

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

March 19, 2015

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Auditor of State Mary Mosiman today released an audit report on O'Brien County, Iowa.

The County had local tax revenue of \$22,316,214 for the year ended June 30, 2014, which included \$1,261,104 in tax credits from the state. The County forwarded \$16,312,987 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,003,227 of the local tax revenue to finance County operations, a 3.4% increase over the prior year. Other revenues included charges for service of \$2,173,079, operating grants, contributions and restricted interest of \$4,066,974, capital grants, contributions and restricted interest of \$463,891, tax increment financing of \$586,956, local option sales tax of \$464,700, unrestricted investment earnings of \$72,032 and other general revenues of \$90,846.

Expenses for County operations for the year ended June 30, 2014 totaled \$11,878,338, a less than 1% increase from the prior year. Expenses included \$4,682,295 for roads and transportation, \$3,007,835 for public safety and legal services and \$1,257,900 for administration.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1410-0071-B00F.pdf>.

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O'BRIEN COUNTY

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

JUNE 30, 2014

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O'Brien County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas Farnsworth	Board of Supervisors	Jan 2015
Daniel Friedrichsen	Board of Supervisors	Jan 2015
James DeBoom	Board of Supervisors	Jan 2017
Nancy McDowell	Board of Supervisors	Jan 2017
John Steensma	Board of Supervisors	Jan 2017
Barbara Rohwer	County Auditor	Jan 2017
Phyllis Rohlfen	County Treasurer	Jan 2015
Kurt Brown	County Recorder	Jan 2015
Michael J. Anderson	County Sheriff	Jan 2017
Micah Schreurs	County Attorney	Jan 2015
Lowell L. Dykstra	County Assessor	Jan 2016



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Independent Auditor's Report

To the Officials of O'Brien County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of O'Brien County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of O'Brien County as of June 30, 2014, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 16 and 48 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise O'Brien County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 24, 2015 on our consideration of O'Brien County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering O'Brien County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 24, 2015

O'Brien County

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 year ended June 30, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 2.1%, or approximately \$289,000, from fiscal year 2013 to fiscal year 2014. Property and other county tax increased approximately \$129,000. Capital grants, contributions and restricted interest decreased approximately \$911,000. Operating grants, contributions and restricted interest increased approximately \$902,000.
- Program expenses of the County's governmental activities were approximately \$11,878,000 in fiscal year 2014, or approximately 0.5% more than in fiscal year 2013. Roads and transportation expenses increased approximately \$11,000 and mental health expenses increased approximately \$40,000.
- The County's net position increased 8.0%, or approximately \$2,043,000, from June 30, 2013 to June 30, 2014.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The Statement of Net Position presents financial information on all of the County's assets, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

Fund Financial Statements

The County has three kinds of funds:

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

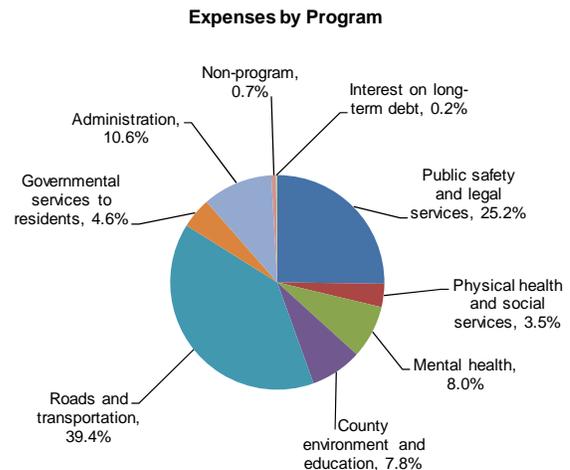
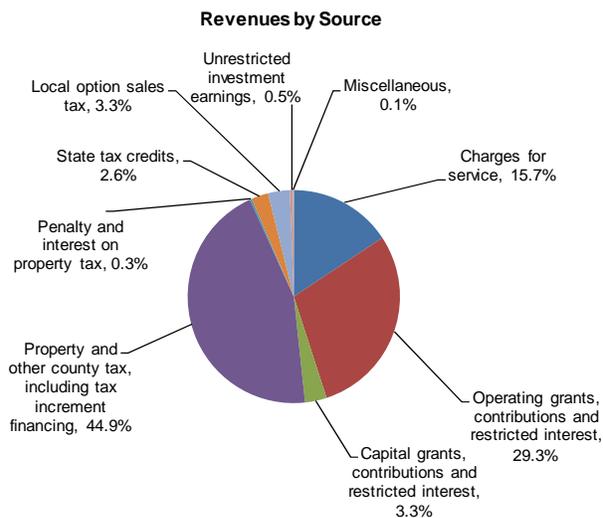
As noted earlier, net position may serve over time as a useful indicator of financial position. O'Brien County's combined net position increased from a year ago, from approximately \$25.4 million to approximately \$27.4 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2014	2013
Current and other assets	\$ 15,928	15,531
Capital assets	20,181	19,569
Total assets	<u>36,109</u>	<u>35,100</u>
Long-term liabilities	2,344	3,011
Other liabilities	448	480
Total liabilities	<u>2,792</u>	<u>3,491</u>
Deferred inflows of resources	5,887	6,222
Net position:		
Net investments in capital assets	18,516	17,189
Restricted	5,520	4,806
Unrestricted	3,394	3,392
Total net position	<u>\$ 27,430</u>	<u>25,387</u>

Net position of O'Brien County's governmental activities increased approximately \$2,043,000, or 8.0%. The largest portion of the County's net position 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 position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$3,392,000 at June 30, 2013 to approximately \$3,394,000 at the end of this year, a less than 1% increase.

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

	Year ended June 30,	
	2014	2013
Revenues:		
Program revenues:		
Charges for service	\$ 2,173	2,065
Operating grants, contributions and restricted interest	4,067	3,165
Capital grants, contributions and restricted interest	464	1,375
General revenues:		
Property and other county tax, including tax increment financing	6,234	6,105
Penalty and interest on property tax	40	38
State tax credits	356	298
Local option sales tax	465	502
Unrestricted investment earnings	72	48
Gain on disposition of capital assets	38	-
Miscellaneous	12	36
Total revenues	13,921	13,632
Program expenses:		
Public safety and legal services	3,008	2,951
Physical health and social services	413	390
Mental health	948	908
County environment and education	922	928
Roads and transportation	4,682	4,671
Governmental services to residents	546	538
Administration	1,258	1,065
Non-program	80	249
Interest on long-term debt	21	118
Total expenses	11,878	11,818
Change in net position	2,043	1,814
Net position beginning of year	25,387	23,573
Net position end of year	\$ 27,430	25,387



O'Brien County's net position of governmental activities increased approximately \$2,043,000 during the year. Revenues for governmental activities increased approximately \$289,000 over the prior year. Property and other county tax revenue increased approximately \$129,000, or 2.1%, over the prior year. Capital grants, contributions and restricted interest decreased approximately \$911,000, due primarily to prior year infrastructure and land contributions from the State of Iowa. Operating grants, contributions and restricted interest increased approximately \$902,000, due primarily to the receipt of a Resource Enhancement and Protection grant for \$485,000 and increases in other grants.

The cost of all governmental activities this year remained stable compared to last year at approximately \$11.9 million. However, as shown in the Statement of Activities on page 19, the amount property taxpayers ultimately financed for these activities was approximately \$5.2 million because some of the cost was paid by those who directly benefited from the programs, approximately \$2.2 million, and by other governments and organizations which subsidized certain programs with grants and contributions, approximately \$4.5 million. Overall, the County's governmental activities program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2014 from approximately \$6,605,000 to approximately \$6,704,000. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As O'Brien County completed the year, its governmental funds reported a combined fund balance of approximately \$7.8 million, an increase of approximately \$298,000 from last year's total of approximately \$7.5 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$547,000, or 11.1%, while expenditures increased approximately \$682,000 from the prior year to approximately \$5,478,000, an increase of 14.2% over the prior year. The ending fund balance decreased approximately \$137,000 from the prior year to approximately \$2,860,000.
- Mental health expenditures for the year totaled approximately \$817,000, a decrease of 9.9% from the prior year. Revenues decreased approximately \$12,000, a decrease of 1.3% from the prior year. The Special Revenue, Mental Health Fund balance increased approximately \$77,000 from the prior year to approximately \$453,000.
- Special Revenue, Rural Services Fund revenues increased approximately \$116,000, principally due to an increase in property and other county tax of approximately \$134,000. The County increased the rural services property tax levy rate from \$3.65048 per \$1,000 of taxable valuation in fiscal year 2013 to \$3.81219 per \$1,000 of taxable valuation in fiscal year 2014. Expenditures increased approximately \$34,000 over the prior year to approximately \$961,000, an increase of 3.6% over the prior year. The ending fund balance increased approximately \$3,000 from the prior year to approximately \$400,000.
- Special Revenue, Secondary Roads Fund revenues increased approximately \$95,000, primarily due to an increase in intergovernmental revenues. Expenditures decreased approximately \$188,000 from the prior year to approximately \$4,716,000, a decrease of 3.8% from the prior year. The decrease is primarily due to a decrease in capital projects expenditures. The ending fund balance increased approximately \$299,000 from the prior year to approximately \$3,695,000.

- Special Revenue, County Urban Renewal Fund revenues decreased approximately \$10,000, a decrease of 1.7%. This is principally due to a decrease in tax increment financing revenues. Expenditures decreased approximately \$237,000, a decrease of 34.3%. The decrease is primarily due to a decrease in debt service expenditures. The ending fund balance increased approximately \$137,000 from the prior year to approximately \$311,000.
- Debt Service Fund revenues remained similar to the prior year. Debt service expenditures decreased approximately \$1,529,000, a decrease of approximately 84.3%, to approximately \$284,000. This decrease is due primarily to the refunding of the 2005 general obligation notes in the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, O'Brien County amended its budget three times. The first amendment was made in November 2013. This resulted in an increase in budgeted disbursements of \$255,452. The largest increase was \$131,400 in the administration function. This is due to costs of the administration of the windmill permit. The second amendment was made in March 2014 and resulted in increases or decreases in budgeted disbursements for all functions except non-program, netting to an overall increase of \$159,253. Mental health function disbursements decreased \$473,344 due to the State's restructuring of how mental health services are paid for. Offsetting this large decrease in disbursements, intergovernmental revenues increased \$846,073 for various grants. The third amendment was made in May 2014 and resulted in an increase of \$90,000 and \$19,800 in budgeted disbursements for the mental health and administration functions, respectively.

The County's receipts were \$521,142 more than budgeted, a variance of 4%. The variance is a result of a conservative budgeting process which underestimates projected receipts for the County.

Total disbursements were \$1,131,825, or 7.9%, less than the amended budget. Actual disbursements for the public safety and legal services, capital projects and roads and transportation functions were under budget by \$143,273, \$255,859 and \$467,073, respectively. The public safety and legal services function did not spend as much on salaries and building repair. Capital projects function disbursements were less than anticipated due to less secondary road projects. For the roads and transportation function, not as much roadway construction and maintenance and servicing of roadway and bridges was completed as anticipated. Actual disbursements did not exceed the budget in any function during fiscal year 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, O'Brien County had approximately \$20.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$ 0.6 million, or 3.1%, over the prior year.

Capital Assets of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2014	2013
Land	\$ 1,019	378
Buildings and improvements	3,465	3,560
Equipment and vehicles	3,172	2,913
Infrastructure	12,525	12,718
Total	<u>\$ 20,181</u>	<u>19,569</u>
This year's major additions included (in thousands):		
Voting equipment	\$	77
Vehicles for Sheriff's Office		88
Two dump trucks		301
Snow removal equipment for Secondary Roads		41
Trailer for Secondary Roads		62
Backhoe for Secondary Roads		95
Tractor loader for Conservation Department		42
Backup power system for Sheriff's Office		20
Vehicle for Conservation Department		17
Land for Conservation Department		642
Total		<u>\$ 1,385</u>

The County had depreciation expense of \$1,339,771 in fiscal year 2014 and total accumulated depreciation of \$11,791,882 at June 30, 2014. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2014, O'Brien County had \$1,665,000 of general obligation bonds/notes outstanding, compared to \$2,380,000 at June 30, 2013.

The County continues to carry a general obligation bond rating of AAA assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. O'Brien County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$64.3 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

O'Brien County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 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 3.5% versus 3.7% a year ago. This compares with the State's unemployment rate of 4.6% and the national rate of 8.0% for the period ended June 30, 2014.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget were approximately \$15.3 million, an increase of 3.8% from the final fiscal year 2014 budget. Budgeted disbursements are expected to decrease \$700,215 from fiscal year 2014 actual disbursements. If these estimates are realized, the County's budgetary operating balance is expected to decrease by \$1,601,793 by the close of fiscal year 2015.

O'Brien County considered the current year's revenues, along with the historical revenues versus expenditures, when setting the levy rates for fiscal year 2015. A major factor in estimating many of the revenues from the State of Iowa was the current financial condition of the State and the history of the Iowa Legislature cutting funding for counties.

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

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of O'Brien County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the O'Brien County Auditor's Office, O'Brien County Courthouse, 155 South Hayes, Primghar, Iowa 51245.

Basic Financial Statements

Exhibit A

O'Brien County
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 8,116,665
Receivables:	
Property tax:	
Delinquent	8,500
Succeeding year	5,621,000
Succeeding year tax increment financing	266,000
Interest and penalty on property tax	11,219
Accounts	49,510
Accrued interest	4,775
Due from other governments	766,120
Inventories	1,084,204
Capital assets, net of accumulated depreciation	20,181,412
Total assets	<u>36,109,405</u>
Liabilities	
Accounts payable	413,476
Accrued interest payable	1,282
Salaries and benefits payable	29,096
Due to other governments	4,404
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds/notes	690,000
Compensated absences	291,587
Portion due or payable after one year:	
General obligation bonds/notes	975,000
Net OPEB liability	387,088
Total liabilities	<u>2,791,933</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	5,621,000
Unavailable tax increment financing	266,000
Total deferred inflows of resources	<u>5,887,000</u>
Net Position	
Net investment in capital assets	18,516,412
Restricted for:	
Supplemental levy purposes	428,519
Mental health purposes	451,085
Rural services purposes	335,772
Secondary roads purposes	3,498,685
Drainage purposes	60,801
Conservation land acquisition	117,662
Debt service	313,771
Other purposes	313,785
Unrestricted	3,393,980
Total net position	<u>\$ 27,430,472</u>

See notes to financial statements.

O'Brien County

Statement of Activities

Year ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	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	\$ 3,007,835	914,546	39,603	-	(2,053,686)
Physical health and social services	412,740	234,700	180,030	-	1,990
Mental health	948,348	157,121	306,509	-	(484,718)
County environment and education	922,214	147,712	500,834	228,231	(45,437)
Roads and transportation	4,682,295	154,159	3,037,089	235,660	(1,255,387)
Governmental services to residents	545,895	338,847	225	-	(206,823)
Administration	1,257,900	14,190	-	-	(1,243,710)
Non-program	79,813	211,804	-	-	131,991
Interest on long-term debt	21,298	-	2,684	-	(18,614)
Total	\$ 11,878,338	2,173,079	4,066,974	463,891	(5,174,394)
General Revenues:					
Property and other county tax levied for:					
General purposes					5,383,746
Debt service					263,635
Tax increment financing					586,956
Penalty and interest on property tax					40,077
State tax credits					355,846
Local option sales tax					464,700
Unrestricted investment earnings					72,032
Gain on disposition of capital assets					38,391
Miscellaneous					12,378
Total general revenues					7,217,761
Change in net position					2,043,367
Net position beginning of year					25,387,105
Net position end of year					\$ 27,430,472

See notes to financial statements.

O'Brien County

Balance Sheet
Governmental Funds

June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 2,785,454	425,600	342,129	2,337,494
Receivables:				
Property tax:				
Delinquent	5,514	950	1,563	-
Succeeding year	3,092,000	529,000	1,741,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	11,219	-	-	-
Accounts	45,357	60	100	3,993
Accrued interest	2,948	-	-	-
Advances to other funds	-	-	-	68,482
Due from other governments	148,777	27,968	61,251	428,124
Inventories	-	-	-	1,084,204
Total assets	\$ 6,091,269	983,578	2,146,043	3,922,297
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 69,343	492	3,165	211,404
Salaries and benefits payable	14,178	-	-	14,918
Advances from other funds	-	-	-	-
Due to other governments	4,404	-	-	-
Total liabilities	87,925	492	3,165	226,322
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	3,092,000	529,000	1,741,000	-
Succeeding year tax increment financing	-	-	-	-
Other	51,554	950	1,563	777
Total deferred inflows of resources	3,143,554	529,950	1,742,563	777
Fund balances:				
Nonspendable:				
Inventories	-	-	-	1,084,204
Advances to other funds	-	-	-	68,482
Restricted for:				
Supplemental levy purposes	450,804	-	-	-
Mental health purposes	-	453,136	-	-
Rural services purposes	-	-	400,315	-
Secondary roads purposes	-	-	-	2,542,512
Drainage purposes	-	-	-	-
Conservation land acquisition	17,662	-	-	-
Debt service	-	-	-	-
Other purposes	50,623	-	-	-
Committed for ambulance replacement	108,798	-	-	-
Unassigned	2,231,903	-	-	-
Total fund balances	2,859,790	453,136	400,315	3,695,198
Total liabilities, deferred inflows of resources and fund balances	\$ 6,091,269	983,578	2,146,043	3,922,297

See notes to financial statements.

County Urban Renewal	Debt Service	Nonmajor	Total
378,921	3,980	215,449	6,489,027
-	473	-	8,500
-	259,000	-	5,621,000
266,000	-	-	266,000
-	-	-	11,219
-	-	-	49,510
161	-	104	3,213
-	-	-	68,482
-	-	100,000	766,120
-	-	-	1,084,204
645,082	263,453	315,553	14,367,275
-	-	91,741	376,145
-	-	-	29,096
68,482	-	-	68,482
-	-	-	4,404
68,482	-	91,741	478,127
-	259,000	-	5,621,000
266,000	-	-	266,000
-	473	100,000	155,317
266,000	259,473	100,000	6,042,317
-	-	-	1,084,204
-	-	-	68,482
-	-	-	450,804
-	-	-	453,136
-	-	-	400,315
-	-	-	2,542,512
-	-	60,801	60,801
-	-	-	17,662
310,600	3,980	-	314,580
-	-	154,364	204,987
-	-	-	108,798
-	-	(91,353)	2,140,550
310,600	3,980	123,812	7,846,831
645,082	263,453	315,553	14,367,275

O'Brien County

O'Brien County

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

June 30, 2014

Total governmental fund balances (page 21)	\$ 7,846,831
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$31,973,294 and the accumulated depreciation is \$11,791,882	20,181,412
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	155,317
The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health insurance benefit plan and workers' compensation self insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position.	1,591,869
Long-term liabilities, including bonds/notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(2,344,957)
Net position of governmental activities (page 18)	<u>\$ 27,430,472</u>

See notes to financial statements.

O'Brien County

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

Year ended June 30, 2014

	Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	County Urban Renewal
Revenues:					
Property and other county tax	\$ 3,114,492	536,644	1,728,283	-	-
Local option sales tax	-	-	464,700	-	-
Tax increment financing	-	-	-	-	586,956
Interest and penalty on property tax	37,618	-	-	-	-
Intergovernmental	1,313,939	358,301	187,626	3,273,577	-
Licenses and permits	231,000	-	-	78,211	-
Charges for service	552,702	-	-	-	-
Use of money and property	170,710	-	-	4,828	2,449
Miscellaneous	51,885	-	12,237	95,727	-
Total revenues	5,472,346	894,945	2,392,846	3,452,343	589,405
Expenditures:					
Operating:					
Public safety and legal services	2,242,457	-	811,429	-	-
Physical health and social services	425,074	-	-	-	-
Mental health	133,628	817,486	-	-	-
County environment and education	752,597	-	148,225	-	-
Roads and transportation	-	-	-	3,996,617	-
Governmental services to residents	634,686	-	1,770	-	-
Administration	1,282,709	-	-	-	-
Non-program	6,676	-	-	-	-
Debt service	-	-	-	-	452,475
Capital projects	-	-	-	719,171	-
Total expenditures	5,477,827	817,486	961,424	4,715,788	452,475
Excess (deficiency) of revenues over (under) expenditures	(5,481)	77,459	1,431,422	(1,263,445)	136,930
Other financing sources (uses):					
Sale of capital assets	1,928	-	-	-	-
Transfers in	-	-	-	1,562,048	-
Transfers out	(133,239)	-	(1,428,809)	-	-
Total other financing sources (uses)	(131,311)	-	(1,428,809)	1,562,048	-
Change in fund balances	(136,792)	77,459	2,613	298,603	136,930
Fund balances beginning of year	2,996,582	375,677	397,702	3,396,595	173,670
Fund balances end of year	\$ 2,859,790	453,136	400,315	3,695,198	310,600

See notes to financial statements.

Debt Service	Nonmajor	Total
263,675	-	5,643,094
-	-	464,700
-	-	586,956
-	-	37,618
15,420	502,088	5,650,951
-	-	309,211
-	5,218	557,920
235	1,580	179,802
-	68,852	228,701
<u>279,330</u>	<u>577,738</u>	<u>13,658,953</u>
-	-	3,053,886
-	-	425,074
-	-	951,114
-	7,628	908,450
-	-	3,996,617
-	3,999	640,455
-	-	1,282,709
-	-	6,676
284,295	-	736,770
-	641,741	1,360,912
<u>284,295</u>	<u>653,368</u>	<u>13,362,663</u>
<u>(4,965)</u>	<u>(75,630)</u>	<u>296,290</u>
-	-	1,928
-	-	1,562,048
-	-	(1,562,048)
-	-	1,928
<u>(4,965)</u>	<u>(75,630)</u>	<u>298,218</u>
<u>8,945</u>	<u>199,442</u>	<u>7,548,613</u>
<u>3,980</u>	<u>123,812</u>	<u>7,846,831</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, 2014

Change in fund balances - Total governmental funds (page 25) \$ 298,218

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 exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,913,542	
Depreciation expense	(1,339,771)	573,771

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 38,391

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental

Property tax	4,287	
Other	111,523	115,810

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 715,000

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 the governmental funds, as follows:

Compensated absences	(26,375)	
Other postemployment benefits	(21,278)	
Interest on long-term debt	472	(47,181)

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health insurance benefit plan and workers' compensation self insurance to individual funds. The change in net position of the Internal Service Funds is reported with governmental activities. 349,358

Change in net position of governmental activities (page 19) \$ 2,043,367

See notes to financial statements.

O'Brien County
 Statement of Net Position
 Proprietary Funds

June 30, 2014

	<u>Internal Service</u>
Current Assets	
Cash and cash equivalents	\$ 777,638
Investments	850,000
Accrued interest receivable	<u>1,562</u>
Total current assets	1,629,200
Current Liabilities	
Accounts payable	<u>37,331</u>
Net Position	
Unrestricted	<u><u>\$ 1,591,869</u></u>

See notes to financial statements.

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

Year ended June 30, 2014

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,164,564
Stop loss insurance reimbursements	7,393
Reimbursements from others	32,334
Total operating revenues	<u>1,204,291</u>
Operating expenses:	
Health claims and administrative services	<u>864,339</u>
Operating income	339,952
Non-operating revenues:	
Interest income	<u>9,406</u>
Net income	349,358
Net position beginning of year	<u>1,242,511</u>
Net position end of year	<u><u>\$ 1,591,869</u></u>
See notes to financial statements.	

O'Brien County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2014

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,164,564
Cash received from stop loss insurance reimbursements	111,740
Cash received from others	32,334
Cash paid for health claims and for administrative services	(1,022,938)
Cash paid for operating fund reimbursements	(1,104)
Net cash provided by operating activities	284,596
Cash flows from investing activities:	
Sale of investments	64,503
Interest on investments	8,880
Net cash provided by investing activities	73,383
Increase in cash and cash equivalents	357,979
Cash and cash equivalents beginning of year	419,659
Cash and cash equivalents end of year	\$ 777,638
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 339,952
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in receivables	104,347
Decrease in payables	(159,703)
Net cash provided by operating activities	\$ 284,596

See notes to financial statements.

O'Brien County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 1,123,554
Other County officials	23,945

Receivables:

Property tax:

Delinquent	34,934
Succeeding year	15,384,000

Accounts	14,099
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Accrued interest	162
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Special assessments	259,549
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Due from other governments	220,414
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Total assets	<u>17,060,657</u>
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Liabilities

Accounts payable	169,349
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Due to other governments	16,855,411
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Trusts payable	8,390
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Compensated absences	27,507
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Total liabilities	<u>17,060,657</u>
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Net position

\$	<u><u>-</u></u>
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See notes to financial statements.

O'Brien County

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

Eleven 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, Compass Pointe, Regional Transit Authority, New Family Crisis Center, 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., O’Brien County Health Care Coalition and O’Brien County Economic Development Corporation.

B. Basis of Presentation

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

The Statement of Net Position presents the County’s nonfiduciary assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

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

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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 to be used to fund mental health, intellectual disabilities and developmental disabilities services.

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

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

The County Urban Renewal Fund is used for tax increment financing collections and the repayment of tax increment financing indebtedness.

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments – 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

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

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.

Advances to and from Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories 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, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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 Position.

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

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which it is levied.

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

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

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

(2) Cash, Cash Equivalents and Pooled Investments

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

The County is authorized by statute 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 \$912,769 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Interfund Assets/Liabilities

The detail of advances to/from other funds at June 30, 2014 is as follows:

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

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

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 133,239
	Special Revenue:	
	Rural Services	1,428,809
Total		<u>\$ 1,562,048</u>

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

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 377,660	641,741	-	1,019,401
Construction in progress, road network	1,581,334	583,815	(1,909,248)	255,901
Total capital assets not being depreciated	<u>1,958,994</u>	<u>1,225,556</u>	<u>(1,909,248)</u>	<u>1,275,302</u>
Capital assets being depreciated:				
Buildings	4,873,764	-	-	4,873,764
Improvements other than buildings	30,697	-	-	30,697
Equipment and vehicles	7,713,453	743,086	(182,014)	8,274,525
Infrastructure, road network	15,609,758	1,909,248	-	17,519,006
Total capital assets being depreciated	<u>28,227,672</u>	<u>2,652,334</u>	<u>(182,014)</u>	<u>30,697,992</u>
Less accumulated depreciation for:				
Buildings	1,332,438	94,894	-	1,427,332
Improvements other than buildings	11,665	614	-	12,279
Equipment and vehicles	4,800,717	466,744	(165,305)	5,102,156
Infrastructure, road network	4,472,596	777,519	-	5,250,115
Total accumulated depreciation	<u>10,617,416</u>	<u>1,339,771</u>	<u>(165,305)</u>	<u>11,791,882</u>
Total capital assets being depreciated, net	<u>17,610,256</u>	<u>1,312,563</u>	<u>(16,709)</u>	<u>18,906,110</u>
Governmental activities capital assets, net	<u>\$ 19,569,250</u>	<u>2,538,119</u>	<u>(1,925,957)</u>	<u>20,181,412</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 147,203
Physical health and social services	261
County environment and education	56,014
Roads and transportation	1,115,220
Government services to residents	7,717
Administration	13,356
Total depreciation expense – governmental activities	<u>\$ 1,339,771</u>

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 4,404
Agency:		
County Assessor	Collections	\$ 411,982
Schools		9,093,655
Community Colleges		483,608
Corporations		5,326,631
Townships		228,422
Auto License, Use Tax and Driver's License		328,008
E911 Surcharges		326,705
All other		656,400
Total for agency funds		\$ 16,855,411

(7) Long-Term Liabilities

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

	General Obligation Bonds/Notes	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 2,380,000	265,212	365,810	3,011,022
Increases	-	329,637	61,704	391,341
Decreases	715,000	303,262	40,426	1,058,688
Balance end of year	\$ 1,665,000	291,587	387,088	2,343,675
Due within one year	\$ 690,000	291,587	-	981,587

General Obligation Bonds/Notes

A summary of the County's June 30, 2014 general obligation bond/note indebtedness is as follows:

Year Ending June 30,	Law Enforcement Center Refunding Notes, Series 2012 Issued Nov 27, 2012		
	Interest	Principal	Interest
	Rates		
2015	0.50 - 0.55%	\$ 270,000	7,570
2016	0.60 - 0.70	270,000	6,085
2017	0.75 - 0.80	280,000	4,210
2018	0.95 - 1.00	270,000	1,958
Total		\$ 1,090,000	19,823

Year Ending June 30,	TIF Ethanol Plant Infrastructure Refunding Bonds, Series 2011 Issued Sept 1, 2011			Total		
	Interest	Principal	Interest	Principal	Interest	Total
	Rates					
2015	1.25%	\$ 420,000	7,575	690,000	15,145	705,145
2016	1.50	155,000	2,325	425,000	8,410	433,410
2017		-	-	280,000	4,210	284,210
2018		-	-	270,000	1,958	271,958
Total		\$ 575,000	9,900	1,665,000	29,723	1,694,723

During the year ended June 30, 2014, the County retired \$715,000 of general obligation bonds/notes.

(8) Industrial Development Revenue Bonds

The County has issued a total of \$8,100,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the County.

(9) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$390,887, \$368,184 and \$338,640, respectively, equal to the required contributions for each year.

(10) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 129 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 61,609
Interest on net OPEB obligation	14,632
Adjustment to annual required contribution	(14,537)
Annual OPEB cost	<u>61,704</u>
Contributions made	(40,426)
Increase in net OPEB obligation	<u>21,278</u>
Net OPEB obligation beginning of year	365,810
Net OPEB obligation end of year	<u>\$ 387,088</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the County contributed \$40,426 to the medical plan and there were no plan member contributions.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 71,132	12.7%	\$ 312,500
2013	71,148	25.1	365,810
2014	61,704	65.5	387,088

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$576,222, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$576,222. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,276,560 and the ratio of the UAAL to covered payroll was 13.5%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2011 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual health trend rate is 10%. The ultimate health trend rate is 5%. The health trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purposes of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$1,505 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) Risk Management

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

(12) 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 Blue Cross Blue Shield. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$50,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark Blue Cross Blue Shield from the Employee Health Insurance Fund. The County’s contribution to the fund for the year ended June 30, 2014 was \$1,164,564.

Amounts payable from the Employee Health Insurance Fund at June 30, 2014 total \$37,331, 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 \$1,573,447 at June 30, 2014 and is reported as a designation of the Internal Service, Employee Health Insurance Fund net position. 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	\$ 197,034
Incurred claims (including claims incurred but not reported at June 30, 2014)	863,235
Payment on claims during the fiscal year	1,022,938
Unpaid claims end of year	<u>\$ 37,331</u>

(13) Contingent Liability

The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Northwest Iowa Area Solid Waste Agency required by Chapter 567-113.14 of the Iowa Administrative Code. The County’s financial assurance obligation is \$306,000.

(14) Deficit Fund Balance

The Capital Projects Fund had a deficit balance of \$91,353 at June 30, 2014. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of grant funds.

(15) Northwest Iowa Care Connections

Northwest Iowa Care Connections, a jointly governed organization formed pursuant to the provision of Chapter 28E of the Code of Iowa which became effective April 25, 2014, includes the following member counties: Clay, Dickinson, Lyon, O'Brien, Osceola and Palo Alto. The member counties entered into this 28E agreement to create a mental health and disability service regional administrative entity as described by Chapter 331.389 of the Code of Iowa to provide local access to mental health and disability services for adults and to engage in any other related activity in which an Iowa 28E organization may lawfully be engaged. Northwest Iowa Care Connections designated O'Brien County as the fiscal agent to account for all funds of the organization as permitted by Chapter 331.391 of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as the Agency, Regional Mental Health Fund because of the County's fiduciary relationship with the organization.

(16) Prospective Accounting Change

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

O'Brien County

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, 2014

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 6,733,915	-	6,733,915
Interest and penalty on property tax	37,618	-	37,618
Intergovernmental	5,433,898	-	5,433,898
Licenses and permits	310,499	-	310,499
Charges for service	551,825	-	551,825
Use of money and property	176,537	396	176,141
Miscellaneous	253,498	-	253,498
Total receipts	<u>13,497,790</u>	<u>396</u>	<u>13,497,394</u>
Disbursements:			
Public safety and legal services	3,019,950	-	3,019,950
Physical health and social services	407,255	-	407,255
Mental health	1,003,728	-	1,003,728
County environment and education	905,172	1,163	904,009
Roads and transportation	4,012,927	-	4,012,927
Governmental services to residents	634,129	-	634,129
Administration	1,264,651	-	1,264,651
Non-program	6,676	-	6,676
Debt service	736,770	-	736,770
Capital projects	1,194,141	-	1,194,141
Total disbursements	<u>13,185,399</u>	<u>1,163</u>	<u>13,184,236</u>
Excess (deficiency) of receipts over (under) disbursements	312,391	(767)	313,158
Other financing sources, net	1,928	-	1,928
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	314,319	(767)	315,086
Balance beginning of year	6,174,708	61,535	6,113,173
Balance end of year	<u>\$ 6,489,027</u>	<u>60,768</u>	<u>6,428,259</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
6,926,673	6,755,027	(21,112)
17,500	17,504	20,114
4,116,836	5,063,501	370,397
113,000	331,300	(20,801)
423,170	432,273	119,552
154,504	168,412	7,729
93,320	208,235	45,263
11,845,003	12,976,252	521,142
3,165,300	3,163,223	143,273
461,081	447,999	40,744
1,388,600	1,005,256	1,528
847,183	950,997	46,988
4,480,000	4,480,000	467,073
596,314	676,346	42,217
1,316,557	1,395,719	131,068
9,500	9,500	2,824
737,021	737,021	251
790,000	1,450,000	255,859
13,791,556	14,316,061	1,131,825
(1,946,553)	(1,339,809)	1,652,967
-	1,928	-
(1,946,553)	(1,337,881)	1,652,967
4,810,670	6,129,127	(15,954)
2,864,117	4,791,246	1,637,013

O'Brien County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 13,497,790	161,163	13,658,953
Expenditures	13,185,399	177,264	13,362,663
Net	312,391	(16,101)	296,290
Other financing sources, net	1,928	-	1,928
Beginning fund balances	6,174,718	1,373,895	7,548,613
Ending fund balances	\$ 6,489,037	1,357,794	7,846,831

See accompanying independent auditor's report.

O'Brien County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, 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 \$524,505. 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, 2014, disbursements did not exceed the amounts budgeted.

O'Brien County

O'Brien County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008	-	\$ 878	878	0.0%	\$ 3,779	23.2%
2010	Jul 1, 2008	-	878	878	0.0	3,816	23.0
2011	Jul 1, 2008	-	878	878	0.0	3,759	23.4
2012	Jul 1, 2011	-	617	617	0.0	4,013	15.4
2013	Jul 1, 2011	-	617	617	0.0	4,152	14.9
2014	Jul 1, 2011	-	576	576	0.0	4,277	13.5

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

See accompanying independent auditor's report.

O'Brien County

Supplementary Information

O'Brien County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

	Resource Enhancement and Protection	County Recorder's Records Management	Federal Drug Reimburse- ment
Assets			
Cash, cash equivalents and pooled investments	\$ 81,853	37,075	2,759
Accrued interest receivable	45	20	-
Due from other governments	-	-	-
Total assets	\$ 81,898	37,095	2,759
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	-	-
Deferred inflows of resources:			
Other revenues	-	-	-
Fund balances:			
Restricted for:			
Drainage purposes	-	-	-
Other purposes	81,898	37,095	2,759
Unassigned	-	-	-
Total fund balances	81,898	37,095	2,759
Total liabilities, deferred inflows of resources and fund balances	\$ 81,898	37,095	2,759

See accompanying independent auditor's report.

Special Revenue

County	Housing	Special	Drainage	Capital	Total
Attorney	Rehab	Environment	Districts	Projects	
Forfeiture					
861	30,262	1,483	60,768	388	215,449
-	6	-	33	-	104
-	-	-	-	100,000	100,000
861	30,268	1,483	60,801	100,388	315,553
-	-	-	-	91,741	91,741
-	-	-	-	100,000	100,000
-	-	-	60,801	-	60,801
861	30,268	1,483	-	-	154,364
-	-	-	-	(91,353)	(91,353)
861	30,268	1,483	60,801	(91,353)	123,812
861	30,268	1,483	60,801	100,388	315,553

O'Brien County

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

Year ended June 30, 2014

	Resource Enhancement and Protection	County Recorder's Records Management	Special Revenue	
			Federal Drug Reimburse- ment	County Attorney Forfeiture
Revenues:				
Intergovernmental	\$ 14,413	-	2,675	-
Charges for service	-	5,218	-	-
Use of money and property	488	225	-	-
Miscellaneous	-	-	84	861
Total revenues	14,901	5,443	2,759	861
Expenditures:				
Operating:				
County environment and education	-	-	-	-
Governmental services to residents	-	3,999	-	-
Capital projects	-	-	-	-
Total expenditures	-	3,999	-	-
Changes in fund balances	14,901	1,444	2,759	861
Fund balances beginning of year	66,997	35,651	-	-
Fund balances end of year	\$ 81,898	37,095	2,759	861

See accompanying independent auditor's report.

Housing Rehab	Special Environment	Drainage Districts	Capital Projects	Total
-	-	-	485,000	502,088
-	-	-	-	5,218
79	3	397	388	1,580
2,907	-	-	65,000	68,852
2,986	3	397	550,388	577,738
6,465	-	1,163	-	7,628
-	-	-	-	3,999
-	-	-	641,741	641,741
6,465	-	1,163	641,741	653,368
(3,479)	3	(766)	(91,353)	(75,630)
33,747	1,480	61,567	-	199,442
30,268	1,483	60,801	(91,353)	123,812

Schedule 3

O'Brien County
Combining Schedule of Net Position
Internal Service Funds

June 30, 2014

	Employee Health Insurance	Workers' Compensation Self Insurance	Total
Current Assets			
Cash	\$ 759,216	18,422	777,638
Investments	850,000	-	850,000
Accrued interest receivable	1,562	-	1,562
Total current assets	<u>1,610,778</u>	<u>18,422</u>	<u>1,629,200</u>
Current Liabilities			
Accounts payable	37,331	-	37,331
Net Position			
Unrestricted	<u>\$ 1,573,447</u>	<u>18,422</u>	<u>1,591,869</u>

See accompanying independent auditor's report.

O'Brien County

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

Year ended June 30, 2014

	Employee Health Insurance	Workers' Compensation Self Insurance	Total
Operating revenues:			
Reimbursements from operating funds	\$ 1,164,564	-	1,164,564
Stop loss insurance reimbursements	7,393	-	7,393
Reimbursements from others	32,334	-	32,334
Total operating revenues	<u>1,204,291</u>	<u>-</u>	<u>1,204,291</u>
Operating expenses:			
Health claims and administrative services	863,235	1,104	864,339
Operating income (loss)	<u>341,056</u>	<u>(1,104)</u>	<u>339,952</u>
Non-operating revenues:			
Interest income	9,406	-	9,406
Net income (loss)	<u>350,462</u>	<u>(1,104)</u>	<u>349,358</u>
Net position beginning of year	<u>1,222,985</u>	<u>19,526</u>	<u>1,242,511</u>
Net position end of year	<u>\$ 1,573,447</u>	<u>18,422</u>	<u>1,591,869</u>

See accompanying independent auditor's report.

O'Brien County

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

Year ended June 30, 2014

	Employee Health Insurance	Workers' Compensation Self Insurance	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$1,164,564	-	1,164,564
Cash received from stop loss insurance reimbursements	111,740	-	111,740
Cash received from others	32,334	-	32,334
Cash paid for health claims and administrative services	(1,022,938)	-	(1,022,938)
Cash paid for operating fund reimbursements	-	(1,104)	(1,104)
Net cash provided (used) by operating activities	285,700	(1,104)	284,596
Cash flows from investing activities:			
Sale of investments	64,503	-	64,503
Interest on investments	8,880	-	8,880
Net cash provided by investing activities	73,383	-	73,383
Increase (decrease) in cash and cash equivalents	359,083	(1,104)	357,979
Cash and cash equivalents beginning of year	400,133	19,526	419,659
Cash and cash equivalents end of year	\$ 759,216	18,422	777,638
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 341,056	(1,104)	339,952
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Decrease in receivables	104,347	-	104,347
Decrease in payables	(159,703)	-	(159,703)
Net cash provided (used) by operating activities	\$ 285,700	(1,104)	284,596

See accompanying independent auditor's report.

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

June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	2,919	170,646	129,015	6,787
Other County officials	23,945	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	353	404	16,640	821
Succeeding year	-	204,000	257,000	8,948,000	476,000
Accounts	620	-	72	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 24,565	207,272	428,122	9,093,655	483,608
Liabilities					
Accounts payable	\$ -	-	-	-	-
Due to other governments	16,175	207,272	411,982	9,093,655	483,608
Trusts payable	8,390	-	-	-	-
Compensated absences	-	-	16,140	-	-
Total liabilities	\$ 24,565	207,272	428,122	9,093,655	483,608

See accompanying independent auditor's report.

Corporations	Townships	Auto License, Use Tax and Driver's License	E911 Surcharges	Regional Mental Health	Other	Total
38,004	3,337	328,008	289,468	-	155,370	1,123,554
-	-	-	-	-	-	23,945
16,627	85	-	-	-	4	34,934
5,272,000	225,000	-	-	-	2,000	15,384,000
-	-	-	13,261	-	146	14,099
-	-	-	162	-	-	162
-	-	-	-	-	259,549	259,549
-	-	-	23,814	170,338	26,262	220,414
5,326,631	228,422	328,008	326,705	170,338	443,331	17,060,657
-	-	-	-	169,111	238	169,349
5,326,631	228,422	328,008	326,705	1,227	431,726	16,855,411
-	-	-	-	-	-	8,390
-	-	-	-	-	11,367	27,507
5,326,631	228,422	328,008	326,705	170,338	443,331	17,060,657

O'Brien County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 55,763	201,766	453,529	9,100,520	466,970
Additions:					
Property and other county tax	-	204,657	258,224	8,983,776	478,101
E911 surcharge	-	-	-	-	-
State tax credits	-	12,866	14,706	572,328	29,873
State allocation					
Office fees and collections	976,569	-	-	-	-
Auto licenses, driver's licenses, use tax and postage	-	-	-	-	-
Trusts	472,748	-	-	-	-
Miscellaneous	-	-	4,184	-	-
Total additions	1,449,317	217,523	277,114	9,556,104	507,974
Deductions:					
Agency remittances:					
To other funds	814,978	-	-	-	-
To other governments	164,095	212,017	302,521	9,562,969	491,336
Trusts paid out	501,442	-	-	-	-
Total deductions	1,480,515	212,017	302,521	9,562,969	491,336
Balances end of year	\$ 24,565	207,272	428,122	9,093,655	483,608

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License, Use Tax and Driver's License	E911 Surcharges	Regional Mental Health	Other	Total
5,209,896	199,664	325,615	224,331	-	540,744	16,778,798
5,228,912	225,380	-	-	-	28,679	15,407,729
-	-	-	162,714	-	-	162,714
263,271	12,073	-	-	-	141	905,258
-	-	-	-	170,338	-	170,338
-	-	-	-	-	-	976,569
-	-	4,523,845	-	-	-	4,523,845
-	-	-	-	-	89,787	562,535
-	-	-	1,898	-	125,327	131,409
5,492,183	237,453	4,523,845	164,612	170,338	243,934	22,840,397
-	-	171,554	-	-	8	986,540
5,375,448	208,695	4,349,898	62,238	-	341,339	21,070,556
-	-	-	-	-	-	501,442
5,375,448	208,695	4,521,452	62,238	-	341,347	22,558,538
5,326,631	228,422	328,008	326,705	170,338	443,331	17,060,657

O'Brien County

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

For the Last Ten Years

	2014	2013	2012	2011
Revenues:				
Property and other county tax	\$ 5,643,094	5,507,469	5,370,568	5,217,546
Local option sales tax	464,700	501,867	502,532	549,039
Tax increment financing	586,956	597,052	454,053	277,107
Interest and penalty on property tax	37,618	64,261	36,263	38,333
Intergovernmental	5,650,951	4,726,524	5,439,839	5,638,539
Licenses and permits	309,211	112,510	115,771	73,441
Charges for service	557,920	504,716	471,117	463,818
Use of money and property	179,802	177,478	170,412	167,814
Miscellaneous	228,701	193,632	116,155	114,013
Total	\$ 13,658,953	12,385,509	12,676,710	12,539,650
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,053,886	2,855,852	2,744,927	\$ 2,629,857
Physical health and social services	425,074	385,576	416,749	498,026
Mental health	951,114	907,760	1,928,652	1,689,437
County environment and education	908,450	904,547	890,612	770,200
Roads and transportation	3,996,617	3,713,831	3,533,717	3,608,080
Governmental services to residents	640,455	524,493	516,709	478,552
Administration	1,282,709	1,058,352	978,377	935,515
Non-program	6,676	6,456	5,944	7,099
Debt service	736,770	2,502,239	732,305	374,947
Capital projects	1,360,912	1,189,761	288,466	882,336
Total	\$ 13,362,663	14,048,867	12,036,458	11,874,049

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
5,061,082	4,596,836	4,580,718	4,394,292	4,244,506	4,206,237
418,232	550,006	567,367	500,479	409,283	398,515
92,439	52,139	-	-	-	-
40,933	31,568	29,515	25,929	27,537	27,329
5,086,425	5,316,142	5,427,698	5,010,777	4,903,597	4,613,268
7,925	4,050	3,200	2,025	2,945	2,900
480,827	511,611	509,384	455,847	450,537	438,879
170,910	196,765	324,450	292,660	247,089	175,374
167,836	116,706	178,439	182,915	195,699	117,822
11,526,609	11,375,823	11,620,771	10,864,924	10,481,193	9,980,324
2,578,282	2,720,567	2,623,440	2,506,085	2,429,677	2,088,365
498,693	510,089	458,495	413,728	426,163	419,935
1,538,454	1,866,966	1,954,462	1,790,088	1,610,403	1,481,050
712,447	776,160	956,874	553,618	608,032	460,886
3,282,107	3,347,948	3,294,303	3,187,986	3,117,446	2,971,035
478,305	465,164	430,043	408,498	501,337	402,674
860,505	869,095	855,461	834,441	896,972	818,498
5,190	4,942	4,902	7,945	4,856	5,114
377,459	374,721	574,403	363,602	343,075	304,149
232,698	324,506	1,839,258	478,061	1,791,724	1,131,844
10,564,140	11,260,158	12,991,641	10,544,052	11,729,685	10,083,550

Schedule 9

O'Brien County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Grantor/Program	CFDA Numbe:	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 9,897
U.S. Department of the Interior:			
Ducks Unlimited, Inc.:			
North American Wetlands Conservation Fund	15.623	US-IA-310-6	100,000
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C071(67)--8J-71	210,765
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Immunization Cooperative Agreements	93.268	5884I458	13,404
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State Administered Programs	93.566		20
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,879
Foster Care-Title IV-E	93.658		3,787
Adoption Assistance	93.659		1,268
Children's Health Insurance Program	93.767		40
Medical Assistance Program	93.778		16,167
Social Services Block Grant	93.667		3,182
Social Services Block Grant	93.667		177,224
			180,406
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	141-UVGS7-00	108,033
Emergency Management Performance Grants	97.042	EMPG-14-PT-71	26,259
Total			\$ 672,925

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of O'Brien County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**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**

O'Brien County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
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Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of O'Brien County, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 24, 2015.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-14 and II-D-14 to be significant deficiencies.

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 an immaterial instance of non-compliance or other matters which is described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

O'Brien County's Responses to the Findings

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

Purpose of this Report

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

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

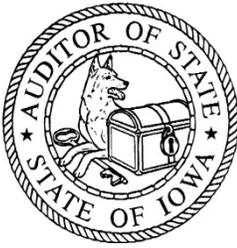

MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 24, 2015

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133**

O'Brien County



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

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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Officials of O'Brien County:

Report on Compliance for Each Major Federal Program

We have audited O'Brien County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. O'Brien County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for O'Brien County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about O'Brien County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of O'Brien County's compliance.

Opinion on Each Major Federal Program

In our opinion, O'Brien County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of O'Brien County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered O'Brien County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of O'Brien County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 24, 2015

O'Brien County
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) Unmodified opinions were issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs are:
 - CFDA Number 20.205 – Highway Planning and Construction.
 - CFDA Number 93.667 – Social Services Block Grant.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) O'Brien County did not qualify as a low-risk auditee.

O'Brien County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials and personnel from other County offices, 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 the signature or initials of the reviewer and the date of the review.

Responses:

Treasurer – With a limited staff we will try to abide and comply with the recommendation.

Recorder – Even though we have a limited staff, we will try to comply with these requirements. Additionally, as of January 1, 2015, bank reconciliations are being performed monthly.

O'Brien County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Sheriff – We will try to comply as much as we can with the recommendation.

Assessor – With a staff of only three, it is difficult to segregate duties, but we will try and comply to the best of our ability.

Ag Extension – With the limited number of staff members (3), it becomes difficult to segregate duties. We will make a point to improve on this in the future.

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

- II-B-14 Financial Reporting – During the audit, we identified material amounts of receivables and payables not properly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

Response – We will work with the County departments to communicate better regarding those transactions that can potentially cross fiscal years.

Conclusion – Response accepted.

- II-C-14 Commissary Fund - Collections for the Commissary Fund are not deposited in a timely manner.

Recommendation – The Sheriff's Office should make deposits timely.

Response – We have an additional staff person making deposits and will try to be more timely.

Conclusion – Response accepted.

- II-D-14 Ag Extension Office – One check signer for the Ag Extension bank account is not a current member of the Ag Extension Council.

Recommendation – The Ag Extension Office should ensure authorized check signers for its bank account are current members of the Council.

Response – The Ag Extension Office Assistant has checked with the bank and made sure only the members allowed to sign checks are listed on the bank signature card.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

O'Brien County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

O'Brien County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted.

IV-B-14 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.

IV-C-14 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-14 Business Transactions – The following business transactions between the County and County officials or employees were noted:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Diane Harms, Wife of District 1 Foreman	Mowing	\$250
Junelle Grady, Wife of District 3 Foreman	Mowing	240
Crystal Egdorf, Daughter of District 4 Foreman	Mowing	275

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

IV-E-14 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.

IV-F-14 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-14 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.

IV-H-14 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 and Questioned Costs

Year ended June 30, 2014

IV-I-14 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

IV-J-14 Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

IV-K-14 Financial Condition – At June 30, 2014, the Capital Projects Fund had a deficit balance of \$91,353.

Recommendation – The County should investigate alternatives to eliminate this deficit to return this fund to a sound financial position.

Response – The County paid the balance of the project off in August of 2014. There was some confusion regarding how the grant money would be received. Originally it was believed the grant would be received and then the final payment made. This was not the case. The funds needed to be expended and then the County was to apply for the grant funds. The Capital Projects Fund was not at a deficit on a cash basis as of June 2014. A transfer was done in fiscal year 2015 to cover the expense in the Capital Projects Fund due to the funds which were paid in August 2014. The grant funds were received in September 2014. At the time all of this was happening, no one was really sure when the asset would need to be booked. This property was purchased on a contract and paid over a two year period.

Conclusion – Response accepted.

O'Brien County

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manger
Dorothy O. Stover, Senior Auditor
Jesse J. Probasco, Staff Auditor, CPA
Anthony M. Heibult, Staff Auditor
Brandon A. Soda, Staff Auditor
Jessica L. Roeding, Assistant Auditor
Ryan P. Swanson, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State