



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

March 13, 2006

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$15,922,439 for the year ended June 30, 2005, which included \$1,052,748 in tax credits from the state. The County forwarded \$11,423,522 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,498,917 of the local tax revenue to finance County operations, a 3 percent decrease from the prior year. Other revenues included charges for service of \$1,654,248, operating grants, contributions and restricted interest of \$3,348,833, capital grants, contributions and restricted interest of \$1,498,693, local option sales tax of \$398,515, unrestricted investment earnings of \$111,312 and other general revenues of \$75,958.

Expenses for County operations totaled \$9,057,050, a less than one percent increase from the prior year. Expenses included \$3,265,129 for roads and transportation, \$2,104,165 for public safety and legal services and \$1,481,050 for mental health.

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

###

O'BRIEN COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2005

Table of Contents

		Page
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	28
Notes to Financial Statements		29-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		42-43
Budget to GAAP Reconciliation		44
Notes to Required Supplementary Information – Budgetary Reporting		45
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	48-49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	50-51
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	52-53
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	54-55
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	56
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		57-58
Schedule of Findings		59-62
Staff		63

O'Brien County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
Ronald Drenkow	Board of Supervisors	Jan 2005
Rudolph Riessen	Board of Supervisors	Jan 2005
Dan Struve, Jr.	Board of Supervisors	Jan 2005
Thomas Farnsworth	Board of Supervisors	Jan 2007
Jacob Moermond	Board of Supervisors	Jan 2007
Barbara Rohwer	County Auditor	Jan 2005
Sylvia Nikles	County Treasurer	Jan 2007
Kurt Brown	County Recorder	Jan 2007
Michael J. Anderson	County Sheriff	Jan 2005
Bruce A. Green	County Attorney	Jan 2007
Lowell L. Dykstra	County Assessor	Jan 2010
(After January 2005)		
Thomas Farnsworth	Board of Supervisors	Jan 2007
Jacob Moermond	Board of Supervisors	Jan 2007
Richard Haack	Board of Supervisors	Jan 2009
Dan Strueve, Jr.	Board of Supervisors	Jan 2009
Emily Waund	Board of Supervisors	Jan 2009
Barbara Rohwer	County Auditor	Jan 2009
Sylvia Nikles	County Treasurer	Jan 2007
Kurt Brown	County Recorder	Jan 2007
Michael J. Anderson	County Sheriff	Jan 2009
Bruce A. Green	County Attorney	Jan 2007
Lowell L. Dykstra	County Assessor	Jan 2010

O'Brien County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Officials of O'Brien County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of O'Brien County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of O'Brien County's management. Our responsibility is to express opinions on these financial statements based on our audit.

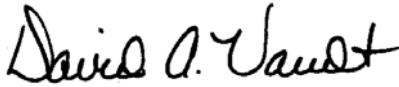
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of O'Brien County at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

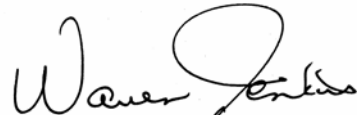
In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2005 on our consideration of O'Brien County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 14 and 42 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise O'Brien County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 7, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

O'Brien County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005, along with comparative data for the year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased approximately 5%, or approximately \$562,000, from fiscal 2004 to fiscal 2005. Property and other county tax decreased approximately \$173,000, operating grants, contributions and restricted interest increased approximately \$53,000, capital grants, contributions and restricted interest increased approximately \$532,000 and charges for service increased approximately \$49,000.
- Program expenses were approximately \$21,000, or less than one percent, more in fiscal 2005 than in fiscal 2004.
- The County's net assets increased 27%, or approximately \$2.5 million, from June 30, 2004 to June 30, 2005. This increase is due primarily to additions to secondary road infrastructure, including assets acquired through capital grants from the Iowa Department of Transportation.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

2) Proprietary funds account for the County's Internal Service, Employee Health Insurance Fund. The Internal Service Fund is an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis below shows the County's total net assets at June 30, 2005 and June 30, 2004.

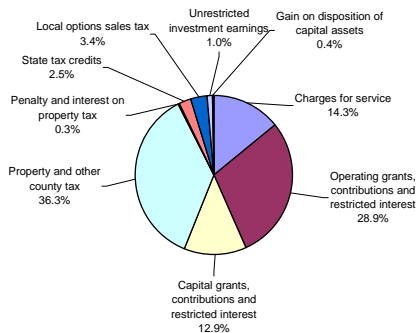
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2,005	2,004
Current and other assets	\$ 10,188	10,219
Capital assets	9,427	7,104
Total assets	<u>19,615</u>	<u>17,323</u>
Long-term liabilities	3,180	3,311
Other liabilities	4,630	4,737
Total liabilities	<u>7,810</u>	<u>8,048</u>
Net assets:		
Invested in capital assets, net of related debt	6,452	3,969
Restricted	3,099	3,183
Unrestricted	2,254	2,123
Total net assets	<u>\$ 11,805</u>	<u>9,275</u>

Net assets of O'Brien County's governmental activities increased by approximately \$2.5 million, or 27%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from approximately \$2.1 million at June 30, 2004 to approximately \$2.25 million at June 30, 2005, an increase of approximately \$131,000, or 6%.

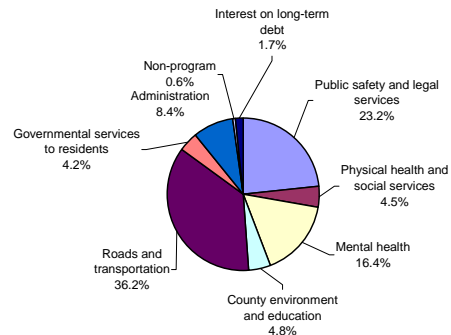
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	June 30,	
	2005	2004
Revenues:		
Program revenues:		
Charges for service	\$ 1,654	1,605
Operating grants, contributions and restricted interest	3,349	3,296
Capital grants, contributions and restricted interest	1,499	967
General revenues:		
Property and other county tax	4,207	4,380
Penalty and interest on property tax	29	24
State tax credits	292	265
Local options sales tax	399	347
Unrestricted investment earnings	111	75
Gain on disposition of capital assets	47	59
Miscellaneous	-	7
Total revenues	11,587	11,025
Program expenses:		
Public safety and legal services	2,104	2,098
Physical health and social services	412	407
Mental health	1,481	1,433
County environment and education	438	460
Roads and transportation	3,265	3,057
Governmental services to residents	383	404
Administration	765	869
Non-program	55	157
Interest on long-term debt	154	151
Total expenses	9,057	9,036
Increase in net assets	2,530	1,989
Net assets beginning of year, as restated	9,275	7,286
Net assets end of year	\$ 11,805	9,275

Revenue by Source



Expenses by Program



The County increased property tax rates for 2005 by an average of 13 percent. The taxable valuation for 2005 decreased by approximately \$74 million, or about 13 percent. As a result, the County's property and other County tax revenue decreased by approximately \$173,000 in 2005. O'Brien County lowered the budgeted tax asking by \$100,000 for fiscal year 2005. As a result the County's governmental fund balances totaled approximately \$100,000 less than the previous year. The budgeted tax rate was increased by approximately 1% for budget year 2006.

The cost of all governmental activities this year was \$9.1 million compared to \$9.0 million last year. However, as shown in the Statement of Activities on page 17, the amount property taxpayers ultimately financed for these activities was only \$3.9 million because some of the cost was paid by those that directly benefited from the programs, \$1.7 million, or by other governments and organizations that subsidized certain programs with grants and contributions, \$4.8 million. Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased approximately \$634,000 from 2004 to 2005, principally due to capital grants from the Iowa Department of Transportation.

INDIVIDUAL MAJOR FUND ANALYSIS

As O'Brien County completed the year, its governmental funds reported a combined fund balance of \$5.3 million, a decrease of approximately \$103,000 below last year's total of \$5.4 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased approximately \$18,000 and expenditures increased approximately \$102,000. The ending fund balance showed a modest increase of approximately \$62,000 from the prior year to approximately \$2.2 million. Increases in expenditures in the General Fund were due to increased funding of support agencies (e.g., Northwest Iowa Aging), health insurance premiums for public safety, autopsy services and a commitment of the County to fund the Northwest Iowa Developers Coalition. The General Fund also transferred funds into the Secondary Roads Fund for the first time in several years. This was due to the decrease in taxable valuations which caused the Rural Services Fund transfer to the Secondary Roads Fund to be lower.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,481,000, an increase of 3% over the prior year. Revenues increased approximately \$81,000 over the previous year. The Mental Health Fund balance increased by approximately \$101,000 over the prior year. Revenues increased in the Mental Health Fund because the County was able to receive an increase in the amount of community service funds, allowable growth dollars and case management funds totaling approximately \$81,000. Expenditures increased by approximately \$47,000 because waiver services increased, provider rates increased and the number of consumers increased.
- Revenues in the Rural Services Fund decreased approximately \$49,000. Local option sales tax revenues increased approximately \$51,000 over the previous year. Property and other County tax revenue for 2005, which includes local option sales tax revenues, decreased by approximately \$56,000 from the prior year. Expenditures increased approximately \$29,000, primarily due to increases in wages and benefits for uniformed patrol services in the public safety and legal services area. Transfers from the Rural Services Fund to the Secondary Roads Fund decreased approximately \$295,000. This resulted in a net increase of approximately \$126,000 in the Rural Services Fund balance at June 30, 2005. The 2004 taxable valuations decreased dramatically, resulting in a decrease in the transfer to the Secondary Roads Fund in fiscal 2005.

- Secondary Roads Fund expenditures increased by approximately \$691,000 over the prior year, due principally to asphalt resurfacing projects budgeted for both before and after July 1, 2004 but paid after July 1, 2004. Also, a resurfacing project for approximately \$519,000 was moved forward into 2005 due to advanced deterioration of the infrastructure. The total spent in fiscal year 2004 was approximately \$3,300,000. The total spent in fiscal year 2005 was approximately \$4,000,000. Revenues increased approximately \$154,000 from 2004 to 2005. Transfers to the Secondary Roads Fund decreased approximately \$210,000. There was an increase in road use tax revenue of approximately \$8,800. Reimbursements from other counties increased by approximately \$47,000. Reimbursements for driveways were also up by approximately \$23,000. Sales tax refunds increased by approximately \$7,400.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, O'Brien County amended its budget three times. The first amendment was made in July 2004 and resulted in an increase in budgeted disbursements for governmental services to residents for promotional expenses for O'Brien County Economic Development and for increased spending of electronic filing fee receipts. The second amendment was made in March 2005. The amendment was made to make changes in the budgeted disbursements for public safety and legal services because of increases in autopsy expenses and emergency and foster care for juveniles. There were also increased costs of running the jail and IPERS rates increased for deputies. The physical health and social services budget increased due to increased bio-terrorism spending. Mental health had an increase in revenue so more residents could be provided mental health services. Roads and transportation had changes in budgeted disbursements for increased expenses for bridges, culverts and roads maintenance. Legislative changes for elections were responsible for the increase in budgeted disbursements in administration. Budgeted disbursements also increased in administration for the installation of a Courthouse imaging system and a new boiler for the Courthouse. The third amendment was made in May 2005. The public safety and legal services budget was increased due to an increase in disbursements for autopsies and fuel costs for transporting prisoners. The roads and transportation budget increased because of mud slide repairs. The operating transfers budget increased because the County paid the balance of the commitment for the Nature Center project.

With these amendments, the County did not exceed the budgeted amounts for the year ended June 30, 2005.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, O'Brien County had approximately \$9.4 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$2.3 million, or 33 percent, over last year.

Capital Assets of Governmental Activities at Year-End
(Expressed in Thousands)

	June 30,	
	2005	2004
Land	\$ 133	133
Buildings and improvements	3,276	3,353
Equipment and vehicles	2,580	2,435
Infrastructure	3,437	1,183
 Total	 \$ 9,426	 7,104

This year's major additions included (in thousands):

Secondary Roads infrastructure	\$ 2,356
One motor grader, two trucks and two dump bodies for Secondary Roads	378
Courthouse boiler	33
Mower and tractor for Conservation Department	51
Ten portable radios for Sheriff's Department	52
Two cars for Sheriff's Department	44
Construction in progress on Prairie Heritage Nature Center	56
 Total	 \$ 2,970

The County had depreciation expense of \$588,625 in fiscal year 2005 and total accumulated depreciation of approximately \$3,905,000 at June 30, 2005. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2005, O'Brien County had \$2,975,000 in general obligation bonds outstanding, compared to \$3,135,000 at June 30, 2004.

The County continues to carry a general obligation bond rating of Aaa assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. O'Brien County's outstanding general obligation debt is significantly below its constitutional debt limit of \$28.5 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

O'Brien County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. According to information from Iowa Workforce Development, unemployment in the County stands at 4.1 percent versus 4.5 percent a year ago. This compares with the State's unemployment rate of 4.6 percent and the national rate of 5.0 percent for the period ended June 30, 2005.

These indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are \$10.7 million, an increase of 1 percent over the final 2005 budget. Property tax (benefiting from the 2006 rate increase and increases in assessed valuations) and grant receipts (boosted by increased State funding in several of our current programs) are expected to lead this increase. O'Brien County will use these increases in receipts to finance programs we currently offer and offset the effect we expect

inflation to have on program costs. Budgeted disbursements are expected to rise by approximately \$54,200. Increased wage and cost-of-living adjustments and increases in roadway construction and maintenance represent the largest increases. The County has added no major new programs or initiatives to the 2006 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of 2006.

O'Brien County considered the current revenues received along with the historical revenues versus expenditures when setting the levy rates for fiscal year 2006. A major factor in estimating many of the revenues from the State of Iowa was the current financial condition of the State and the history of the Iowa legislature cutting funding for counties.

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

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Exhibit A

O'Brien County
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,715,437
Receivables:	
Property tax:	
Delinquent	1,895
Succeeding year	4,229,000
Interest and penalty on property tax	3,445
Accounts	20,758
Accrued interest	13,807
Due from other governments	380,652
Inventories	768,191
Prepaid expenses	54,628
Capital assets (net of accumulated depreciation)	9,426,873
	<u>19,614,686</u>
Total assets	<u>19,614,686</u>
Liabilities	
Accounts payable	201,051
Accrued interest payable	22,052
Salaries and benefits payable	34,159
Due to other governments	143,596
Deferred revenue:	
Succeeding year property tax	4,229,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	170,000
Compensated absences	205,320
Portion due or payable after one year:	
General obligation bonds	2,805,000
	<u>7,810,178</u>
Total liabilities	<u>7,810,178</u>
Net Assets	
Invested in capital assets, net of related debt	6,451,873
Restricted for:	
Supplemental levy purposes	172,200
Mental health purposes	213,897
Secondary roads purposes	1,879,659
Drainage purposes	56,844
Internal service purposes	271,845
Other purposes	504,492
Unrestricted	2,253,698
	<u>2,253,698</u>
Total net assets	<u>\$ 11,804,508</u>

See notes to financial statements.

O'Brien County
 Statement of Activities
 Year ended June 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,104,165	899,436	47,187	51,810	(1,105,732)
Physical health and social services	412,360	5,061	179,771	-	(227,528)
Mental health	1,481,050	86,920	915,399	-	(478,731)
County environment and education	438,356	133,138	10,371	6,024	(288,823)
Roads and transportation	3,265,129	160,679	2,196,105	1,440,859	532,514
Governmental services to residents	382,354	242,343	-	-	(140,011)
Administration	764,386	14,538	-	-	(749,848)
Non-program	55,026	112,133	-	-	57,107
Interest on long-term debt	154,224	-	-	-	(154,224)
Total	\$ 9,057,050	1,654,248	3,348,833	1,498,693	(2,555,276)
General Revenues:					
Property and other county tax levied for:					
General purposes					3,921,963
Debt service					284,636
Penalty and interest on property tax					28,782
State tax credits					292,318
Local option sales tax					398,515
Unrestricted investment earnings					111,312
Gain on disposition of capital assets					47,176
Total general revenues					5,084,702
Change in net assets					2,529,426
Net assets beginning of year, as restated					9,275,082
Net assets end of year					\$ 11,804,508

See notes to financial statements.

O'Brien County
Balance Sheet
Governmental Funds

June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,122,324	403,828	248,779	1,036,460
Receivables:				
Property tax:				
Delinquent	1,137	279	334	-
Succeeding year	2,208,000	530,000	1,207,000	-
Interest and penalty on property tax	3,445	-	-	-
Accounts	5,048	13,464	-	2,246
Accrued interest	11,980	-	-	-
Due from other governments	113,299	-	74,652	192,701
Inventories	-	-	-	768,191
Prepaid expenses	32,456	-	2,700	19,472
Total assets	\$ 4,497,689	947,571	1,533,465	2,019,070
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 41,002	60,231	4,532	31,010
Salaries and benefits payable	10,729	-	253	23,177
Due to other governments	125	143,443	-	28
Deferred revenue:				
Succeeding year property tax	2,208,000	530,000	1,207,000	-
Other	53,923	279	334	1,386
Total liabilities	<u>2,313,779</u>	<u>733,953</u>	<u>1,212,119</u>	<u>55,601</u>
Fund balances:				
Reserved for:				
Supplemental levy purposes	171,948	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	2,011,962	-	-	-
Special revenue funds	-	213,618	321,346	1,963,469
Total fund balances	<u>2,183,910</u>	<u>213,618</u>	<u>321,346</u>	<u>1,963,469</u>
Total liabilities and fund balances	\$ 4,497,689	947,571	1,533,465	2,019,070

See notes to financial statements.

Debt Service	Nonmajor Special Revenue	Total
8,415	560,376	4,380,182
145	-	1,895
284,000	-	4,229,000
-	-	3,445
-	-	20,758
-	1,201	13,181
-	-	380,652
-	-	768,191
-	-	54,628
<u>292,560</u>	<u>561,577</u>	<u>9,851,932</u>
-	240	137,015
-	-	34,159
-	-	143,596
284,000	-	4,229,000
145	-	56,067
<u>284,145</u>	<u>240</u>	<u>4,599,837</u>
-	-	171,948
8,415	-	8,415
-	-	2,011,962
	561,337	3,059,770
<u>8,415</u>	<u>561,337</u>	<u>5,252,095</u>
<u>292,560</u>	<u>561,577</u>	<u>9,851,932</u>

O'Brien County

O'Brien County

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

June 30, 2005

Total governmental fund balances (page 19) \$ 5,252,095

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 \$13,332,196 and the accumulated depreciation is \$3,905,323. 9,426,873

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 56,067

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. 271,845

Long-term liabilities, including bonds payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (3,202,372)

Net assets of governmental activities (page 16) \$ 11,804,508

See notes to financial statements.

O'Brien County

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

Year ended June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 2,172,175	532,563	1,615,414	-
Interest and penalty on property tax	27,329	-	-	-
Intergovernmental	1,056,966	1,048,756	133,469	2,326,917
Licenses and permits	1,725	-	-	1,175
Charges for service	373,468	-	-	47,741
Use of money and property	165,074	-	-	494
Miscellaneous	56,029	1,137	30	60,617
Total revenues	3,852,766	1,582,456	1,748,913	2,436,944
Expenditures:				
Operating:				
Public safety and legal services	1,651,639	-	436,726	-
Physical health and social services	419,935	-	-	-
Mental health	-	1,481,050	-	-
County environment and education	319,870	-	139,870	1,146
Roads and transportation	-	-	-	2,971,035
Governmental services to residents	369,700	-	928	-
Administration	818,498	-	-	-
Non-program	5,114	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	1,062,708
Total expenditures	3,584,756	1,481,050	577,524	4,034,889
Excess (deficiency) of revenues over (under) expenditures	268,010	101,406	1,171,389	(1,597,945)
Other financing sources (uses):				
Operating transfers in	-	-	14	1,130,982
Operating transfers out	(205,613)	-	(1,045,369)	-
Total other financing sources (uses)	(205,613)	-	(1,045,355)	1,130,982
Net change in fund balances	62,397	101,406	126,034	(466,963)
Fund balances beginning of year	2,121,513	112,212	195,312	2,430,432
Fund balances end of year	\$ 2,183,910	213,618	321,346	1,963,469

See notes to financial statements.

Debt Service	Nonmajor Special Revenue	Total
284,600	-	4,604,752
-	-	27,329
19,289	27,871	4,613,268
-	-	2,900
-	17,670	438,879
-	9,806	175,374
-	9	117,822
<u>303,889</u>	<u>55,356</u>	<u>9,980,324</u>
-	-	2,088,365
-	-	419,935
-	-	1,481,050
-	-	460,886
-	-	2,971,035
-	32,046	402,674
-	-	818,498
-	-	5,114
304,149	-	304,149
-	69,136	1,131,844
<u>304,149</u>	<u>101,182</u>	<u>10,083,550</u>
(260)	(45,826)	(103,226)
-	120,000	1,250,996
-	(14)	(1,250,996)
-	119,986	-
(260)	74,160	(103,226)
8,675	487,177	5,355,321
<u>8,415</u>	<u>561,337</u>	<u>5,252,095</u>

O'Brien County

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

Year ended June 30, 2005

Net change in fund balances - Total governmental funds (page 23) \$ (103,226)

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

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

Expenditures for capital assets	\$ 1,422,880	
Capital assets contributed by the Iowa Department of Transportation	1,440,859	
Capital assets contributed by Little Sioux Valley Conservation Association	6,024	
Capital assets contributed by the Iowa Department of Public Defense	51,810	
Depreciation expense	(588,625)	2,275,114
		<hr/>

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 47,176

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

Property tax	360	
Other	(55,449)	(55,089)
		<hr/>

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 160,000

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	(29,560)	
Interest on long-term debt	(10,073)	(39,633)
		<hr/>

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 change in net assets of the Internal Service Fund is reported with governmental activities. 245,084

Change in net assets of governmental activities (page 17) \$ 2,529,426

See notes to financial statements.

O'Brien County
 Statement of Net Assets
 Proprietary Fund
 June 30, 2005

	<u>Internal Service - Employee Health Insurance</u>
Assets	
Cash and cash equivalents	\$ 335,255
Accrued interest receivable	<u>626</u>
Total assets	335,881
Liabilities	
Accounts payable	<u>64,036</u>
Net Assets	
Unrestricted	<u><u>\$ 271,845</u></u>

See notes to financial statements.

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

Year ended June 30, 2005

		<u>Internal Service - Employee Health Insurance</u>
Operating revenues:		
Reimbursements from operating funds		\$ 748,920
Stop loss insurance reimbursements		45,508
Reimbursements from others		31,484
Total operating revenues		<u>825,912</u>
Operating expenses:		
Health claims and administrative services	\$ 584,008	
Workers' compensation insurance	527	
Miscellaneous	186	584,721
Operating income		<u>241,191</u>
Non-operating revenues:		
Interest income		3,893
Net income		<u>245,084</u>
Net assets beginning of year		<u>26,761</u>
Net assets end of year		<u><u>\$ 271,845</u></u>

See notes to financial statements.

O'Brien County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2005

	<u>Internal Service - Employee Health Insurance</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 748,920
Cash received from stop loss insurance reimbursements	54,164
Cash received from others	31,874
Cash paid for health claims and to administrative provider	(597,857)
Cash paid for workers' compensation insurance	(527)
Cash paid for miscellaneous	(186)
Net cash from operating activities	<u>236,388</u>
Cash flows from investing activities:	
Interest on investments	<u>3,389</u>
Net increase in cash and cash equivalents	239,777
Cash and cash equivalents beginning of year	<u>95,478</u>
Cash and cash equivalents end of year	<u>\$ 335,255</u>
Reconciliation of operating income to net cash from operating activities:	
Operating income	\$ 241,191
Adjustments to reconcile operating income to net cash from operating activities:	
Decrease in accounts receivable	9,046
(Decrease) in accounts payable	<u>(13,849)</u>
Net cash from operating activities	<u>\$ 236,388</u>

See notes to financial statements.

O'Brien County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets

Cash and pooled investments:	
County Treasurer	\$ 877,433
Other County officials	12,691
Receivables:	
Property tax:	
Delinquent	7,079
Succeeding year	10,682,000
Accounts	23,657
Accrued interest	425
Special assessments	270,324
Due from other governments	190
Total assets	<u>11,873,799</u>

Liabilities

Accounts payable	611
Due to other governments	11,839,224
Trusts payable	8,473
Compensated absences	25,491
Total liabilities	<u>11,873,799</u>

Net assets \$ -

See notes to financial statements.

O'Brien County

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

These financial statements present O'Brien County (the primary government) and eleven drainage districts. These component units are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The

County Board of Supervisors are members of or appoint representatives to the following boards and commissions: O'Brien County Assessor's Conference Board, O'Brien County Emergency Management Services Commission and Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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

B. Basis of Presentation

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

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in 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 attributable to the acquisition, construction or improvement of those assets.

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

The 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 road construction and maintenance.

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

Additionally, the County reports the following funds:

Proprietary Fund - 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.

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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

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

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

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

Capital Assets – Capital assets, which include property, equipment 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 if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 65,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current 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 unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts

is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The unrestricted net assets of the Internal Service Fund are designated for future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 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 \$613,203 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Rural Services	Law Enforcement	
	Block Grant	\$ 14
Secondary Roads	General	85,613
	Special Revenue:	
	Rural Services	1,045,369
Conservation Land		
Acquisition	General	120,000
Total		<u>\$ 1,250,996</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 133,500	-	-	133,500
Construction in progress, road network	1,105,942	2,277,537	(3,340,140)	43,339
Construction in progress	-	56,059	-	56,059
Total capital assets not being depreciated	<u>1,239,442</u>	<u>2,333,596</u>	<u>(3,340,140)</u>	<u>232,898</u>
Capital assets being depreciated:				
Buildings	3,920,505	-	-	3,920,505
Improvements other than buildings	30,697	-	-	30,697
Equipment and vehicles	5,380,436	558,251	(286,315)	5,652,372
Infrastructure, road network	77,017	3,418,707	-	3,495,724
Total capital assets being depreciated	<u>9,408,655</u>	<u>3,976,958</u>	<u>(286,315)</u>	<u>13,099,298</u>
Less accumulated depreciation for:				
Buildings	592,352	75,993	-	668,345
Improvements other than buildings	6,139	614	-	6,753
Equipment and vehicles	2,944,970	354,154	(226,816)	3,072,308
Infrastructure, road network	53	157,864	-	157,917
Total accumulated depreciation	<u>3,543,514</u>	<u>588,625</u>	<u>(226,816)</u>	<u>3,905,323</u>
Total capital assets being depreciated, net	<u>5,865,141</u>	<u>3,388,333</u>	<u>(59,499)</u>	<u>9,193,975</u>
Governmental activities capital assets, net	<u>\$ 7,104,583</u>	<u>5,721,929</u>	<u>(3,399,639)</u>	<u>9,426,873</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 126,604
County environment and education		12,689
Roads and transportation		442,079
Administration		<u>7,253</u>
Total depreciation expense - governmental activities		<u>\$ 588,625</u>

(5) 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	<u>\$ 125</u>
Special Revenue:		
Mental Health	Services	143,443
Secondary Roads	Services	<u>28</u>
		<u>143,471</u>
Total for governmental funds		<u>\$ 143,596</u>
Agency:		
County Assessor	Collections	\$ 317,947
Schools		6,115,305
Community Colleges		285,952
Corporations		3,941,490
Townships		113,331
City Special Assessments		387,099
Auto License, Use Tax and Driver's License		271,339
E911		219,193
All other		<u>187,568</u>
Total for agency funds		<u>\$ 11,839,224</u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	General Obligation Bonds	Compen- sated Absences	Total
Balance beginning of year	\$ 3,135,000	175,760	3,310,760
Increases	-	155,830	155,830
Decreases	160,000	126,270	286,270
Balance end of year	<u>\$ 2,975,000</u>	<u>205,320</u>	<u>3,180,320</u>
Due within one year	<u>\$ 170,000</u>	<u>205,320</u>	<u>375,320</u>

General Obligation Bonds Payable

A summary of the County's June 30, 2005 general obligation bonded indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2006	5.300%	\$ 170,000	135,271	305,271
2007	4.300	175,000	126,258	301,258
2008	4.350	185,000	118,734	303,734
2009	4.350	195,000	110,686	305,686
2010	4.375	205,000	102,204	307,204
2011-2015	4.400-4.600	1,185,000	365,774	1,550,774
2016-2018	4.600-4.650	860,000	81,004	941,004
Total		\$ 2,975,000	1,039,931	4,014,931

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the county contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$195,079, \$189,102 and \$185,308 respectively, equal to the required contributions for each year.

(8) Risk Management

O'Brien County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Employee Health Insurance Plan

The Internal Service, Employee Health Insurance Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Health Insurance Fund. The County's contribution for the year ended June 30, 2005 was \$748,920.

Amounts payable from the Employee Health Insurance Fund at June 30, 2005 total \$64,036, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$271,845 at June 30, 2005 and is reported as a designation of the Internal Service, Employee Health Insurance Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 77,885
Incurred claims (including claims incurred but not reported at June 30, 2005)	570,159
Payment on claims during the fiscal year	<u>584,008</u>
Unpaid claims end of year	<u><u>\$ 64,036</u></u>

(10) Contingent Liability

The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Northwest Iowa Area Solid Waste Agency required by Chapter 111.6(8) of the Iowa Administrative Code. The County's financial assurance obligation is \$237,000.

(11) Subsequent Event

On July 21, 2005, the County issued \$3,085,000 of general obligation refunding capital loan notes dated July 1, 2005 for the purpose of refunding the remaining general obligation bonds of \$2,975,000.

(12) Restatement

Beginning net assets for governmental activities has been restated to include land not previously reported, as follows:

	<u>Governmental Activities</u>
Net assets June 30, 2004, as previously reported	\$ 9,141,582
Correction for land not included in prior year	<u>133,500</u>
Net assets July 1, 2004, as restated	<u><u>\$ 9,275,082</u></u>

Required Supplementary Information

O'Brien County

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

Required Supplementary Information

Year ended June 30, 2005

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 4,589,860	-
Interest and penalty on property tax	27,475	-
Intergovernmental	4,661,885	-
Licenses and permits	50,056	-
Charges for service	403,690	-
Use of money and property	168,844	1,096
Miscellaneous	118,908	-
Total receipts	<u>10,020,718</u>	<u>1,096</u>
Disbursements:		
Public safety and legal services	2,085,560	-
Physical health and social services	411,074	-
Mental health	1,468,088	-
County environment and education	462,933	-
Roads and transportation	2,965,229	-
Governmental services to residents	403,473	-
Administration	820,533	-
Non-program	5,114	-
Debt service	304,149	-
Capital projects	1,277,336	-
Total disbursements	<u>10,203,489</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(182,771)	1,096
Other financing sources, net	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(182,771)	1,096
Balance beginning of year	<u>4,562,955</u>	<u>55,630</u>
Balance end of year	<u>\$ 4,380,184</u>	<u>56,726</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
4,589,860	4,638,034	4,600,942	(11,082)
27,475	13,000	13,000	14,475
4,661,885	4,106,560	4,488,070	173,815
50,056	26,700	26,875	23,181
403,690	309,620	330,970	72,720
167,748	110,296	137,906	29,842
118,908	54,225	82,623	36,285
10,019,622	9,258,435	9,680,386	339,236
2,085,560	2,125,027	2,167,832	82,272
411,074	428,996	446,266	35,192
1,468,088	1,466,374	1,616,104	148,016
462,933	531,894	467,644	4,711
2,965,229	2,726,700	3,026,700	61,471
403,473	395,703	428,682	25,209
820,533	741,104	876,411	55,878
5,114	11,000	11,000	5,886
304,149	304,054	304,149	-
1,277,336	1,339,500	1,339,500	62,164
10,203,489	10,070,352	10,684,288	480,799
(183,867)	(811,917)	(1,003,902)	820,035
-	2,500	2,500	(2,500)
(183,867)	(809,417)	(1,001,402)	817,535
4,507,325	3,572,492	4,525,381	(18,056)
4,323,458	2,763,075	3,523,979	799,479

O'Brien County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,020,718	(40,394)	9,980,324
Expenditures	10,203,489	(119,939)	10,083,550
Net	(182,771)	79,545	(103,226)
Beginning fund balances	4,562,955	792,366	5,355,321
Ending fund balances	\$ 4,380,184	871,911	5,252,095

See accompanying independent auditor's report.

O'Brien County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$613,936. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

O'Brien County

Other Supplementary Information

O'Brien County
 Combining Balance Sheet
 Nonmajor Special Revenue Funds

June 30, 2005

	Resource Enhancement and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee
Assets			
Cash and pooled investments	\$ 107,692	19,158	5,473
Accrued interest receivable	219	35	24
Total assets	\$ 107,911	19,193	5,497
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	-	240
Fund equity:			
Unreserved fund balances	107,911	19,193	5,257
Total liabilities and fund equity	\$ 107,911	19,193	5,497

See accompanying independent auditor's report.

Federal Drug Reimburse- ment	Ambulance Replacement	Housing Rehab	Title XIX Set Aside - 10%	Special Environment	Drainage Districts	Conservation Land Acquisition	Total
2,022	134,925	9,290	5,120	31,253	56,726	188,717	560,376
-	280	9	-	65	118	451	1,201
2,022	135,205	9,299	5,120	31,318	56,844	189,168	561,577
-	-	-	-	-	-	-	240
2,022	135,205	9,299	5,120	31,318	56,844	189,168	561,337
2,022	135,205	9,299	5,120	31,318	56,844	189,168	561,577

O'Brien County

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

Year ended June 30, 2005

	Resource		
	Enhancement and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee
Revenues:			
Intergovernmental	\$ 10,371	-	-
Charges for service	-	3,474	14,196
Use of money and property	1,972	276	317
Miscellaneous	-	-	-
Total revenues	<u>12,343</u>	<u>3,750</u>	<u>14,513</u>
Expenditures:			
Operating:			
Governmental services to residents	-	-	32,046
Capital projects	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>32,046</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,343</u>	<u>3,750</u>	<u>(17,533)</u>
Other financing sources:			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>12,343</u>	<u>3,750</u>	<u>(17,533)</u>
Fund balances beginning of year	<u>95,568</u>	<u>15,443</u>	<u>22,790</u>
Fund balances end of year	<u>\$ 107,911</u>	<u>19,193</u>	<u>5,257</u>

See accompanying independent auditor's report.

Law Enforcement Block Grant	Federal Drug Reimbursement	Ambulance Replacement	Housing Rehab	Title XIX Set Aside - 10%	Special Environment	Drainage Districts	Conservation Land Acquisition	Total
-	-	17,500	-	-	-	-	-	27,871
-	-	-	-	-	-	-	-	17,670
-	-	2,608	105	-	625	1,134	2,769	9,806
-	-	-	9	-	-	-	-	9
-	-	20,108	114	-	625	1,134	2,769	55,356
-	-	-	-	-	-	-	-	32,046
-	-	-	-	-	-	-	69,136	69,136
-	-	-	-	-	-	-	69,136	101,182
-	-	20,108	114	-	625	1,134	(66,367)	(45,826)
-	-	-	-	-	-	-	120,000	120,000
(14)	-	-	-	-	-	-	-	(14)
(14)	-	-	-	-	-	-	120,000	119,986
(14)	-	20,108	114	-	625	1,134	53,633	74,160
14	2,022	115,097	9,185	5,120	30,693	55,710	135,535	487,177
-	2,022	135,205	9,299	5,120	31,318	56,844	189,168	561,337

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

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	2,055	186,139	108,872
Other County officials	12,691	-	-	-
Receivables:				
Property tax:				
Delinquent	-	63	73	3,433
Succeeding year	-	130,000	144,000	6,003,000
Accounts	818	-	93	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 13,509	132,118	330,305	6,115,305
Liabilities				
Accounts payable	\$ -	-	-	-
Due to other governments	9,283	132,118	317,947	6,115,305
Trusts payable	4,226	-	-	-
Compensated absences	-	-	12,358	-
Total liabilities	\$ 13,509	132,118	330,305	6,115,305

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License, Use Tax and Driver's License	E911	Other	Total
4,804	31,211	2,299	12,725	271,339	196,222	61,767	877,433
-	-	-	-	-	-	-	12,691
148	3,279	32	50	-	-	1	7,079
281,000	3,907,000	111,000	104,000	-	-	2,000	10,682,000
-	-	-	-	-	22,746	-	23,657
-	-	-	-	-	425	-	425
-	-	-	270,324	-	-	-	270,324
-	-	-	-	-	-	190	190
285,952	3,941,490	113,331	387,099	271,339	219,393	63,958	11,873,799
-	-	-	-	-	200	411	611
285,952	3,941,490	113,331	387,099	271,339	219,193	46,167	11,839,224
-	-	-	-	-	-	4,247	8,473
-	-	-	-	-	-	13,133	25,491
285,952	3,941,490	113,331	387,099	271,339	219,393	63,958	11,873,799

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

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 12,813	122,966	371,584	6,555,555
Additions:				
Property and other county tax	-	130,363	145,113	6,025,482
E911 surcharge	-	-	-	-
State tax credits	-	8,717	16,963	462,422
Office fees and collections	952,757	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, driver's licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	9,167	-
Total additions	952,757	139,080	171,243	6,487,904
Deductions:				
Agency remittances:				
To other funds	803,318	-	-	-
To other governments	127,975	129,928	212,522	6,928,154
Trusts paid out	20,768	-	-	-
Total deductions	952,061	129,928	212,522	6,928,154
Balances end of year	\$ 13,509	132,118	330,305	6,115,305

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License, Use Tax and Driver's License	E911 Surcharges	Other	Total
295,402	3,958,434	111,901	368,511	283,538	298,689	62,951	12,442,344
281,346	3,863,519	111,286	104,050	-	-	1,933	10,663,092
-	-	-	-	-	6,180	-	6,180
20,359	244,408	7,392	30	-	-	139	760,430
-	-	-	-	-	-	-	952,757
-	-	-	-	-	-	3,476	3,476
-	-	-	-	3,338,661	-	-	3,338,661
-	-	-	27,447	-	-	-	27,447
-	-	-	-	-	-	78,680	78,680
-	-	-	-	-	103,884	87,855	200,906
301,705	4,107,927	118,678	131,527	3,338,661	110,064	172,083	16,031,629
-	-	-	-	125,486	-	6	928,810
311,155	4,124,871	117,248	112,939	3,225,374	189,360	89,880	15,569,406
-	-	-	-	-	-	81,190	101,958
311,155	4,124,871	117,248	112,939	3,350,860	189,360	171,076	16,600,174
285,952	3,941,490	113,331	387,099	271,339	219,393	63,958	11,873,799

Schedule 5

O'Brien County

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

For the Last Five Years

	Modified Accrual Basis				
	2005	2004	2003	2002	2001
Revenues:					
Property and other county tax	\$ 4,604,752	4,680,655	4,252,755	4,130,925	4,052,563
Interest and penalty on property tax	27,329	28,979	27,467	27,495	24,313
Intergovernmental	4,613,268	4,474,319	3,456,156	4,044,170	3,536,435
Licenses and permits	2,900	2,490	2,130	2,653	1,998
Charges for service	438,879	429,707	826,538	317,334	291,309
Use of money and property	175,374	122,939	159,671	216,667	391,111
Fines, forfeitures and defaults	-	-	-	19,220	7,500
Miscellaneous	117,822	92,822	104,351	79,408	70,897
Total	<u>\$ 9,980,324</u>	<u>9,831,911</u>	<u>8,829,068</u>	<u>8,837,872</u>	<u>8,376,126</u>
Expenditures:					
Operating:					
Public safety and legal services	\$ 2,088,365	1,988,860	1,811,584	1,735,215	1,554,780
Physical health and social services	419,935	401,973	460,947	442,874	430,469
Mental health	1,481,050	1,432,499	1,513,629	1,511,855	1,378,308
County environment and education	460,886	457,522	479,319	737,798	533,057
Roads and transportation	2,971,035	2,869,960	2,297,184	2,606,244	2,649,320
Governmental services to residents	402,674	385,449	340,608	320,057	294,771
Administration	818,498	816,791	810,551	706,773	716,634
Non-program	5,114	5,728	5,010	8,063	4,426
Debt service	304,149	301,999	304,684	307,104	303,922
Capital projects	1,131,844	518,023	403,049	861,249	656,641
Total	<u>\$ 10,083,550</u>	<u>9,178,804</u>	<u>8,426,565</u>	<u>9,237,232</u>	<u>8,522,328</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

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Officials of O'Brien County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of O'Brien County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated December 7, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered O'Brien County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 O'Brien 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 reportable 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 caused by error or fraud 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, we do not believe any of the reportable conditions described above are material weaknesses.

Compliance and Other Matters

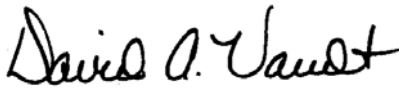
As part of obtaining reasonable assurance about whether O'Brien County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of

non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 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.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of O'Brien County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 7, 2005

O'Brien County

Schedule of Findings

Year ended June 30, 2005

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITIONS:

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

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared.	Recorder, Sheriff and Treasurer
(2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	Recorder
(3) Bank reconciliations are not reviewed periodically by an independent person for propriety.	Recorder

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response –

Treasurer – The Treasurer normally opens the mail, and then distributes it to the proper department. Motor vehicle receipts are normally processed by three employees. Taxes are normally processed by the Treasurer or Tax Deputy. The daily balancing is done by the Treasurer or the Tax Deputy or the motor vehicle clerk, on a rotating basis. Whoever does the balancing makes up the deposit and the Treasurer takes it to the bank. The Treasurer occasionally makes up a spreadsheet of all mail received that particular day, and then balances that to the daily archives that are done and kept on the computer system. Every transaction from every day is archived at the time of balancing

O'Brien County

Schedule of Findings

Year ended June 30, 2005

and every check and cash item is listed and can be traced. Cash is almost never received in the mail and even that is accounted for in the daily balancing and archiving. Since I have been Treasurer, we have never had any problem balancing our receipts to the penny.

Recorder – We will do the best we can to comply with the employees we have.

Sheriff – We will attempt to comply to the best of our ability.

Conclusion – Response accepted.

- (B) County Sheriff – The County Sheriff purchased equipment from commissary profits. These items were not reflected in the County's accounting system and have not been included in the County's annual budget or monthly financial reports. In addition, a maximum amount for commissary cash has not been established.

Recommendation – Commissary profits should be deposited with the County Treasurer and expenditures should be presented to the Board of Supervisors for approval and charged against the budget. In addition, a maximum amount of commissary cash should be established.

Response – We will attempt to comply and will need to establish a maximum amount for commissary cash with the Board of Supervisors.

Conclusion – Response accepted.

O'Brien County

Schedule of Findings

Year ended June 30, 2005

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- (2) Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted.
- (3) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Jim Norton, Conservation Board Member, owner of Hartley Farm and Home Center, Inc.	Supplies, building materials and parts	\$ 5,422
Ron Drenkow, Board of Supervisors, sons own Ron Drenkow Motors, Inc.	Parts and repair	1,745

In the opinion of the O'Brien County Attorney, the transactions with Hartley Farm and Home Center, Inc. and Ron Drenkow Motors, Inc. do not represent conflicts of interest.

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (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 – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (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).

O'Brien County

Schedule of Findings

Year ended June 30, 2005

- (10) Economic Development – During the year ended June 30, 2005, the County made payments of \$15,000 from the General Fund and \$100,000 from the Rural Services Fund to the O'Brien County Economic Development Corporation for economic development.

According to Chapter 15A of the Code of Iowa and an Attorney General Opinion's dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body should evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

While the public benefits to be derived from the expenditure from the Rural Services Fund was documented, the payment from the General Fund may not be an appropriate expenditure of public funds since the public benefits to be derived from that payment has not been clearly documented.

Recommendation – The Board should evaluate and document the public purpose served by these expenditures before authorizing further payments and should require the O'Brien County Economic Development Corporation to document at the end of each fiscal year how the funds were used to accomplish economic development activities.

Response – This was an oversight. When the motion was written stating the public purpose of the economic development activities, the General Fund portion was omitted from the motion. All relevant information will be included in the future.

Conclusion – Response accepted.

- (11) 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.

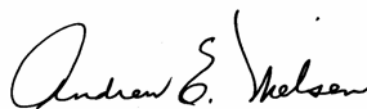
Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

O'Brien County

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
James L. Blekfeld, CPA, Senior Auditor
Brad T. Holtan, Staff Auditor
Trevor L. Theulen, Staff Auditor
Carey L. Fraise, Assistant Auditor
Cheryl R. Moya, CPA, Assistant Auditor
Marta M. Sobieszkoda, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State