety equipment, buildings, park facilities, roads and bridges.

Kossuth County had depreciation expense of \$2,724,073 for governmental activities in FY03 and total accumulated depreciation of \$31,651,922 on the capital assets. Additional information about the County's capital assets is presented in Note 5 to the financial statements.

### **Long-term Debt**

During the year ended June 30, 2003, Kossuth County issued \$5,080,000 in general obligation bonds. No general obligation debt was outstanding prior to this issuance.

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the county's corporate limits. Kossuth County's outstanding general obligation debt is significantly below its constitutional debt limit of \$45 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

Other long-term debt outstanding at June 30, 2003 included \$1,210,096 of local option sales tax revenue bonds. The amount due on these bonds decreased from FY02 by \$416,985.

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

Kossuth County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2004 budget, tax rates, and fees that finance the various County services. One of the factors is the economy. Kossuth County experienced a loss of population of 5.1% between 1995 and 2000 that ranks first, or highest, among all counties in the state according to the 2000 census. Kossuth County had a family poverty rate of 7.5% that ranks 19<sup>th</sup> highest among all counties in the state according to the 2000 census.

These indicators were taken into account when adopting the budget for FY04. Amounts available for appropriation are approximately \$13,665,000, an increase of 5% over the final FY03 budget. The General Fund is budgeted to end FY04 with a balance of \$244,336.

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

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Kossuth 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 Kossuth County Auditor's office, 114 West State Street, Algona, Iowa 50511.

**Kossuth County**

**Exhibit A**

Kossuth County  
Statement of Net Assets  
June 30, 2003

|  | Governmental<br>Activities | Business type<br>Activities | Total             |
|--|----------------------------|-----------------------------|-------------------|
| <b>Assets</b>  |                            |                             |                   |
| Cash and pooled investments  | \$ 5,349,182               | 416,555                     | 5,765,737         |
| Receivables:   |                            |                             |                   |
| Property tax:  |                            |                             |                   |
| Delinquent   | 22,352                     | -                           | 22,352            |
| Succeeding year  | 6,449,000                  | -                           | 6,449,000         |
| Interest and penalty on property tax                                   | 58,693                     | -                           | 58,693            |
| Accounts   | 23,996                     | 31,982                      | 55,978            |
| Accrued interest   | 214,865                    | 12,247                      | 227,112           |
| Drainage assessments   | 217,196                    | -                           | 217,196           |
| Notes  | 5,080,000                  | -                           | 5,080,000         |
| Internal balances  | 1,629                      | (1,629)                     | -                 |
| Due from other governments   | 530,367                    | -                           | 530,367           |
| Inventories  | 661,397                    | -                           | 661,397           |
| Restricted cash and pooled investments                                 | -                          | 600,000                     | 600,000           |
| Capital assets, net of accumulated depreciation                        | 34,659,088                 | 636,323                     | 35,295,411        |
|  | <u>53,267,765</u>          | <u>1,695,478</u>            | <u>54,963,243</u> |
| <b>Total assets</b>  |                            |                             |                   |
| <b>Liabilities</b>   |                            |                             |                   |
| Accounts payable   | 794,272                    | 30,075                      | 824,347           |
| Accrued interest payable   | 203,353                    | -                           | 203,353           |
| Salaries and benefits payable  | 205,631                    | 3,809                       | 209,440           |
| Due to other governments   | 83,321                     | -                           | 83,321            |
| Deferred revenue:  |                            |                             |                   |
| Succeeding year property tax   | 6,449,000                  | -                           | 6,449,000         |
| Long-term liabilities:   |                            |                             |                   |
| Portion due or payable within one year:                                |                            |                             |                   |
| Revenue bonds  | 184,716                    | -                           | 184,716           |
| General obligation bonds   | 310,000                    | -                           | 310,000           |
| Compensated absences   | 190,154                    | 9,937                       | 200,091           |
| Drainage warrants  | 322,613                    | -                           | 322,613           |
| Portion due or payable after one year:                                 |                            |                             |                   |
| Revenue bonds  | 1,025,380                  | -                           | 1,025,380         |
| General obligation bonds (net of \$31,242 unamortized discount)        | 4,738,758                  | -                           | 4,738,758         |
| Compensated absences   | 64,557                     | 2,481                       | 67,038            |
| Estimated liability for landfill closure and<br>postclosure care costs | -                          | 535,860                     | 535,860           |
|  | <u>14,571,755</u>          | <u>582,162</u>              | <u>15,153,917</u> |
| <b>Total liabilities</b>   |                            |                             |                   |



Kossuth County  
Statement of Net Assets  
June 30, 2003

|   | Governmental<br>Activities | Business-type<br>Activities | Total             |
|---|----------------------------|-----------------------------|-------------------|
| <b>Net Assets</b>                               |                            |                             |                   |
| Invested in capital assets, net of related debt | 33,448,992                 | 636,323                     | 34,085,315        |
| Restricted for:                                 |                            |                             |                   |
| Mental health purposes                          | 681,604                    | -                           | 681,604           |
| Secondary roads purposes                        | 2,557,754                  | -                           | 2,557,754         |
| Debt service                                    | 327,848                    | -                           | 327,848           |
| Closure and postclosure care costs              | -                          | 600,000                     | 600,000           |
| Tonnage fees retained                           | -                          | 51,640                      | 51,640            |
| Other purposes                                  | 262,298                    | -                           | 262,298           |
| Unrestricted                                    | 1,417,514                  | (174,647)                   | 1,242,867         |
| <b>Total net assets</b>                         | <b>\$ 38,696,010</b>       | <b>1,113,316</b>            | <b>39,809,326</b> |

See notes to financial statements.

Kossuth County  
Statement of Activities  
Year ended June 30, 2003

|                                     | Expenses      | Program Revenues    |   |   |
|-------------------------------------|---------------|---------------------|---|---|
|                                     |               | 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    | \$ 2,305,553  | 238,428             | 314,314   | -   |
| Physical health and social services | 476,267       | 98,314              | 198,355   | -   |
| Mental health                       | 1,977,025     | -                   | 1,142,382   | -   |
| County environment and education    | 5,706,888     | 26,212              | 5,221,569   | -   |
| Roads and transportation            | 6,512,382     | 154,513             | 3,832,590   | 517,576   |
| Governmental services to residents  | 410,967       | 264,518             | 6,527   | -   |
| Administration                      | 1,248,781     | 18,501              | -   | -   |
| Non-program                         | 249,027       | 324,201             | -   | -   |
| Interest on long-term debt          | 237,146       | -                   | 205,883   | -   |
| Total governmental activities       | \$ 19,124,036 | 1,124,687           | 10,921,620  | 517,576   |
| Business type activities:           |               |                     |   |   |
| Landfill                            | 476,801       | 415,027             | 23,001  | -   |
| Total                               | \$ 19,600,837 | 1,539,714           | 10,944,621  | 517,576   |

**General Revenues:**

Property and other county tax levied for general purposes  
Penalty and interest on property tax  
State tax credits  
Local option sales tax  
Grants and contributions not restricted to specific purpose  
Unrestricted investment earnings  
Gain (loss) on disposal of capital assets  
Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 13)

Net assets end of year

See notes to financial statements.

| Net (Expenses) Revenue and<br>Changes in Net Assets |                             |             |
|---|-----------------------------|-------------|
| Governmental<br>Activities                          | Business type<br>Activities | Total       |
| (1,752,811)   | -                           | (1,752,811) |
| (179,598)   | -                           | (179,598)   |
| (834,643)   | -                           | (834,643)   |
| (459,107)   | -                           | (459,107)   |
| (2,007,703)   | -                           | (2,007,703) |
| (139,922)   | -                           | (139,922)   |
| (1,230,280)   | -                           | (1,230,280) |
| 75,174  | -                           | 75,174      |
| (31,263)  | -                           | (31,263)    |
| (6,560,153)   | -                           | (6,560,153) |
| -   | (38,773)                    | (38,773)    |
| (6,560,153)   | (38,773)                    | (6,598,926) |
| 5,938,752   | -                           | 5,938,752   |
| 99,039  | -                           | 99,039      |
| 384,738   | -                           | 384,738     |
| 616,651   | -                           | 616,651     |
| 213,612   | -                           | 213,612     |
| 108,815   | 35,594                      | 144,409     |
| 126,203   | (1,907)                     | 124,296     |
| 44,140  | 10,209                      | 54,349      |
| 7,531,950   | 43,896                      | 7,575,846   |
| 971,797   | 5,123                       | 976,920     |
| 37,724,213  | 1,108,193                   | 38,832,406  |
| \$ 38,696,010                                       | 1,113,316                   | 39,809,326  |

Kossuth County  
Balance Sheet  
Governmental Funds  
June 30, 2003

|  | Special             |                  |                   |
|--|---------------------|------------------|-------------------|
|  | General             | Mental<br>Health | Rural<br>Services |
| <b>Assets</b>                              |                     |                  |                   |
| Cash and pooled investments                | \$ 1,110,233        | 772,869          | 339,607           |
| Receivables:                               |                     |                  |                   |
| Property tax:                              |                     |                  |                   |
| Delinquent                                 | 15,345              | 4,706            | 2,301             |
| Succeeding year                            | 3,481,000           | 1,068,000        | 1,900,000         |
| Interest and penalty on property tax       | 58,693              | -                | -                 |
| Accounts                                   | 22                  | 377              | -                 |
| Accrued interest                           | 21,386              | -                | -                 |
| Drainage assessments:                      |                     |                  |                   |
| Current                                    | -                   | -                | -                 |
| Notes                                      | -                   | -                | -                 |
| Due from other funds                       | -                   | -                | -                 |
| Due from other governments                 | 89,573              | 38,955           | 19,153            |
| Inventories                                | -                   | -                | -                 |
| <b>Total assets</b>                        | <b>\$ 4,776,252</b> | <b>1,884,907</b> | <b>2,261,061</b>  |
| <b>Liabilities and fund balances</b>       |                     |                  |                   |
| Liabilities:                               |                     |                  |                   |
| Accounts payable                           | \$ 139,991          | 61,174           | 933               |
| Salaries and benefits payable              | 39,573              | 906              | 1,079             |
| Due to other funds                         | 2,561               | -                | -                 |
| Due to other governments                   | 15,470              | 67,677           | -                 |
| Deferred revenue:                          |                     |                  |                   |
| Succeeding year property tax               | 3,481,000           | 1,068,000        | 1,900,000         |
| Other                                      | 73,881              | 4,691            | 2,301             |
| Total liabilities                          | <u>3,752,476</u>    | <u>1,202,448</u> | <u>1,904,313</u>  |
| Fund balances:                             |                     |                  |                   |
| Reserved for:                              |                     |                  |                   |
| Inventories                                | -                   | -                | -                 |
| Drainage warrants                          | -                   | -                | -                 |
| Debt service                               | -                   | -                | -                 |
| Unreserved, reported in:                   |                     |                  |                   |
| General fund                               | 1,023,776           | -                | -                 |
| Special revenue funds                      | -                   | 682,459          | 356,748           |
| Total fund balances                        | <u>1,023,776</u>    | <u>682,459</u>   | <u>356,748</u>    |
| <b>Total liabilities and fund balances</b> | <b>\$ 4,776,252</b> | <b>1,884,907</b> | <b>2,261,061</b>  |

See notes to financial statements.

| Revenue          |                  | Nonmajor       |                   |
|------------------|------------------|----------------|-------------------|
| Secondary        | Midwest Grain    | Special        | Total             |
| Roads            | Processors       | Revenue        |                   |
| 2,439,321        | 49,047           | 379,350        | 5,090,427         |
| -                | -                | -              | 22,352            |
| -                | -                | -              | 6,449,000         |
| -                | -                | -              | 58,693            |
| 11,886           | -                | 11,711         | 23,996            |
| -                | 192,799          | -              | 214,185           |
| -                | -                | 217,196        | 217,196           |
| -                | 5,080,000        | -              | 5,080,000         |
| 4,190            | -                | -              | 4,190             |
| 300,537          | -                | 82,149         | 530,367           |
| 661,397          | -                | -              | 661,397           |
| <b>3,417,331</b> | <b>5,321,846</b> | <b>690,406</b> | <b>18,351,803</b> |
| 568,778          | -                | 13,954         | 784,830           |
| 164,073          | -                | -              | 205,631           |
| -                | -                | -              | 2,561             |
| 174              | -                | -              | 83,321            |
| -                | -                | -              | 6,449,000         |
| -                | 5,080,000        | 217,196        | 5,378,069         |
| <b>733,025</b>   | <b>5,080,000</b> | <b>231,150</b> | <b>12,903,412</b> |
| 661,397          | -                | -              | 661,397           |
| -                | -                | 12,222         | 12,222            |
| -                | 241,846          | 184,736        | 426,582           |
| -                | -                | -              | 1,023,776         |
| 2,022,909        | -                | 262,298        | 3,324,414         |
| <b>2,684,306</b> | <b>241,846</b>   | <b>459,256</b> | <b>5,448,391</b>  |
| <b>3,417,331</b> | <b>5,321,846</b> | <b>690,406</b> | <b>18,351,803</b> |

**Kossuth County**

Kossuth County

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

June 30, 2003

**Total governmental fund balances (page 19)** \$ 5,448,391

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$66,311,010 and the accumulated depreciation is \$31,651,922 34,659,088

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 5,378,069

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 249,993

Long-term liabilities, including bonds payable, accrued interest payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (7,039,531)

**Net assets of governmental activities (page 15)** \$ 38,696,010

See notes to financial statements.

Kossuth County

Statement of Revenues, Expenditures and  
Changes in Fund Balances

Governmental Funds

Year ended June 30, 2003

|   | Special             |                  |                    |
|---|---------------------|------------------|--------------------|
|   | General             | Mental<br>Health | Rural<br>Services  |
| <b>Revenues:</b>  |                     |                  |                    |
| Property and other county tax                             | \$ 2,972,815        | 1,068,451        | 2,011,327          |
| Interest and penalty on property tax                      | 40,346              | -                | -                  |
| Intergovernmental   | 883,269             | 1,203,933        | 175,940            |
| Licenses and permits                                      | 8,390               | -                | -                  |
| Charges for service                                       | 534,022             | -                | -                  |
| Use of money and property                                 | 150,488             | -                | -                  |
| Miscellaneous   | 47,874              | 10,226           | -                  |
| Total revenues  | <u>4,637,204</u>    | <u>2,282,610</u> | <u>2,187,267</u>   |
| <b>Expenditures:</b>                                      |                     |                  |                    |
| Operating:  |                     |                  |                    |
| Public safety and legal services                          | 2,217,988           | -                | -                  |
| Physical health and social services                       | 455,870             | -                | -                  |
| Mental health   | -                   | 1,972,111        | -                  |
| County environment and education                          | 417,262             | -                | 137,456            |
| Roads and transportation                                  | -                   | -                | -                  |
| Governmental services to residents                        | 397,752             | -                | -                  |
| Administration  | 1,254,895           | -                | 985                |
| Non-program   | 56,464              | -                | -                  |
| Debt service  | -                   | -                | -                  |
| Capital projects  | -                   | -                | -                  |
| Total expenditures  | <u>4,800,231</u>    | <u>1,972,111</u> | <u>138,441</u>     |
| Excess (deficiency) of revenues over (under) expenditures | <u>(163,027)</u>    | <u>310,499</u>   | <u>2,048,826</u>   |
| <b>Other financing sources (uses):</b>                    |                     |                  |                    |
| Sale of capital assets                                    | 8,671               | -                | -                  |
| Operating transfers in                                    | -                   | -                | -                  |
| Operating transfers out                                   | (152,661)           | -                | (1,915,885)        |
| Drainage warrants issued                                  | -                   | -                | -                  |
| General obligation bonds issued                           | -                   | -                | -                  |
| Discount on general obligation bonds                      | -                   | -                | -                  |
| Total other financing sources (uses)                      | <u>(143,990)</u>    | <u>-</u>         | <u>(1,915,885)</u> |
| Net change in fund balances                               | (307,017)           | 310,499          | 132,941            |
| Fund balances beginning of year, as restated (note 13)    | 1,330,793           | 371,960          | 223,807            |
| Increase in reserve for inventories                       | -                   | -                | -                  |
| Fund balances end of year                                 | <u>\$ 1,023,776</u> | <u>682,459</u>   | <u>356,748</u>     |

See notes to financial statements.



| Revenue     |               | Nonmajor  |             |
|-------------|---------------|-----------|-------------|
| Secondary   | Midwest Grain | Special   | Total       |
| Roads       | Processors    | Revenue   |             |
| -           | -             | -         | 6,052,593   |
| -           | -             | -         | 40,346      |
| 4,071,457   | 100,000       | 225       | 6,434,824   |
| 305         | -             | -         | 8,695       |
| 765         | -             | 5,432     | 540,219     |
| 40,915      | 192,799       | -         | 384,202     |
| 66,604      | 13,084        | 383,061   | 520,849     |
| 4,180,046   | 305,883       | 388,718   | 13,981,728  |
| -           | -             | -         | 2,217,988   |
| -           | -             | -         | 455,870     |
| -           | -             | -         | 1,972,111   |
| -           | 5,112,795     | -         | 5,667,513   |
| 5,024,615   | -             | -         | 5,024,615   |
| -           | -             | -         | 397,752     |
| -           | -             | -         | 1,255,880   |
| -           | -             | -         | 56,464      |
| -           | -             | 824,949   | 824,949     |
| 913,006     | -             | 235,661   | 1,148,667   |
| 5,937,621   | 5,112,795     | 1,060,610 | 19,021,809  |
| (1,757,575) | (4,806,912)   | (671,892) | (5,040,081) |
| 9,000       | -             | -         | 17,671      |
| 2,068,546   | -             | -         | 2,068,546   |
| -           | -             | -         | (2,068,546) |
| -           | -             | 187,265   | 187,265     |
| -           | 5,080,000     | -         | 5,080,000   |
| -           | (31,242)      | -         | (31,242)    |
| 2,077,546   | 5,048,758     | 187,265   | 5,253,694   |
| 319,971     | 241,846       | (484,627) | 213,613     |
| 2,126,173   | -             | 449,455   | 4,502,188   |
| 238,162     | -             | -         | 238,162     |
| 2,684,306   | 241,846       | (35,172)  | 4,953,963   |

**Exhibit F**

## Kossuth County

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

Year ended June 30, 2003

**Net change in fund balances - Total governmental funds (page 23)** \$ 708,041

**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. Depreciation expense exceeded capital outlays and contributed assets in the current year as follows:

|   |                    |           |
|---|--------------------|-----------|
| Expenditures for capital assets                                     | \$ 1,920,433       |           |
| Capital assets contributed by the Iowa Department of Transportation | 365,490            |           |
| Depreciation expense  | <u>(2,724,073)</u> | (438,150) |

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. 108,532

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.

|                 |               |           |
|-----------------|---------------|-----------|
| Property tax    | 8,382         |           |
| Note receivable | 5,080,000     |           |
| Other           | <u>33,900</u> | 5,122,282 |

Bond and drainage warrant proceeds provide current financial resources for governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal and drainage warrants are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year debt issues exceeded debt repayments as follows:

|   |                |             |
|---|----------------|-------------|
| General obligation bonds and drainage warrants issued, net of \$31,242 discount | (5,236,023)    |             |
| Principal payments  | <u>706,745</u> | (4,529,278) |

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

|                                    |                  |           |
|------------------------------------|------------------|-----------|
| Compensated absences               | (115,895)        |           |
| Accrued interest on long-term debt | <u>(118,942)</u> | (234,837) |

Inventories in the governmental funds have been recorded as expenditure when paid. However, the Statement of Activities reports these items as expenses in the period the corresponding net asset is exhausted. 238,162

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's employee health insurance benefit plan to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities. (2,955)

**Change in net assets of governmental activities (page 17)** \$ 971,797

See notes to financial statements.

Kossuth County  
Statement of Net Assets  
Proprietary Funds  
June 30, 2003

|  | Business type<br>Activities      | Governmental<br>Activities                     |
|--|----------------------------------|--|
|  | Enterprise<br>Fund -<br>Landfill | Internal Service<br>Fund - Health<br>Insurance |
| <b>Assets</b>  |                                  |  |
| Current assets:  |                                  |  |
| Cash and pooled investments  | \$ 416,555                       | 258,755  |
| Receivables:   |                                  |  |
| Accounts   | 31,982                           | -  |
| Accrued interest   | 12,247                           | 680  |
| Total current assets   | 460,784                          | 259,435  |
| Noncurrent assets:   |                                  |  |
| Restricted cash and pooled investments                                 | 600,000                          | -  |
| Capital assets, net of accumulated depreciation of \$730,940           | 636,323                          | -  |
| Total noncurrent assets  | 1,236,323                        | -  |
| <b>Total assets</b>  | 1,697,107                        | 259,435  |
| <b>Liabilities</b>   |                                  |  |
| Current liabilities:   |                                  |  |
| Accounts payable   | \$ 30,075                        | 9,442  |
| Salaries and benefits payable  | 3,809                            | -  |
| Due to other funds   | 1,629                            | -  |
| Compensated absences   | 9,937                            | -  |
| Total current liabilities  | 45,450                           | 9,442  |
| Noncurrent liabilities:  |                                  |  |
| Estimated liability for landfill closure and<br>postclosure care costs | 535,860                          | -  |
| Compensated absences   | 2,481                            | -  |
| Total noncurrent liabilities   | 538,341                          | -  |
| <b>Total liabilities</b>   | 583,791                          | 9,442  |
| <b>Net Assets</b>  |                                  |  |
| Invested in capital assets, net of related debt                        | 636,323                          | -  |
| Restricted for:  |                                  |  |
| Closure and postclosure care costs                                     | 600,000                          | -  |
| Tonnage fees retained  | 51,640                           | -  |
| Unrestricted   | (174,647)                        | 249,993  |
| <b>Total net assets</b>  | \$ 1,113,316                     | 249,993  |

See notes to financial statements.

Kossuth County  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets

Proprietary Funds

Year ended June 30, 2003

|   | <u>Business type<br/>Activities</u> | <u>Governmental<br/>Activities</u>             |
|---|-------------------------------------|--|
|   | Enterprise<br>Fund -<br>Landfill    | Internal Service<br>Fund - Health<br>Insurance |
| Operating revenues:                                 |                                     |  |
| Intergovernmental                                   | \$ 23,001                           | -  |
| Charges for service                                 | 415,027                             | -  |
| Miscellaneous                                       | 10,209                              | 66,195   |
| Total operating revenues                            | <u>448,237</u>                      | <u>66,195</u>                                  |
| Operating expenses:                                 |                                     |  |
| Governmental activities:                            |                                     |  |
| Medical claims                                      | -                                   | 72,722   |
| Business type activities:                           |                                     |  |
| Solid waste disposal                                | 350,589                             | -  |
| Closure and postclosure care costs                  | 17,862                              | -  |
| Depreciation  | 108,350                             | -  |
| Total operating expenses                            | <u>476,801</u>                      | <u>72,722</u>                                  |
| Operating loss                                      | <u>(28,564)</u>                     | <u>(6,527)</u>                                 |
| Non-operating revenues (expenses):                  |                                     |  |
| Interest income                                     | 35,594                              | 3,572  |
| Loss on disposal of capital asset                   | (1,907)                             | -  |
| Total nonoperating revenues (expenses)              | <u>33,687</u>                       | <u>3,572</u>                                   |
| Change in net assets                                | 5,123                               | (2,955)  |
| Net assets beginning of year, as restated (note 13) | <u>1,108,193</u>                    | <u>252,948</u>                                 |
| Net assets end of year                              | <u>\$ 1,113,316</u>                 | <u>249,993</u>                                 |

See notes to financial statements.

Kossuth County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2003

|  | Business type<br>Activities      | Governmental<br>Activities                     |
|--|----------------------------------|--|
|  | Enterprise<br>Fund -<br>Landfill | Internal Service<br>Fund - Health<br>Insurance |
| Cash flows from operating activities:  |                                  |  |
| Cash received from operating fund reimbursements   | \$ -                             | 65,775   |
| Cash received from customers and others  | 428,705                          | 420  |
| Cash received from operating grants  | 23,001                           | -  |
| Cash payments to suppliers for services  | (379,956)                        | (70,439)                                       |
| Net cash provided by (used for) operating activities   | 71,750                           | (4,244)  |
| Cash flows from investing activities:  |                                  |  |
| Interest on investments  | 42,851                           | 4,022  |
| Purchase of investments  | (848,864)                        | -  |
| Net cash provided by (used for) investing activities   | (806,013)                        | 4,022  |
| Cash flows from capital activities:  |                                  |  |
| Acquisition of capital assets  | (53,471)                         | -  |
| Net (decrease) in cash and cash equivalents  | (787,734)                        | (222)  |
| Cash and cash equivalents beginning of year  | 955,425                          | 258,977  |
| Cash and cash equivalents end of year  | \$ 167,691                       | 258,755  |
| <b>Reconciliation of operating loss to net cash provided by (used for) operating activities:</b>                           |                                  |  |
| Operating loss   | \$ (28,564)                      | (6,527)  |
| Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:                           |                                  |  |
| Depreciation   | 108,350                          | -  |
| Decrease in accounts receivable  | 3,470                            | -  |
| Increase (decrease) in accounts payable and other current liabilities  | (29,368)                         | 2,283  |
| Increase in liability for closure and postclosure care costs   | 17,862                           | -  |
| Net cash provided by (used for) operating activities   | \$ 71,750                        | (4,244)  |
| <b>Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:</b> |                                  |  |
| Current assets:  |                                  |  |
| Cash and pooled investments  | 416,555                          | 258,755  |
| Restricted assets:   |                                  |  |
| Cash and pooled investments  | 600,000                          | -  |
|  | 1,016,555                        | 258,755  |
| Less items not meeting the definition of a cash equivalent:  |                                  |  |
| Certificates of deposit  | (848,864)                        | -  |
| Cash and cash equivalents end of year  | \$ 167,691                       | 258,755  |

See notes to financial statements

Kossuth County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2003

**Assets**

|                              |                   |
|------------------------------|-------------------|
| Cash and pooled investments: |                   |
| County Treasurer             | \$ 969,426        |
| Other County officials       | 12,965            |
| Receivables:                 |                   |
| Property tax:                |                   |
| Delinquent                   | 97,781            |
| Succeeding year              | 14,894,000        |
| Accounts                     | 13,949            |
| Interest                     | 229               |
| Drainage assessments:        |                   |
| Current                      | 31,615            |
| Future                       | 731,905           |
| Due from other governments   | 13,745            |
| <b>Total assets</b>          | <u>16,765,615</u> |

**Liabilities**

|                               |                   |
|-------------------------------|-------------------|
| Accounts payable              | \$ 186,270        |
| Warrants payable              | 553,969           |
| Salaries and benefits payable | 789               |
| Due to other governments      | 15,996,591        |
| Trusts payable                | 13,274            |
| Compensated absences          | 14,722            |
| <b>Total liabilities</b>      | <u>16,765,615</u> |

**Net assets** \$ -

See notes to financial statements.

Kossuth County

Notes to Financial Statements

June 30, 2003

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

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

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

A. Reporting Entity

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

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

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

Five hundred fifty two drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from the 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 Kossuth County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. The financial transactions of these districts are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Kossuth County Auditor's office.

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: Kossuth County Assessor’s Conference Board, Kossuth County Emergency Management Commission, and Kossuth County Joint E911 Service Board. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax, intergovernmental revenues and other nonexchange transactions, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed 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 that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are 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 funds are aggregated and reported as other nonmajor governmental funds.



The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Midwest Grain Processors Fund is used to account for debt issued for an economic development loan to be repaid by the processing plant.

The County reports the following major proprietary fund:

The Landfill Fund is used to account for the operation of the County's sanitary landfill.

Additionally, the County reports the following funds:

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

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

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

Property tax, local option sales 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 judgements 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 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.

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 revenue of the County's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. The principal operating revenues of the County's Internal Service Fund are reimbursements from County departments for self insurance costs. Operating expenses for the Internal Service Fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 Net Assets or 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. Cash investments not meeting the definition of cash equivalents at June 30, 2003 included certificates of deposits of \$848,864 with maturity dates 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, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2002.

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.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2003, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. 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.

| <u>Asset Class</u>               | <u>Amount</u> |
|----------------------------------|---------------|
| Infrastructure                   | \$ 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:

| <u>Asset Class</u> | <u>Estimated Useful lives (In Years)</u> |
|--------------------|--|
| Buildings          | 25 – 50                                  |
| Other improvements | 10 – 50                                  |
| Infrastructure     | 10 – 65                                  |
| Equipment          | 3 – 20                                   |
| Vehicles           | 3 – 15                                   |

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

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

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

Deferred revenue on the Statement of Net Assets consists of the succeeding year property tax receivable 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 hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets.

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, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Unreserved Retained Earnings – The unrestricted net assets of the Internal Service Fund are 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. Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by function. At June 30, 2003, disbursements exceeded the amount budgeted in the physical health and social services function. In addition, prior to the adoption of certain budget amendments, two functions exceeded the amounts budgeted during the year.

The County did not hold a public hearing prior to decreasing two department appropriations by more than the greater of \$5,000 or ten percent as required by Chapter 331.434(6) of the Code of Iowa.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2003 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 \$130,894 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2003 is as follows:

| Receivable Fund  | Payable Fund | Amount          |
|------------------|--------------|-----------------|
| Special Revenue: |              |                 |
| Secondary Roads  | General      | \$ 2,561        |
|                  | Enterprise:  |                 |
|                  | Landfill     | 1,629           |
|                  |              | <u>1,629</u>    |
| Total            |              | <u>\$ 4,190</u> |

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

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2003 is as follows:

| Transfer to      | Transfer from    | Amount              |
|------------------|------------------|---------------------|
| Special Revenue: |                  |                     |
| Secondary Roads  | General          | \$ 152,661          |
|                  | Special Revenue: |                     |
|                  | Rural Services   | 1,915,885           |
|                  |                  | <u>1,915,885</u>    |
| Total            |                  | <u>\$ 2,068,546</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, 2003 was as follows:

|  | Balance<br>Beginning<br>of Year<br>(as restated, note 13) | Increases | Decreases   | Balance<br>End<br>of Year |
|--|---|-----------|-------------|---------------------------|
| <b>Governmental activities:</b>              |   |           |             |                           |
| Capital assets not being depreciated:        |   |           |             |                           |
| Land   | \$ 1,397,166  | -         | -           | 1,397,166                 |
| Construction in progress, road network       | 1,138,431   | 1,189,030 | (2,272,695) | 54,766                    |
| Total capital assets not being depreciated   | 2,535,597   | 1,189,030 | (2,272,695) | 1,451,932                 |
| Capital assets being depreciated:            |   |           |             |                           |
| Buildings                                    | 6,054,920   | -         | -           | 6,054,920                 |
| Improvements other than buildings            | 195,685   | 6,795     | -           | 202,480                   |
| Equipment and vehicles                       | 9,907,143   | 1,302,104 | (847,610)   | 10,361,637                |
| Infrastructure, road network                 | 45,967,346  | 2,272,695 | -           | 48,240,041                |
| Total capital assets being depreciated       | 62,125,094  | 3,581,594 | (847,610)   | 64,859,078                |
| Less accumulated depreciation for:           |   |           |             |                           |
| Buildings                                    | 1,590,564   | 103,902   | -           | 1,694,466                 |
| Improvements other than buildings            | 57,744  | 14,441    | -           | 72,185                    |
| Equipment and vehicles                       | 5,864,645   | 752,276   | (744,136)   | 5,872,785                 |
| Infrastructure, road network                 | 22,159,032  | 1,853,454 | -           | 24,012,486                |
| Total accumulated depreciation               | 29,671,985  | 2,724,073 | (744,136)   | 31,651,922                |
| Total capital assets being depreciated, net  | 32,453,109  | 857,521   | (103,474)   | 33,207,156                |
| Governmental activities capital assets, net  | \$ 34,988,706   | 2,046,551 | (2,376,169) | 34,659,088                |
| <b>Business type activities:</b>             |   |           |             |                           |
| Capital assets not being depreciated:        |   |           |             |                           |
| Land   | \$ 261,000  | -         | -           | 261,000                   |
| Capital assets being depreciated:            |   |           |             |                           |
| Buildings                                    | 217,075   | 29,555    | -           | 246,630                   |
| Equipment and vehicles                       | 854,767   | 28,866    | (24,000)    | 859,633                   |
| Total capital assets being depreciated       | 1,071,842   | 58,421    | (24,000)    | 1,106,263                 |
| Less accumulated depreciation for:           |   |           |             |                           |
| Buildings                                    | 67,623  | 8,585     | -           | 76,208                    |
| Equipment and vehicles                       | 572,110   | 99,765    | (17,143)    | 654,732                   |
| Total accumulated depreciation               | 639,733   | 108,350   | (17,143)    | 730,940                   |
| Total capital assets being depreciated, net  | 432,109   | (49,929)  | (6,857)     | 375,323                   |
| Business type activities capital assets, net | \$ 693,109  | (49,929)  | (6,857)     | 636,323                   |

Depreciation expense was charged to the following functions:

|  |  |                     |
|--|--|---------------------|
| Governmental activities:                             |  |                     |
| Public safety and legal services                     |  | \$ 125,419          |
| Physical health and social services                  |  | 15,112              |
| Mental health  |  | 4,087               |
| County environment and education                     |  | 13,929              |
| Roads and transportation                             |  | 2,520,358           |
| Governmental services to residents                   |  | 5,638               |
| Administration                                       |  | 39,530              |
|  |  | <u>2,724,073</u>    |
| Total depreciation expense - governmental activities |  | \$ <u>2,724,073</u> |
| Business type activities:                            |  |                     |
| Landfill   |  | \$ <u>108,350</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                     | \$ 15,470            |
| Special Revenue:         |                              |                      |
| Mental Health            | Services                     | 67,677               |
| Secondary Roads          | Services                     | 174                  |
|                          |                              | <u>67,851</u>        |
|                          | Total for governmental funds | \$ <u>83,321</u>     |
| Agency:                  |                              |                      |
| County Assessor          | Collections                  | \$ 380,418           |
| Schools                  |                              | 10,718,504           |
| Community Colleges       |                              | 641,899              |
| Corporations             |                              | 3,010,793            |
| Townships                |                              | 261,669              |
| Auto License and Use Tax |                              | 319,304              |
| County Hospital          |                              | 285,492              |
| Drainage Districts       |                              | 215,824              |
| All other                |                              | 162,688              |
|                          | Total for agency funds       | \$ <u>15,996,591</u> |

**(7) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2003 is as follows:

|   | Local Option<br>Sales Tax<br>Revenue Bonds | General<br>Obligation<br>Bonds | Compen-<br>sated<br>Absences | Drainage<br>Warrants | Total     |
|---|--|--------------------------------|------------------------------|----------------------|-----------|
| <b>Governmental Activities:</b>           |  |                                |                              |                      |           |
| Balance beginning<br>of year, as restated | \$ 1,627,081                               | -                              | 138,816                      | 425,108              | 2,191,005 |
| Increase                                  | -  | 5,048,758                      | 180,249                      | 187,265              | 5,416,272 |
| Decreases                                 | 416,985                                    | -                              | 64,354                       | 289,760              | 771,099   |
| Balance end of year                       | \$ 1,210,096                               | 5,048,758 (a)                  | 254,711                      | 322,613              | 6,836,178 |
| Due within one year                       | \$ 184,716                                 | 310,000                        | 190,154                      | 322,613              | 1,007,483 |

(a) Net of unamortized bond discount of \$31,242



The July 1, 2002 long-term liabilities balance for governmental activities has been restated as follows:

|  |                     |
|--|---------------------|
| Balance June 30, 2002, as previously reported  | \$ 2,163,021        |
| Compensated absences were increased due to the implementation of Governmental Accounting Standards Board Interpretation No. 6, <u>Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.</u> | <u>27,984</u>       |
| Balance July 1, 2002, as restated  | <u>\$ 2,191,005</u> |

| <b>Business type Activities:</b>       | Landfill Closure and Postclosure Care Costs |  | Compen-sated Absences | Total          |
|--|---|--|-----------------------|----------------|
|  | Care Costs                                  |  |                       |                |
| Balance beginning of year, as restated | \$ 517,998                                  |  | 6,729                 | 524,727        |
| Increase                               | 17,862                                      |  | 7,129                 | 24,991         |
| Decreases                              | -   |  | 1,440                 | 1,440          |
| Balance end of year                    | <u>\$ 535,860</u>                           |  | <u>12,418</u>         | <u>548,278</u> |
| Due within one year                    | <u>\$ -</u>                                 |  | <u>9,937</u>          | <u>9,937</u>   |

The July 1, 2002 long-term liabilities balance for business type activities has been restated as follows:

|   |                   |
|---|-------------------|
| Balance June 30, 2002, as previously reported   | \$ 1,359,591      |
| The liability for landfill closure and postclosure care costs was decreased due to errors in the calculation of total costs | <u>(834,864)</u>  |
| Balance July 1, 2002, as restated   | <u>\$ 524,727</u> |

Local Option Sales Tax Revenue Bonds

A summary of the County's June 30, 2003 revenue bond indebtedness is as follows:

| Year ending June 30, | Local Option Sales Tax Revenue Bonds Issued Sep 30, 2001 |                     |                |                  |
|----------------------|--|---------------------|----------------|------------------|
|                      | Interest Rates   | Principal           | Interest       | Total            |
| 2004                 | 5.40%  | \$ 184,716          | 60,818         | 245,534          |
| 2005                 | 5.40   | 194,941             | 50,593         | 245,534          |
| 2006                 | 5.40   | 205,733             | 39,801         | 245,534          |
| 2007                 | 5.40   | 217,121             | 28,413         | 245,534          |
| 2008                 | 5.40   | 229,140             | 16,393         | 245,533          |
| 2009                 | 5.40   | 178,445             | 3,925          | 182,370          |
| Total                |  | <u>\$ 1,210,096</u> | <u>199,943</u> | <u>1,410,039</u> |

During the year ended June 30, 2003, the County retired \$416,985 of revenue bonds.

The local option sales tax revenue bonds were issued for the purpose of defraying a portion of the costs of the construction of a law enforcement center. The bonds are

payable solely from the proceeds of the local option sales tax revenues received by the County in accordance with Chapter 422B.12(3) of the Code of Iowa. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County.

The resolution providing for the issuance of the local option sales tax revenue bonds includes the following provisions.

- (a) The bonds will only be redeemed from future local option sales tax revenues and the bond holders hold a lien on the future local option tax sales revenues.
- (b) Eighty percent of the local option sales tax revenues received by the County annually shall be deposited to the Special Revenue, Local Option Sales Tax Revenue Bond Fund for the repayment of principal and interest on the bonds.

The amounts credited to the Local Option Sales Tax Revenue Bond Fund during the fiscal year were sufficient to comply with the revenue bond resolution.

General Obligation Bonds

A summary of the County's June 30, 2003 general obligation bond indebtedness is as follows:

| Year ending June 30, | General Obligation Economic Development Bonds |              |           |           |
|----------------------|---|--------------|-----------|-----------|
|                      | Issued Dec 1, 2002                            |              |           |           |
| Interest Rates       | Principal                                     | Interest     | Total     |           |
| 2004                 | 3.50%   | \$ 310,000   | 321,154   | 631,154   |
| 2005                 | 3.50  | 440,000      | 203,252   | 643,252   |
| 2006                 | 3.50  | 460,000      | 187,852   | 647,852   |
| 2007                 | 3.50  | 480,000      | 171,752   | 651,752   |
| 2008                 | 3.90  | 505,000      | 154,952   | 659,952   |
| 2009-2013            | 4.20-5.00                                     | 2,885,000    | 429,570   | 3,314,570 |
| Total                |   | \$ 5,080,000 | 1,468,532 | 6,548,532 |

On December 1, 2002, the County issued \$5,080,000 of general obligation economic development bonds for the purpose of providing funds to make an economic development loan to Midwest Grain Processors Corporation (MGPC) to construct an ethanol plant. Upon closing, the County remitted \$5,000,000 to MGPC and retained the remaining bond proceeds to pay expenses incurred to issue the bonds. The County also received a \$100,000 railroad grant from the Iowa Department of Transportation which was remitted to MGPC pursuant to the grant agreement.

The County received a note for \$5,080,000 from MGPC. The County will use the principal and interest received from MGPC to make the principal and interest payments on the general obligation economic development bonds as they come due. The note receivable from MGPC bears interest at 6.506% per annum and requires quarterly payments beginning August 1, 2003 in the following amounts:

|                                     |            |
|-------------------------------------|------------|
| August 1, 2003 through May 1, 2004  | \$ 201,442 |
| August 1, 2004 through May 1, 2005  | 187,586    |
| August 1, 2005 through May 1, 2006  | 185,429    |
| August 1, 2006 through May 1, 2007  | 182,947    |
| August 1, 2007 and November 1, 2007 | 181,390    |

The remaining principal of the note, plus accrued interest, is due in full on December 31, 2007.

The note receivable from MGPC is secured through a mortgage between MGPC and the County. The mortgage provides the County with a security interest in the land, buildings, personal property and revenues of MGPC. The County has also entered into a subordination agreement with MGPC and the Iowa Department of Economic Development (IDED) which makes certain debt owed to IDED from MGPC subordinate to the County's note receivable.

#### Drainage Warrants

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

Drainage warrants are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

#### Closure and Postclosure Care Costs

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

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

The total costs for Kossuth County have been estimated at \$141,600 for closure and \$751,500 for postclosure, for a total of \$893,100 as of June 30, 2003, and the portion of the liability that has been recognized is \$535,860. This liability represents the cumulative amount reported to date based on the use of approximately 60 percent of the capacity of the landfill with a remaining life of nineteen years. A provision for the above liability has been made on the County's Enterprise Fund Statement of Net Assets as of June 30, 2003.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. The County has begun to accumulate resources to fund these costs and, at June 30, 2003, deposits of \$600,000 are held for these purposes, of which \$150,000 has been reserved for closure and \$450,000 for postclosure costs. They are reported as restricted assets and restricted net assets on the Statement of Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure costs are not fully funded, the County is required to demonstrate financial assurance for the unfunded costs. The County has adopted the local government financial test mechanism. Under this mechanism, the County must certify the following to the Iowa Department of Natural Resources:

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

The County has demonstrated compliance with the above requirements, except for the fiscal year ended June 30, 2002 the deficit of revenues under expenditures was greater than 5 percent. The Iowa Department of Natural Resources has formally accepted this variance as acceptable.

#### **(8) Solid Waste Tonnage Fees Retained**

The County retains solid waste tonnage fees in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2003, the County had \$51,640 of unspent tonnage fees.

**(9) 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.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages are 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2003, 2002 and 2001 were \$234,164, \$225,366 and \$220,793, respectively, equal to the required contributions for each year.

**(10) Risk Management**

Kossuth County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2003 were \$211,840.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2003, no liability has been recorded in the County's financial statements. As of June 30, 2003, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

**(11) Employee Health Insurance Plan**

The 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 County contributions and is administered by the County. Under the plan, the County reimburses employees for a portion of the deductible. The amount of the deductibles for employees and the County are as follows:

|          | <u>Single</u> | <u>Family</u> |
|----------|---------------|---------------|
| Employee | 100           | 200           |
| County   | 400           | 800           |

Monthly payments of plan contributions to the Health Insurance Fund are recorded as expenditures from the operating funds. The County's contribution to the fund for the year June 30, 2003 was \$65,775. The County records the plan assets and related liabilities of the Health Insurance Fund as an Internal Service Fund. The amounts payable at June 30, 2003 for the incurred but not reported (IBNR) claims have been estimated but have not been actuarially determined since the County has not obtained an actuarial opinion as required by Chapter 509A.15 of the Code of Iowa.

**(12) Pending Litigation**

The County is a defendant in certain lawsuits seeking unspecified damages. The probability of loss, if any, is indeterminable.

**(13) Accounting Change and Restatements**

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2003. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented during the year ended June 30, 2003. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

The government-wide financial statements report the County’s governmental activities. Beginning net assets for governmental activities has been restated to include capital assets, the Internal Service Fund and the changes in assets and liabilities at July 1, 2002 resulting from the conversion to the accrual basis of accounting.

Beginning capital assets for governmental activities of \$16,480,942 were restated to \$34,988,706, net of accumulated depreciation of \$32,453,109. The restatement resulted from adding infrastructure assets and removing assets below the County’s capitalization threshold.

The effects of the accounting change and other restatements for governmental funds and governmental activities are summarized below:

|   | <u>Total</u>         |
|---|----------------------|
| <b>Governmental activities:</b>                                 |                      |
| Net assets June 30, 2002, as previously reported                | \$ 4,474,204         |
| GASB Interpretation 6 adjustments                               | 27,984               |
| Net assets July 1, 2002, as restated                            | <u>4,502,188</u>     |
| GASB 34 adjustments:  |                      |
| Capital assets, net of accumulated depreciation of \$29,671,985 | 34,988,706           |
| Internal Service Fund   | 252,948              |
| Accrued interest payable  | (84,411)             |
| Long-term liabilities   | (2,191,005)          |
| Deferral of long-term assets                                    | 255,787              |
| Net assets July 1, 2002, as restated                            | <u>\$ 37,724,213</u> |

The government-wide financial statements also report the County's business type activities for the Enterprise, Landfill Fund.

Beginning net assets for business type activities were restated due to an error in the prior year calculation of closure and postclosure care costs and the related liability for these costs.

Capital assets for business type activities of \$748,065 were restated to \$693,109. The restatement resulted from changes in the County's capitalization thresholds and errors in depreciation.

The effects of the restatements are summarized below:

| <b>Business type activities:</b>                 | <u>Total</u>        |
|--|---------------------|
| Net assets June 30, 2002, as previously reported | \$ 328,285          |
| Adjustments:                                     |                     |
| Closure and postclosure care cost liability      | 834,864             |
| Capital assets, net                              | <u>(54,956)</u>     |
| Net assets July 1, 2002, as restated             | <u>\$ 1,108,193</u> |



**Required Supplementary Information**

Kossuth 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, 2003

|   | Actual              | Less<br>Funds not<br>Required to<br>be Budgeted |
|---|---------------------|---|
| <b>Receipts:</b>  |                     |   |
| Property and other county tax   | \$ 6,551,637        | -   |
| Interest and penalty on property tax  | 40,281              | -   |
| Intergovernmental   | 6,401,996           | -   |
| Licenses and permits  | 8,745               | -   |
| Charges for service   | 549,001             | -   |
| Use of money and property   | 213,351             | -   |
| Miscellaneous   | 512,730             | 349,796   |
| Total receipts  | <u>14,277,741</u>   | <u>349,796</u>                                  |
| <b>Disbursements:</b>   |                     |   |
| Public safety and legal services  | 2,193,602           | -   |
| Physical health and social services   | 457,269             | -   |
| Mental health   | 2,030,481           | -   |
| County environment and education  | 5,665,268           | -   |
| Roads and transportation  | 5,024,765           | -   |
| Governmental services to residents  | 402,782             | -   |
| Administration  | 1,229,190           | -   |
| Non-program   | 56,725              | -   |
| Debt service  | 824,949             | 329,415   |
| Capital projects  | 1,172,757           | 187,427   |
| Total disbursements   | <u>19,057,788</u>   | <u>516,842</u>                                  |
| Excess (deficiency) of receipts over (under) disbursements  | (4,780,047)         | (167,046)                                       |
| Other financing sources, net  | <u>5,262,894</u>    | <u>187,265</u>                                  |
| Excess (deficiency) of receipts and other financing<br>sources over (under) disbursements and other<br>financing uses | 482,847             | 20,219  |
| Balance beginning of year   | <u>4,607,580</u>    | <u>147,035</u>                                  |
| Balance end of year   | <u>\$ 5,090,427</u> | <u>167,254</u>                                  |

See accompanying independent auditor's report.

| Net         | Budgeted Amounts |             | Final to Actual Variance |
|-------------|------------------|-------------|--------------------------|
|             | Original         | Final       |                          |
| 6,551,637   | 6,381,881        | 6,518,881   | 32,756                   |
| 40,281      | 21,200           | 21,100      | 19,181                   |
| 6,401,996   | 5,643,338        | 5,753,338   | 648,658                  |
| 8,745       | 4,250            | 4,250       | 4,495                    |
| 549,001     | 397,854          | 447,954     | 101,047                  |
| 213,351     | 226,600          | 206,600     | 6,751                    |
| 162,934     | 28,065           | 68,065      | 94,869                   |
| 13,927,945  | 12,703,188       | 13,020,188  | 907,757                  |
| 2,193,602   | 2,210,216        | 2,280,816   | 87,214                   |
| 457,269     | 495,777          | 387,633     | (69,636)                 |
| 2,030,481   | 2,188,522        | 2,188,522   | 158,041                  |
| 5,665,268   | 536,065          | 5,719,898   | 54,630                   |
| 5,024,765   | 4,811,000        | 5,036,000   | 11,235                   |
| 402,782     | 457,359          | 457,359     | 54,577                   |
| 1,229,190   | 1,551,420        | 1,551,420   | 322,230                  |
| 56,725      | 59,036           | 59,036      | 2,311                    |
| 495,534     | 383,000          | 496,000     | 466                      |
| 985,330     | 1,428,500        | 1,203,500   | 218,170                  |
| 18,540,946  | 14,120,895       | 19,380,184  | 839,238                  |
| (4,613,001) | (1,417,707)      | (6,359,996) | 1,746,995                |
| 5,075,629   | 100              | 5,070,943   | 4,686                    |
| 462,628     | (1,417,607)      | (1,289,053) | 1,751,681                |
| 4,460,545   | 3,897,534        | 4,460,545   | -                        |
| 4,923,173   | 2,479,927        | 3,171,492   | 1,751,681                |

Kossuth County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2003

|                                     | Governmental Funds |                             |                              |
|-------------------------------------|--------------------|-----------------------------|------------------------------|
|                                     | Cash<br>Basis      | Accrual<br>Adjust-<br>ments | Modified<br>Accrual<br>Basis |
| Revenues                            | \$ 14,277,741      | (296,013)                   | 13,981,728                   |
| Expenditures                        | 19,057,788         | (35,979)                    | 19,021,809                   |
| Net                                 | (4,780,047)        | (260,034)                   | (5,040,081)                  |
| Other financing sources (uses)      | 5,262,894          | (9,200)                     | 5,253,694                    |
| Beginning fund balances             | 4,607,580          | (105,392)                   | 4,502,188                    |
| Increase in reserve for inventories | -                  | 238,162                     | 238,162                      |
| Ending fund balances                | \$ 5,090,427       | (136,464)                   | 4,953,963                    |

See accompanying independent auditor's report.

Kossuth County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2003

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, Internal Service and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. 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 and Special Revenue Funds. 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 \$5,259,289. These 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.

Disbursements exceeded the amounts budgeted in one function at June 30, 2003 and, prior to the adoption of certain budget amendments, disbursements in two functions exceeded the amounts budgeted.

The County did not hold a public hearing as required prior to decreasing appropriations in two departments by more than the greater of \$5,000 or ten percent.

**Kossuth County**

**Other Supplementary Information**

Kossuth County  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2003

|                                    | County<br>Recorder's<br>Records<br>Management | Resource<br>Enhancement<br>and<br>Protection |
|------------------------------------|---|--|
| <b>Assets</b>                      |   |  |
| Cash and pooled investments        | \$ 23,488                                     | 39,972                                       |
| Receivables:                       |   |  |
| Accounts                           | -   | -  |
| Drainage assessments:              |   |  |
| Current                            | -   | -  |
| Due from other governments         | -   | -  |
|                                    | <b>Total assets</b>                           | <b>39,972</b>                                |
|                                    | <b>\$ 23,488</b>                              | <b>39,972</b>                                |
| <b>Liabilities and fund equity</b> |   |  |
| Liabilities:                       |   |  |
| Accounts payable                   | \$ -  | -  |
| Deferred revenue - other           | -   | -  |
| Total liabilities                  | -   | -  |
| Fund equity:                       |   |  |
| Fund balance:                      |   |  |
| Reserved for:                      |   |  |
| Drainage warrants                  | -   | -  |
| Debt service                       | -   | -  |
| Unreserved                         | 23,488  | 39,972                                       |
| Total fund equity                  | 23,488  | 39,972                                       |
|                                    | <b>\$ 23,488</b>                              | <b>39,972</b>                                |

See accompanying independent auditor's report.



| Drainage District | Local Option           |                               | Total          |
|-------------------|------------------------|-------------------------------|----------------|
|                   | Sales Tax Revenue Bond | Conservation Land Acquisition |                |
| 167,254           | 102,587                | 46,049                        | 379,350        |
| -                 | -                      | 11,711                        | 11,711         |
| 217,196           | -                      | -                             | 217,196        |
| -                 | 82,149                 | -                             | 82,149         |
| <u>384,450</u>    | <u>184,736</u>         | <u>57,760</u>                 | <u>690,406</u> |
| 2,796             | -                      | 11,158                        | 13,954         |
| 217,196           | -                      | -                             | 217,196        |
| <u>219,992</u>    | <u>-</u>               | <u>11,158</u>                 | <u>231,150</u> |
| 12,222            | -                      | -                             | 12,222         |
| -                 | 184,736                | -                             | 184,736        |
| 152,236           | -                      | 46,602                        | 262,298        |
| <u>164,458</u>    | <u>184,736</u>         | <u>46,602</u>                 | <u>459,256</u> |
| <u>384,450</u>    | <u>184,736</u>         | <u>57,760</u>                 | <u>690,406</u> |

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Kossuth County

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances

Nonmajor Special Revenue Funds

Year ended June 30, 2003

|  | <u>County<br/>Recorder<br/>Records<br/>Management</u> | <u>Resource<br/>Enhancement<br/>and<br/>Protection</u> |
|--|---|--|
| Revenues:  |   |  |
| Property and other county tax:   |   |  |
| Local option sales tax   | \$ -  | -  |
| Intergovernmental  | -   | 225  |
| Charges for service  | 5,432   | -  |
| Miscellaneous  | -   | -  |
| Total revenues   | <u>5,432</u>  | <u>225</u>   |
| Expenditures:  |   |  |
| Debt service   | -   | -  |
| Capital projects   | -   | 619  |
| Total expenditures   | <u>-</u>  | <u>619</u>   |
| Excess (deficiency) of revenues<br>over (under) expenditures                             | 5,432   | (394)  |
| Other financing sources:   |   |  |
| Drainage warrants issued   | -   | -  |
| Excess (deficiency) of revenues and other financing<br>sources over (under) expenditures | 5,432   | (394)  |
| Fund balances beginning of year  | <u>18,056</u>   | <u>40,366</u>  |
| Fund balances end of year  | <u>\$ 23,488</u>                                      | <u>39,972</u>  |

See accompanying independent auditor's report.

| Drainage District | Local Option           |                               | Total            |
|-------------------|------------------------|-------------------------------|------------------|
|                   | Sales Tax Revenue Bond | Conservation Land Acquisition |                  |
| -                 | 494,428                | -                             | 494,428          |
| -                 | -                      | -                             | 225              |
| -                 | -                      | -                             | 5,432            |
| 343,292           | -                      | 39,769                        | 383,061          |
| <u>343,292</u>    | <u>494,428</u>         | <u>39,769</u>                 | <u>883,146</u>   |
| 329,415           | 495,534                | -                             | 824,949          |
| 190,223           | -                      | 44,819                        | 235,661          |
| <u>519,638</u>    | <u>495,534</u>         | <u>44,819</u>                 | <u>1,060,610</u> |
| (176,346)         | (1,106)                | (5,050)                       | (177,464)        |
| <u>187,265</u>    | <u>-</u>               | <u>-</u>                      | <u>187,265</u>   |
| 10,919            | (1,106)                | (5,050)                       | 9,801            |
| 153,539           | 185,842                | 51,652                        | 449,455          |
| <u>164,458</u>    | <u>184,736</u>         | <u>46,602</u>                 | <u>459,256</u>   |

Kossuth County

Combining Schedule of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2003

|                               | County Offices     |                   | Agricultural<br>Extension<br>Education | County<br>Assessor |
|-------------------------------|--------------------|-------------------|--|--------------------|
|                               | County<br>Recorder | County<br>Sheriff |  |                    |
| <b>Assets</b>                 |                    |                   |  |                    |
| Cash and pooled investments:  |                    |                   |  |                    |
| County Treasurer              | \$ -               | -                 | 1,325                                  | 145,276            |
| Other County officials        | 99                 | 12,866            | -                                      | -                  |
| Receivables:                  |                    |                   |  |                    |
| Property tax:                 |                    |                   |  |                    |
| Delinquent                    | -                  | -                 | 309                                    | 1,087              |
| Succeeding year               | -                  | -                 | 70,000                                 | 247,000            |
| Accounts                      | 508                | -                 | -                                      | -                  |
| Interest                      | -                  | -                 | -                                      | -                  |
| Drainage assessments:         |                    |                   |  |                    |
| Current                       | -                  | -                 | -                                      | -                  |
| Future                        | -                  | -                 | -                                      | -                  |
| Due from other governments    | -                  | -                 | -                                      | -                  |
| <b>Total assets</b>           | <b>\$ 607</b>      | <b>12,866</b>     | <b>71,634</b>                          | <b>393,363</b>     |
| <b>Liabilities</b>            |                    |                   |  |                    |
| Liabilities:                  |                    |                   |  |                    |
| Accounts payable              | \$ -               | -                 | -                                      | 838                |
| Drainage warrants payable     | -                  | -                 | -                                      | -                  |
| Salaries and benefits payable | -                  | -                 | -                                      | -                  |
| Due to other governments      | 99                 | 100               | 71,634                                 | 380,418            |
| Trusts payable                | 508                | 12,766            | -                                      | -                  |
| Compensated absences          | -                  | -                 | -                                      | 12,107             |
| <b>Total liabilities</b>      | <b>\$ 607</b>      | <b>12,866</b>     | <b>71,634</b>                          | <b>393,363</b>     |

| Schools    | Community Colleges | Corporations | Townships | Special Assessment | Auto License and Use Tax |
|------------|--------------------|--------------|-----------|--------------------|--------------------------|
| 194,364    | 12,105             | 30,849       | 5,406     | 176                | 319,304                  |
| -          | -                  | -            | -         | -                  | -                        |
| 47,140     | 2,794              | 44,944       | 263       | -                  | -                        |
| 10,477,000 | 627,000            | 2,935,000    | 256,000   | -                  | -                        |
| -          | -                  | -            | -         | -                  | -                        |
| -          | -                  | -            | -         | -                  | -                        |
| -          | -                  | -            | -         | -                  | -                        |
| -          | -                  | -            | -         | -                  | -                        |
| -          | -                  | -            | -         | -                  | -                        |
| 10,718,504 | 641,899            | 3,010,793    | 261,669   | 176                | 319,304                  |
| -          | -                  | -            | -         | -                  | -                        |
| -          | -                  | -            | -         | -                  | -                        |
| -          | -                  | -            | -         | -                  | -                        |
| 10,718,504 | 641,899            | 3,010,793    | 261,669   | 176                | 319,304                  |
| -          | -                  | -            | -         | -                  | -                        |
| -          | -                  | -            | -         | -                  | -                        |
| 10,718,504 | 641,899            | 3,010,793    | 261,669   | 176                | 319,304                  |

Kossuth County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2003

|                               | County<br>Hospital | Emergency<br>Management<br>Services |
|-------------------------------|--------------------|-------------------------------------|
| <b>Assets</b>                 |                    |                                     |
| Cash and pooled investments:  |                    |                                     |
| County Treasurer              | 5,263              | 11,442                              |
| Other County officials        | -                  | -                                   |
| Receivables:                  |                    |                                     |
| Property tax:                 |                    |                                     |
| Delinquent                    | 1,229              | -                                   |
| Succeeding year               | 279,000            | -                                   |
| Accounts                      | -                  | -                                   |
| Interest                      | -                  | -                                   |
| Drainage assessments:         |                    |                                     |
| Current                       | -                  | -                                   |
| Future                        | -                  | -                                   |
| Due from other governments    | -                  | 13,745                              |
|                               | 285,492            | 25,187                              |
| <b>Total assets</b>           |                    |                                     |
| <b>Liabilities</b>            |                    |                                     |
| Liabilities:                  |                    |                                     |
| Accounts payable              | -                  | 853                                 |
| Drainage warrants payable     | -                  | -                                   |
| Salaries and benefits payable | -                  | 623                                 |
| Due to other governments      | 285,492            | 21,096                              |
| Trusts payable                | -                  | -                                   |
| Compensated absences          | -                  | 2,615                               |
|                               | 285,492            | 25,187                              |
| <b>Total liabilities</b>      |                    |                                     |

See accompanying independent auditor's report.

| Brucellosis<br>and<br>Tuberculosis<br>Eradication | E911          | Drainage<br>District | Anatomical<br>Gift Public<br>Awareness and<br>Transportation | Total             |
|---|---------------|----------------------|--|-------------------|
| 2,577   | 55,725        | 185,595              | 19   | 969,426           |
| -   | -             | -                    | -  | 12,965            |
| 15  | -             | -                    | -  | 97,781            |
| 3,000   | -             | -                    | -  | 14,894,000        |
| -   | 13,441        | -                    | -  | 13,949            |
| -   | 229           | -                    | -  | 229               |
| -   | -             | 31,615               | -  | 31,615            |
| -   | -             | 731,905              | -  | 731,905           |
| -   | -             | -                    | -  | 13,745            |
| <b>5,592</b>                                      | <b>69,395</b> | <b>949,115</b>       | <b>19</b>  | <b>16,765,615</b> |
| -   | 5,257         | 179,322              | -  | 186,270           |
| -   | -             | 553,969              | -  | 553,969           |
| -   | 166           | -                    | -  | 789               |
| 5,592   | 63,972        | 215,824              | 19   | 15,996,591        |
| -   | -             | -                    | -  | 13,274            |
| -   | -             | -                    | -  | 14,722            |
| <b>5,592</b>                                      | <b>69,395</b> | <b>949,115</b>       | <b>19</b>  | <b>16,765,615</b> |

Kossuth County

Combining Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year ended June 30, 2003

|                                    | County Offices       |                 |                |
|------------------------------------|----------------------|-----------------|----------------|
|                                    | Board of Supervisors | County Recorder | County Sheriff |
| <b>Assets and Liabilities</b>      |                      |                 |                |
| Balances beginning of year         | \$ 349               | 437             | 2,225          |
| Additions:                         |                      |                 |                |
| Property and other county tax      | -                    | -               | -              |
| E911 surcharge                     | -                    | -               | -              |
| State tax credits                  | -                    | -               | -              |
| Drivers license fees               | -                    | -               | -              |
| Office fees and collections        | -                    | 298,190         | 229,589        |
| Auto licenses, use tax and postage | -                    | -               | -              |
| Assessments                        | -                    | -               | -              |
| Trusts                             | 32                   | -               | 336,904        |
| Miscellaneous                      | -                    | -               | -              |
| Total additions                    | 32                   | 298,190         | 566,493        |
| Deductions:                        |                      |                 |                |
| Agency remittances:                |                      |                 |                |
| To other funds                     | -                    | 145,886         | 229,067        |
| To other governments               | -                    | 152,134         | 413            |
| Trusts paid out                    | 381                  | -               | 326,372        |
| Total deductions                   | 381                  | 298,020         | 555,852        |
| Balances end of year               | \$ -                 | 607             | 12,866         |



| Agricultural<br>Extension<br>Education | County<br>Assessor | Schools    | Community<br>Colleges | Corpora-<br>tions | Townships | Special<br>Assess-<br>ments |
|--|--------------------|------------|-----------------------|-------------------|-----------|-----------------------------|
| 69,349                                 | 352,341            | 10,063,823 | 634,576               | 2,713,229         | 253,741   | 122                         |
| 72,549                                 | 252,774            | 10,844,668 | 650,379               | 2,995,774         | 266,676   | -                           |
| -                                      | -                  | -          | -                     | -                 | -         | -                           |
| 4,656                                  | 11,827             | 680,895    | 42,649                | 220,643           | 15,923    | -                           |
| -                                      | -                  | -          | -                     | -                 | -         | -                           |
| -                                      | -                  | -          | -                     | -                 | -         | -                           |
| -                                      | -                  | -          | -                     | -                 | -         | 9,207                       |
| -                                      | -                  | -          | -                     | -                 | -         | -                           |
| 62                                     | 1,382              | 8,664      | 583                   | 815               | 316       | -                           |
| 77,267                                 | 265,983            | 11,534,227 | 693,611               | 3,217,232         | 282,915   | 9,207                       |
| -                                      | -                  | -          | -                     | -                 | -         | -                           |
| 74,982                                 | 224,961            | 10,879,546 | 686,288               | 2,919,668         | 274,987   | 9,153                       |
| -                                      | -                  | -          | -                     | -                 | -         | -                           |
| 74,982                                 | 224,961            | 10,879,546 | 686,288               | 2,919,668         | 274,987   | 9,153                       |
| 71,634                                 | 393,363            | 10,718,504 | 641,899               | 3,010,793         | 261,669   | 176                         |

Kossuth County

Combining Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year ended June 30, 2003

|                                    | Auto<br>License<br>and<br>Use Tax | Driver's<br>License<br>Trust<br>Fund | County<br>Hospital |
|------------------------------------|-----------------------------------|--------------------------------------|--------------------|
| <b>Assets and Liabilities</b>      |                                   |                                      |                    |
| Balances beginning of year         | 283,178                           | -                                    | 275,546            |
| Additions:                         |                                   |                                      |                    |
| Property and other county tax      | -                                 | -                                    | 289,125            |
| E911 surcharge                     | -                                 | -                                    | -                  |
| State tax credits                  | -                                 | -                                    | 18,502             |
| Drivers license fees               | -                                 | 32,624                               | -                  |
| Office fees and collections        | -                                 | -                                    | -                  |
| Auto licenses, use tax and postage | 4,015,400                         | -                                    | -                  |
| Assessments                        | -                                 | -                                    | -                  |
| Trusts                             | -                                 | -                                    | -                  |
| Miscellaneous                      | -                                 | -                                    | 248                |
| Total additions                    | 4,015,400                         | 32,624                               | 307,875            |
| Deductions:                        |                                   |                                      |                    |
| Agency remittances:                |                                   |                                      |                    |
| To other funds                     | 125,102                           | -                                    | -                  |
| To other governments               | 3,854,172                         | 32,624                               | 297,929            |
| Trusts paid out                    | -                                 | -                                    | -                  |
| Total deductions                   | 3,979,274                         | 32,624                               | 297,929            |
| Balances end of year               | 319,304                           | -                                    | 285,492            |

See accompanying independent auditor's report.

| Emergency<br>Management<br>Services | Brucellosis<br>and<br>Tuberculosis<br>Eradication | E911    | Tax<br>Sale<br>Redemption | Drainage<br>District | Anatomical<br>Gift Public<br>Awareness and<br>Transportation | Total      |
|-------------------------------------|---|---------|---------------------------|----------------------|--|------------|
| 19,515                              | 4,194   | 119,319 | -                         | 208,510              | 32   | 15,000,486 |
| -                                   | 3,116   | -       | -                         | -                    | -  | 15,375,061 |
| -                                   | -   | 56,791  | -                         | -                    | -  | 56,791     |
| -                                   | 225   | -       | -                         | -                    | -  | 995,320    |
| -                                   | -   | -       | -                         | -                    | -  | 32,624     |
| -                                   | -   | -       | -                         | -                    | -  | 527,779    |
| -                                   | -   | -       | -                         | -                    | 160  | 4,015,560  |
| -                                   | -   | -       | -                         | 750,905              | -  | 760,112    |
| -                                   | -   | -       | 122,407                   | -                    | -  | 459,343    |
| 47,937                              | 3   | 1,204   | -                         | 4,215                | -  | 65,429     |
| 47,937                              | 3,344   | 57,995  | 122,407                   | 755,120              | 160  | 22,288,019 |
| -                                   | -   | -       | -                         | -                    | -  | 500,055    |
| 42,265                              | 1,946   | 107,919 | -                         | 568,484              | 173  | 20,127,644 |
| -                                   | -   | -       | 122,407                   | -                    | -  | 449,160    |
| 42,265                              | 1,946   | 107,919 | 122,407                   | 568,484              | 173  | 21,076,859 |
| 25,187                              | 5,592   | 69,395  | -                         | 395,146              | 19   | 16,211,646 |

**Schedule 5**

## Kossuth County

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

For the Last Four Years

|                                      | Modified Accrual Basis |                   |                   |                   |
|--------------------------------------|------------------------|-------------------|-------------------|-------------------|
|                                      | 2003                   | 2002              | 2001              | 2000              |
| Revenues:                            |                        |                   |                   |                   |
| Property and other county tax        | \$ 6,052,593           | 6,570,974         | 5,877,975         | 5,233,031         |
| Interest and penalty on property tax | 40,346                 | 40,949            | 29,282            | 34,125            |
| Intergovernmental                    | 6,434,824              | 5,928,369         | 5,980,505         | 5,964,054         |
| Licenses and permits                 | 8,695                  | 3,740             | 3,815             | 4,203             |
| Charges for service                  | 540,219                | 631,946           | 523,891           | 533,118           |
| Use of money and property            | 384,202                | 179,658           | 304,967           | 317,043           |
| Miscellaneous                        | 520,849                | 372,802           | 459,245           | 525,306           |
| Total                                | <u>\$ 13,981,728</u>   | <u>13,728,438</u> | <u>13,179,680</u> | <u>12,610,880</u> |
| Expenditures:                        |                        |                   |                   |                   |
| Operating:                           |                        |                   |                   |                   |
| Public safety and legal services     | \$ 2,217,988           | 1,822,640         | 1,449,978         | 1,198,177         |
| Physical health and social services  | 455,870                | 483,383           | 496,697           | 539,622           |
| Mental health                        | 1,972,111              | 2,288,015         | 2,440,131         | 2,191,322         |
| County environment and education     | 5,667,513              | 507,544           | 543,782           | 426,373           |
| Roads and transportation             | 5,024,615              | 5,030,718         | 4,662,050         | 4,473,660         |
| Governmental services to residents   | 397,752                | 421,578           | 408,030           | 375,259           |
| Administration                       | 1,255,880              | 1,182,054         | 1,095,437         | 1,080,501         |
| Non-program                          | 56,464                 | 53,494            | 42,731            | 32,930            |
| Debt service                         | 824,949                | 2,502,379         | -                 | 133,300           |
| Capital projects                     | 1,148,667              | 1,895,981         | 4,300,031         | 2,793,211         |
| Total                                | <u>\$ 19,021,809</u>   | <u>16,187,786</u> | <u>15,438,867</u> | <u>13,244,355</u> |

See accompanying independent auditor's report.



**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 Compliance  
and on Internal Control over Financial Reporting

To the Officials of Kossuth County:

We have audited the financial statements of Kossuth County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated February 6, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Kossuth County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2003 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. Prior year statutory comments have been resolved except for items (2), (3), (12) and (15).

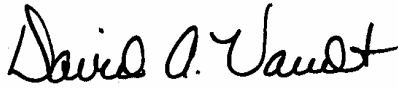
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kossuth County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Kossuth County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness. Prior year reportable conditions have been resolved except for items (A), (B) and (L).

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 6, 2004

Kossuth County

Schedule of Findings

Year ended June 30, 2003

**Part II: Findings Related to the Financial Statements:**

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

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

|  | <u>Applicable<br/>Offices</u>          |
|--|--|
| (1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. An initial listing of cash and checks received is not prepared. Receipt collecting, recording, and depositing duties are not segregated.   | Treasurer,<br>Sheriff,<br>Conservation |
| (2) Checks or warrants are not signed by an individual who does not otherwise participate in the preparation of the checks or warrants. The checks or warrants and the supporting documentation are not reviewed for propriety. The checks or warrants are not mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.                             | Treasurer,<br>Auditor, Sheriff         |
| (3) Payroll warrants are not signed by an individual who does not otherwise participate in the preparation of the checks or warrants. The checks or warrants and the supporting documentation are not reviewed for propriety. After signing, the checks or warrants are not mailed or distributed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment. | Auditor                                |
| (4) Bank accounts are not reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.   | Treasurer,<br>Sheriff                  |
| (5) Detailed investment records are not maintained by a person who is not the custodian of the investments.  | Treasurer                              |

Kossuth County

Schedule of Findings

Year ended June 30, 2003

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.

County Auditor Response –

- (2) We will sign the warrants and compare to the claims and not allow them to return to individuals who prepare or approve vouchers or payment.
- (3) We will check the warrants and review for propriety. These will be mailed and distributed without allowing them to return to individual who prepare them for payment.

County Treasurer Response –

- (1) The volume of mail the Treasurer's Office receives daily does not allow us to record each check before processing. However, we will devise a method of spot checking a few checks and then matching them to a deposit.
- (2) We will comply with this recommendation that the individual preparing the check will not sign it.
- (4) I will review the reconciliations and sign off on them.
- (5) We will comply.

County Sheriff Response –

- (1) The initial listing will be compared to the receipt records on a test basis.
- (2) The Special Response Team, DARE and Forfeiture accounts will be closed and will become line items in the County budget and will have the balances retained year to year.
- (4) The Special Response Team, DARE and Forfeiture accounts will be closed and will become line items in the County budget and will have the balances retained year to year. The civil account will stay the same with a few exceptions.

County Conservation Response – Will have the office manager open mail and record listing of checks and cash received and later compare to the deposit records.



Kossuth County

Schedule of Findings

Year ended June 30, 2003

Conclusion – Responses accepted, except for Sheriff's Office item (4). The Sheriff's office bank reconciliations should be reviewed by an independent person.

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

The County does not have written policies for:

- password privacy and confidentiality.
- frequency of changing passwords, prohibiting reuse of passwords and required length of passwords.
- ensuring software not licensed to the County is not installed.

Also, the County does not have a written disaster recovery plan.

Recommendation – The County should develop written policies addressing the above items to improve control over computer based systems.

Response – The County will adopt a policy and put in place for password privacy and confidentiality, changing of passwords and ensuring that only software licensed to the County be used on computers. The County will develop a written disaster recovery plan.

Conclusion – Response accepted.

- (C) Credit Cards – The County has credit cards for use by the Conservation Department and Sheriff's Office employees while on County business. The County has not adopted a formal policy to regulate the use of credit cards and, until June 2003, no policy existed to establish procedures for the proper accounting of credit card charges. Adequate supporting documentation was not always available to support credit card charges for the Conservation Department and Sheriff's Office.

Recommendation – The County should adopt a formal written policy regulating the use of County credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose. The policy should also require an itemized vendor receipt to support each charge on the credit card statement.

Response – The County will adopt a policy for use of credit cards.

Conclusion – Response accepted.

Kossuth County

Schedule of Findings

Year ended June 30, 2003

- (D) Cancellation of Invoices – Certain invoices and supporting documentation in the County Auditor’s Office, Conservation and Engineer departments were not marked paid to help prevent duplicate payment.

Recommendation – All invoices and supporting documents should be properly canceled to help prevent reuse.

County Auditor Response – We will cancel invoices and supporting documentation to prevent reuse or duplicate payment.

Conservation Response – Will purchase a stamp and cancel invoices in the future.

Engineer Response – We will stamp paid on the invoices in the future.

Conclusion – Responses accepted.

- (E) Disbursements – The County Board of Supervisors did not approve health insurance premium claims. Not all department heads sign claims to indicate approval. Certain claims did not include an adequate description of the purpose of the claims.

Recommendation – All claims should be approved by the Board prior to payment. Department head approval should be evident on all claims. All claims should include an adequate description of the reason for the disbursement.

Response – All claims will be approved by the Board. The County will adopt a policy to require all claims to include department head approval. All claims will have a description or purpose of the disbursement.

Conclusion – Response accepted.

- (F) Timesheets – Not all timesheets are approved and signed by the employee’s supervisor. Timesheets for Sheriff’s deputies are prepared by one individual rather than by the employee and are not signed by the deputies.

The County Auditor’s Office records vacation and sick leave usage from summary sheets prepared by each department rather than directly from employee timesheets. The summary sheets are not signed by the department heads. The County Auditor’s Office does not verify the accuracy of the summary sheets by comparing them to the employee timesheets.

Recommendation – All timesheets should be signed by the employee and should be reviewed and signed by the employee’s immediate supervisor or department head.

Vacation and sick leave would more appropriately be recorded directly from authorized timesheets. If use of the summary sheets is continued, the summary sheets should be signed by the department head and should be compared to the employee timesheets by the County Auditor’s Office.

Kossuth County

Schedule of Findings

Year ended June 30, 2003

County Auditor Response – At the present time the County Auditor does sign the timesheets. We will review the summary sheets against the employee timesheets after this. We will get the timesheets and summary sheets signed by each department head and our office will verify the accuracy of the summary sheets.

County Sheriff Response – Employees will sign their timesheets and the Sheriff will review and sign them. Summary sheets will be prepared and the Sheriff will review and sign them.

Conclusion – Responses accepted.

- (G) Capital Asset Disposals – The County does not have a written policy regarding the disposal of capital assets, including a formalized process for approving asset disposals. Deletions were not recorded timely in the capital asset records.

Recommendation – The Board of Supervisors should adopt written policies and procedures for the disposition of all capital assets, whether by trade, sale or other method. The policy should require written and timely approval of all disposals, identify the individuals with the authority to approve disposals, and outline the procedures to be followed in disposing of capital assets. The capital asset record should be updated in a timely manner.

Response – The County will adopt a policy for procedures for disposing of capital assets and will update the capital asset record in a timely manner.

Conclusion – Response accepted.

- (H) County Treasurer – Receipts were not deposited intact. Monthly auto licenses and use tax changed transaction reports are not reviewed by an independent person. A former employee of the County Treasurer's Office is listed as an authorized signer at Farmers State Bank.

Recommendation – All receipts should be deposited intact. Monthly changed transaction reports should be reviewed by an independent person to determine the propriety of the explanations of the changes. The bank signature card should be updated to include only current employees.

Response – The Treasurer's Office will comply with the recommendations.

Conclusion – Response accepted.

- (I) County Recorder – Receipts are not deposited intact. A former employee of the County Recorder's Office is listed as an authorized signer at Iowa State Bank.

Recommendation – Receipts should be deposited intact. The bank signature card should be updated to include only current employees.

Kossuth County

Schedule of Findings

Year ended June 30, 2003

Response – The Recorder’s Office current system of receipts and deposits adequately explains the current day sales to the next days deposit. A checks and balance sheet is completed internally daily and must zero out to our cash and checks taken in to our sales. This is reviewed by all office staff on a daily basis. The bank signature card has been addressed and changed.

Conclusion – Response acknowledged. However, all collections should be deposited and not retained for a change fund.

- (J) Conservation Receipts – Receipts are only issued if requested by a customer and the receipts are not retained.

Recommendation – Prenumbered receipts should be issued for all collections and all prenumbered receipts should be accounted for and retained.

Response – Prenumbered receipts will be issued for all collections of cash or checks.

Conclusion – Response acknowledged. Receipts should also be retained and accounted for.

- (K) County Sheriff Receipts – Receipts were not deposited timely.

Recommendation – Receipts should be deposited in a timely manner.

Response – On the office side, sometimes a large amount of work needs to be done before the appropriate check can be deposited and there are not enough hours in the day. My civil clerk puts in a lot of extra time as it is to remotely keep up.

Conclusion – Response acknowledged. However, in order to properly safeguard receipts, deposits should be made timely.

- (L) County Sheriff Jail Commissary, DARE, Special Response Team, and Forfeiture Accounts – Jail commissary profits have been accumulating in the bank account and have not been remitted to the County Treasurer. In addition, separate bank accounts were maintained for Forfeitures, Special Response Team and the DARE program. The revenue and expenditures in these accounts are not reflected in the County's accounting system and have not been included in the County's annual budget or financial reports.

Items such as supplies and equipment for the jail were purchased out of the jail commissary profits. The Special Response Team account included expenditures for guns, holsters, motorcycle repairs and compensation to deputies for work related to marijuana eradication. The payments to deputies did not include withholdings for federal and state income taxes, social security and IPERS. In addition, the compensation was not reported on Internal Revenue Service Form W-2. Also, the Sheriff did not retain records of the hours worked by each deputy.

Kossuth County

Schedule of Findings

Year ended June 30, 2003

Recommendation – Commissary profits, DARE program collections, Special Response Team collections and forfeiture monies should be remitted to the County Treasurer for deposit into Special Revenue Funds to ensure the revenue and related expenditures are properly budgeted and reflected in the County’s accounting system.

The County should pay all compensation through the County's payroll process in order to comply with all withholding and reporting requirements.

Response – I will be working with the County Auditor’s Office to get this in place.

Conclusion – Response accepted.

- (M) Inmate Money – Cash received from inmates is not deposited in the bank. The funds are placed in a commissary cash envelope if designated for the commissary by the inmate. Otherwise, the cash remains in the inmate’s booking envelope.

Recommendation – All cash received from inmates should be deposited in the commissary bank account. Cash spent by inmates on commissary items should continue to be recorded on sales reports and would remain in the account until the profits are remitted to the County. Refunds due inmates upon their release should be made by check.

Response – All cash will be deposited in the bank. All refunds will be made by check to the released inmate.

Conclusion – Response accepted.

- (N) Sheriff’s Office Vacation – The Sheriff’s Department union agreement states employees are not allowed to carry over vacation to the next year unless approved in writing by the Sheriff. The Department allows union employees to carry over five days of vacation without the written approval of the Sheriff.

Recommendation – The Sheriff’s Department should comply with union agreement provisions for vacation carryover.

Response – Vacation carry over will be approved in writing by the Sheriff.

Conclusion – Response accepted.

- (O) Sheriff’s Evidence Room – A logbook is not maintained for property located in the evidence room.

Recommendation – To properly account for all property received, a logbook should be maintained for items placed in the evidence room.

Kossuth County

Schedule of Findings

Year ended June 30, 2003

Response – Most items in the last two years are documented in reports of various crimes. This is one of those items that has been neglected for years. We have worked on organizing it when time allows over the last two years. Hopefully by this time next year everything will be documented.

Conclusion – Response accepted.

- (P) Board of Health Grants – The Local Board of Health received state grants by state warrant which were endorsed over to the County Hospital. This activity was not reflected in the County's budget or financial reports.

Recommendation – The County should include all grants received by the Local Board of Health in the County's budget and financial reports. The state warrants should be deposited by the County and disbursed to the County Hospital by County warrant. For the year ended June 30, 2003, the County's financial statements were adjusted to include this financial activity.

Response – We will work with the Local Board of Health and the hospital to handle funds in accordance with the recommendation.

Conclusion – Response accepted.

- (Q) Contract Change Orders – Change orders for secondary roads construction projects were not approved by the Board of Supervisors.

Recommendation – All change orders should be approved by the Board of Supervisors.

Response – All change orders will be approved by the Board of Supervisors.

Conclusion – Response accepted.

- (R) Vehicle Usage Policy – The County does not have a written policy for the use of County vehicles. Certain County employees are allowed to use County vehicles for commuting. This may be taxable income to the employee under Internal Revenue Service (IRS) regulations since the vehicles may not meet the IRS definition of a qualified personal use vehicle.

Recommendation – The Board of Supervisors should adopt written policies pertaining to vehicle usage that address specific policies including, but not limited to: incidental personal use, commuting, assignment of vehicles, documentation required, restricted vehicle uses, reimbursement by employees for personal use, and public purpose served. In addition, the County should ensure compliance with Internal Revenue Service regulations regarding taxability of vehicles provided for commuting.

Response – The County will adopt a vehicle usage policy and will review IRS requirements.

Conclusion – Response accepted.

Kossuth County

Schedule of Findings

Year ended June 30, 2003

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

(1) All incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. An initial listing of cash and checks received is not prepared. Receipt collecting, recording and depositing duties are not segregated.

(2) Bank accounts are not reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.

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.

Response – Independent employees will be responsible for opening mail and preparing a listing of cash and checks received. They will also review the cash receipt records. Depositing duties will rotate among the staff. Bank accounts will be reconciled by independent employees and reviewed by an Extension Council Member.

Conclusion – Response accepted.

(T) County Extension Office Voided Receipts – Voided receipts are not retained.

Recommendation – All copies of voided receipts should be marked “void” and retained.

Response – This concern has been addressed with the Extension staff and both the original and copies of voided receipts will be maintained in Extension records.

Conclusion – Response accepted.

Kossuth County

Schedule of Findings

Year ended June 30, 2003

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

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.
- (2) Certified Budget – Disbursements exceeded the amount budgeted in the physical health and social services function at June 30, 2003 since the County did not budget for state and federal grants received by the Local Board of Health which were endorsed over to the County Hospital. An adjustment was made to the County’s financial statements to include this activity. In addition, prior to the adoption of certain budget amendments, two functions exceeded the amounts budgeted.

The County did not hold a public hearing prior to decreasing two department appropriations by more than the greater of \$5,000 or ten percent. Chapter 331.434(6) of the Code of Iowa specifies decreases in appropriations in excess of \$5,000 or ten percent, whichever is greater, are not effective unless a public hearing on the decrease is held.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

The County should hold a public hearing in order to decrease appropriations more than the greater of \$5,000 or ten percent, in accordance with the Code of Iowa.

Response – The County will amend the budget before disbursements exceed the budgeted amounts and will hold public hearings when required for decreases in appropriations.

Conclusion – Response accepted.

- (3) Questionable Expenditures – Certain disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

| Paid to                               | Purpose                         | Amount |
|---------------------------------------|---------------------------------|--------|
| Daylight Doughnuts                    | Doughnuts for Sheriff’s meeting | \$ 22  |
| Kossuth County Agricultural Extension | Grant                           | 25,000 |

According to the opinion, it is possible for such disbursements 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.



Kossuth County

Schedule of Findings

Year ended June 30, 2003

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 – Proper documentation will be required on future disbursements. Kossuth County Extension will be required to document use of future contributions for educational purposes.

Conclusion – Response accepted.

- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

| Name, Title and Business Connection                                | Description      | Amount |
|--|------------------|--------|
| Norma Ruhnke, Auditor's Office, sons are owners of Ruhnke Brothers | Fuel and repairs | \$ 152 |

In accordance with Chapter 331.342(10) of the Code of Iowa, the above transaction does not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

Interest earned on bond proceeds held in the Midwest Grain Processors Fund was not recorded in this fund. In accordance with Chapter 12C.9 of the Code of Iowa, interest earned on bond proceeds and funds being accumulated for the payment of principal and interest should be used to pay the principal and interest as it comes due or be credited to the project fund for which the indebtedness was issued.

Recommendation – The County should record interest earned on bond proceeds in the proper fund as required by Chapter 12C.9 of the Code of Iowa.

Kossuth County

Schedule of Findings

Year ended June 30, 2003

Response – In the future interest will be credited to the fund for which the indebtedness was issued or the Debt Service Fund.

Conclusion – Response accepted.

- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) Solid Waste Fees Retained – During the year ended June 30, 2003, the County used or retained the solid waste fees in accordance with Chapter 455B.310(3) and (4) of the Code of Iowa.
- (11) Economic Development – During the year ended June 30, 2003, the County made economic development contributions of \$98,000 to the Kossuth County Economic Development Corporation. Although the claims included a brief description relating to the public benefit of the disbursements, the Board minutes did not include documentation of the public purpose of the contributions. The omission from the Board minutes appeared to be an oversight since documentation was included in the minutes for contributions made both in the prior year and the year ended June 30, 2004. The Board should ensure public purpose is properly documented prior to authorizing future expenditures.
- (12) Sheriff's Department Overtime and Compensatory Time – For the year ended June 30, 2003, we reviewed twelve jailer timesheets and noted overpayments totaling \$2,674 for eight of these timesheets due to the miscalculation of overtime hours. A factor in this miscalculation was that jailers were paid on a monthly basis yet worked a twenty-eight day cycle. Our review did not include all timesheets for the year and, accordingly, it is likely additional errors occurred that resulted in additional overpayments to jailers. We also noted certain overtime calculations inappropriately included vacation and sick leave time used. In April 2003, the County changed its payroll cycle for jailers from monthly to every twenty-eight days. We reviewed five timesheets from April 2003 through November 2003 and noted overtime was calculated correctly for these timesheets.

Deputy Sheriffs that work overtime are given the option of receiving an overtime payout or taking compensatory time off. The overtime payouts are properly paid at time and a half. However, when a Deputy chooses to take the overtime as compensatory time off, the time off is given on an hour for hour basis rather than at time and a half as required by the Fair Labor Standards Act.

Recommendation – The County should consult the County Attorney to determine the disposition of the overpayments, including possible reimbursements to the County. The County Sheriff should ensure calculations of overtime pay are based on actual hours worked and exclude vacation and sick leave hours. The County should also consult the County Attorney regarding non-compliance with the Fair Labor Standards Act for compensatory time-off. Future compensatory time-off should be given at time and a half as required.

Kossuth County

Schedule of Findings

Year ended June 30, 2003

County Sheriff Response – I was made aware of some alleged miscalculations in the jail payroll by the Board of Supervisors and auditors and at that point I took over the payroll responsibilities. Also the twenty-eight day pay period made it easier to calculate.

As far as the deputies overtime and compensatory time, this came about as a verbal agreement between the deputies and the former sheriff years ago. No complaints were ever made as to this not being fair. From now on, deputies will receive 1.5 hours for compensatory time and time and a half for overtime paid. This will be declared each month whether the deputy wants compensatory time or overtime pay. Overtime will be paid on a monthly basis instead of all at the end of a calendar year.

Board of Supervisor Response – The County Attorney will be consulted to determine the disposition of the jailer overpayments and possible reimbursements to the County as well as the non-compliance with the Fair Labor Standards for deputy compensatory time off.

Conclusion – Responses accepted.

- (13) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The County Treasurer, Sheriff and Recorder retain cancelled checks through electronic image, but do not obtain an image of the back of each cancelled check as required.

Recommendation – The County should obtain and retain an image of both the front and back of each cancelled check as required.

County Treasurer Response – The Treasurer’s Office will contact the banks that send us imaged checks and request copies of both front and back.

County Sheriff Response – The only accounts that will be left will be the commissary account and the civil account. There will be a request to the banks to start sending the front and back of the checks.

County Recorder Response – A phone call was made on February 4, 2004 to Iowa State Bank requesting both the front and back of our checks be imaged. The request was honored and will begin effective the next statement.

Conclusion – Responses accepted.

- (14) Outstanding Checks and Warrants – The County Auditor and Treasurer have not canceled checks and warrants outstanding more than one year as required by Chapter 331.554(6) and (7) of the Code of Iowa.

Recommendation – County checks and warrants outstanding more than one year should be canceled as required.

Kossuth County

Schedule of Findings

Year ended June 30, 2003

County Auditor Response – We will cancel outstanding warrants as required and will keep a record of those canceled.

County Treasurer Response – The Treasurer’s Office will comply with Chapter 331.554(6) of the Code of Iowa.

Conclusion – Response accepted.

- (15) Health Insurance – The County provides employees health insurance through a partially self-insured benefit plan. Chapter 509A.15 of the Code of Iowa requires the County to obtain an actuarial opinion issued by a fellow of the Society of Actuaries which attests to the adequacy of reserves, rates and the financial condition of the plan.

Recommendation – The County should obtain an actuarial opinion issued by a fellow of the Society of Actuaries, as required.

Response – An actuarial opinion will be obtained as required.

Conclusion – Response accepted.

- (16) County Conservation Board Minutes – The minutes did not include approval of employee salaries. Certain minutes of the County Conservation Board were not signed.

Recommendation – The minutes should include salary approvals and should be signed to authenticate the record.

Response – In the future, we will include salaries in budget proposals and will make sure minutes records are signed.

Conclusion – Response accepted.

- (17) 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, 2003 for the County Extension Office did not exceed the amount budgeted.

Chapter 554D.114 of the Code of Iowa allows the County Extension Office to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Extension Office retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The County Extension Office should obtain and retain an image of both the front and back of each cancelled check as required.

Kossuth County

Schedule of Findings

Year ended June 30, 2003

Response – Iowa State Bank was contacted concerning this issue and the Extension Office began receiving copies of the front and back of all cancelled checks beginning with the August 2003 statement.

Conclusion – Response accepted.

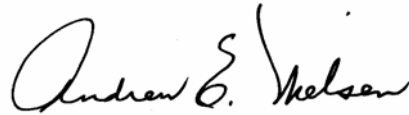
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Kossuth County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Donna F. Kruger, CPA, Senior Auditor II  
Julie J. Lyon, CPA, Staff Auditor  
Kathleen S. Caggiano, Staff Auditor  
M. Crystal A. Berg, CPA, Staff Auditor  
Trevor L. Theulen, Assistant Auditor

A handwritten signature in black ink that reads "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