



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

May 13, 2008

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$16,191,529 for the year ended June 30, 2007, which included \$1,022,944 in tax credits from the state. The County forwarded \$11,486,097 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,705,432 of the local tax revenue to finance County operations, a 3 percent increase over the prior year. Other revenues included charges for service of \$1,708,273, operating grants, contributions and restricted interest of \$3,759,047, capital grants, contributions and restricted interest of \$20,734, local option sales tax of \$500,479, unrestricted investment earnings of \$265,562 and other general revenues of \$48,391.

Expenses for County operations totaled \$10,425,879, a 5 percent increase over the prior year. Expenses included \$3,769,026 for roads and transportation, \$2,523,209 for public safety and legal services and \$1,790,088 for mental health.

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

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**O'BRIEN COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
  
**JUNE 30, 2007**

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**O'Brien County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2007)</b>		
Thomas Farnsworth	Board of Supervisors	Jan 2007
Jacob Moermond	Board of Supervisors	Jan 2007
Richard Haack	Board of Supervisors	Jan 2009
Dan Struve, Jr.	Board of Supervisors	Jan 2009
Emily Waund	Board of Supervisors	Jan 2009
Barbara Rohwer	County Auditor	Jan 2009
Sylvia Nikles	County Treasurer	Jan 2007
Kurt Brown	County Recorder	Jan 2007
Michael J. Anderson	County Sheriff	Jan 2009
Bruce A. Green	County Attorney	Jan 2007
Lowell L. Dykstra	County Assessor	Jan 2010
<b>(After January 2007)</b>		
Richard Haack	Board of Supervisors	Jan 2009
Dan Strueve, Jr.	Board of Supervisors	Jan 2009
Emily Waund	Board of Supervisors	Jan 2009
Thomas Farnsworth	Board of Supervisors	Jan 2011
Jacob Moermond	Board of Supervisors	Jan 2011
Barbara Rohwer	County Auditor	Jan 2009
Sylvia Nikles	County Treasurer	Jan 2011
Kurt Brown	County Recorder	Jan 2011
Michael J. Anderson	County Sheriff	Jan 2009
Bruce A. Green	County Attorney	Jan 2011
Lowell L. Dykstra	County Assessor	Jan 2010

**O'Brien County**



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Independent Auditor's Report

To the Officials of O'Brien County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of O'Brien County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of O'Brien County's management. Our responsibility is to express opinions on these financial statements based on our audit.

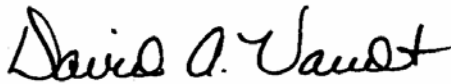
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of O'Brien County at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

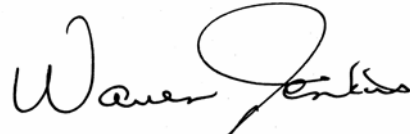
In accordance with Government Auditing Standards, we have also issued our report dated April 15, 2008 on our consideration of O'Brien County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 42 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise O'Brien County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (which are not presented herein) and expressed a qualified opinion on those financial statements due to the effects of the omission of general fixed assets. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 15, 2008

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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O'Brien County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007, along with comparative data for the year ended June 30, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased approximately 16%, or approximately \$2,153,000, from fiscal 2006 to fiscal 2007. Property and other county tax increased approximately \$147,000, operating grants, contributions and restricted interest increased approximately \$476,000, capital grants, contributions and restricted interest decreased approximately \$2,900,000 and charges for service increased approximately \$4,000.
- Program expenses were approximately \$483,000, or 5%, more in fiscal 2007 than in fiscal 2006.
- The County's net assets increased approximately 4%, or approximately \$582,000, from June 30, 2006 to June 30, 2007. This increase is due primarily to additions to capital projects and secondary roads infrastructure.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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



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

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

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

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

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

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis below shows the County's total net assets at June 30, 2007 and June 30, 2006.

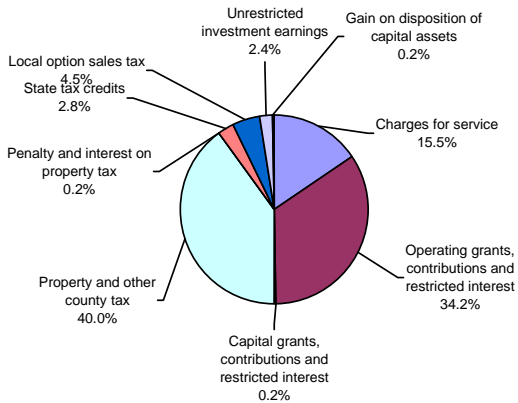
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2007	2006
Current and other assets	\$ 10,811	9,960
Capital assets	13,170	13,380
Total assets	<u>23,981</u>	<u>23,340</u>
Long-term liabilities	3,055	3,022
Other liabilities	5,321	5,295
Total liabilities	<u>8,376</u>	<u>8,317</u>
Net assets:		
Invested in capital assets, net of related debt	10,375	10,597
Restricted	2,381	2,002
Unrestricted	2,849	2,424
Total net assets	<u>\$ 15,605</u>	<u>15,023</u>

Net assets of O'Brien County's governmental activities increased approximately \$582,000, or 4%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from approximately \$2.4 million at June 30, 2006 to approximately \$2.8 million at June 30, 2007, an increase of approximately \$425,000, or 17.5%.

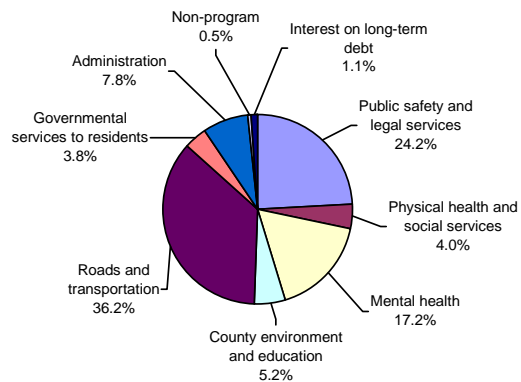
Changes in Net Assets of Governmental Activities  
(Expressed in Thousands)

	June 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for service	\$ 1,708	1,704
Operating grants, contributions and restricted interest	3,759	3,283
Capital grants, contributions and restricted interest	21	2,921
General revenues:		
Property and other county tax	4,392	4,245
Penalty and interest on property tax	25	28
State tax credits	313	310
Local option sales tax	500	409
Unrestricted investment earnings	266	200
Gain on disposition of capital assets	24	61
<b>Total revenues</b>	<b>11,008</b>	<b>13,161</b>
Program expenses:		
Public safety and legal services	2,523	2,424
Physical health and social services	414	411
Mental health	1,790	1,610
County environment and education	541	626
Roads and transportation	3,769	3,331
Governmental services to residents	397	497
Administration	817	866
Non-program	57	90
Interest on long-term debt	118	88
<b>Total expenses</b>	<b>10,426</b>	<b>9,943</b>
<b>Change in net assets</b>	<b>582</b>	<b>3,218</b>
<b>Net assets beginning of year</b>	<b>15,023</b>	<b>11,805</b>
<b>Net assets end of year</b>	<b>\$ 15,605</b>	<b>15,023</b>

**Revenue by Source**



**Expenses by Program**



The County increased property tax rates for 2007 an average of 1.6%. The taxable valuation for 2007 increased approximately \$5.9 million, or about 1.1%. As a result, the County's property and other County tax revenue increased approximately \$147,000 in 2007.

The cost of all governmental activities this year was \$10.4 million compared to \$9.9 million last year. However, as shown in the Statement of Activities on page 17, the amount property taxpayers ultimately financed for these activities was only \$4.9 million because some of the cost was paid by those that directly benefited from the programs, \$1.7 million, or by other governments and organizations that subsidized certain programs with grants and contributions, \$3.8 million. Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased approximately \$2,400,000 from 2006 to 2007.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As O'Brien County completed the year, its governmental funds reported a combined fund balance of \$4.6 million, an increase of approximately \$600,000 over last year's total of \$4 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$103,000 and expenditures decreased approximately \$178,000. The ending fund balance increased approximately \$144,000 over the prior year to approximately \$2 million. Decreases in expenditures in the General Fund were due to decreases in election, federal prisoner, county software and health administration expenditures.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1.8 million, an increase of 11% over the prior year. Revenues increased approximately \$189,000 from the previous year. The Mental Health Fund balance decreased approximately \$81,000 from the prior year. Revenues increased in the Mental Health Fund because the amount of the County's allowable growth allocation and risk pool funds increased. Expenditures increased approximately \$180,000 due to provider rate increases and an increase in the number of consumers.
- Revenues in the Rural Services Fund increased approximately \$91,000. Local option sales tax revenue increased approximately \$91,000 over the previous year. Expenditures decreased approximately \$4,000. Transfers from the Rural Services Fund to the Secondary Roads Fund increased approximately \$31,000. This resulted in a net increase of approximately \$110,000 in the Rural Services Fund balance at June 30, 2007. The 2006 taxable valuation for rural property increased approximately \$3.2 million, resulting in a slight increase in the transfer to the Secondary Roads Fund in fiscal 2007.
- Secondary Roads Fund expenditures decreased approximately \$751,000 from the prior year because of fewer infrastructure projects. The total spent in fiscal year 2006 was approximately \$4,255,000. The total spent in fiscal year 2007 was approximately \$3,504,000. Revenues increased approximately \$365,000 from 2006 to 2007. Transfers to the Secondary Roads Fund increased approximately \$34,000. There was an increase in road use tax revenue of approximately \$68,000 and the County received \$213,000 from the Iowa Department of Transportation for the transfer of jurisdiction of state roads to the County.
- Debt Service Fund expenditures decreased approximately \$39,000 from the prior year. Revenues decreased approximately \$25,000 from the prior year. This resulted in a net decrease of approximately \$15,800 in the Debt Service Fund balance at June 30, 2007.

## BUDGETARY HIGHLIGHTS

Over the course of the year, O'Brien County amended its budget three times. The first amendment was made in July 2006 and resulted in increases in budgeted disbursements for court services, an increase in the home maker program and for the construction of the RCF-building and the nature center project. The second amendment was made in March 2007. The amendment was made for increases in jail building repair made to the cooling system, purchase of 911 signs, increased fuel costs and a bank loan payment. The third amendment was made in May 2007 and resulted in an increase in the cost of juvenile detention, data processing equipment for the courthouse and an increase for the cost of metal pipe. Budget changes were also made for a bridge project. There were no significant variances between budgeted and actual receipts and disbursements.

Total disbursements were \$724,325 less than the amended budget. Actual disbursements for the public safety and legal services, county environment and education and roads and transportation functions were \$126,033, \$160,989 and \$282,046, respectively, less than budgeted. This was due to a decrease in the public safety and legal services for federal prisoner related disbursements, a decrease in county environment and education services because there was a delay in the start of the community development block grant project and a reduction in roads and transportation services due to fewer infrastructure capital projects.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, O'Brien County had approximately \$13.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$210,000, or 1.6%, from last year.

Capital Assets of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2007	2006
Land	\$ 133	133
Buildings and improvements	3,918	3,870
Equipment and vehicles	2,636	2,637
Infrastructure	6,483	6,740
<b>Total</b>	<b>\$ 13,170</b>	<b>13,380</b>
This year's major additions included (in thousands):		
Secondary Roads infrastructure	\$	150
Two trucks and two dump bodies for Secondary Roads		276
Mower and pick-up for Conservation Department		24
Two cars for Sheriff's Department and two car cameras		54
Construction in progress on Prairie Heritage Nature Center		127
<b>Total</b>	<b>\$</b>	<b>631</b>

The County had depreciation expense of \$843,848 in fiscal year 2007 and total accumulated depreciation of approximately \$4,982,000 at June 30, 2007. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

## **Long-Term Debt**

At June 30, 2007, O'Brien County had \$2,591,816 in general obligation refunding notes outstanding, compared to \$2,783,408 in general obligation bonds outstanding at June 30, 2006. In addition, the County entered into a bank loan agreement for \$256,692 during the year. The County paid principal of \$53,053 on the loan during the year. The bank loan balance at June 30, 2007 was \$203,639.

The County continues to carry a general obligation bond rating of Aaa assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. O'Brien County's outstanding general obligation debt is significantly below its constitutional debt limit of \$38.3 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

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

O'Brien County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 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 3.1%, the same percentage as a year ago. This compares with the State's unemployment rate of 3.5% and the national rate of 4.5% for the period ended June 30, 2007.

These indicators were taken into account when adopting the budget for fiscal year 2008. Amounts available for appropriation in the operating budget were \$15 million, an increase of 4% over the final 2007 budget. This increase is due to an increase in capital projects, primarily due to the construction of a road that is part of an abatement agreement with an ethanol plant. Budgeted disbursements are expected to increase approximately \$1,344,000. The County issued a general obligation bond for \$2,000,000 in August 2007. Additional information is presented in Note 12 to the financial statements. If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$800,000 by the close of 2008.

O'Brien County considered the current revenues received, along with the historical revenues versus expenditures, when setting the levy rates for fiscal year 2008. A major factor in estimating many of the revenues from the State of Iowa was the current financial condition of the State and the history of the Iowa legislature cutting funding for counties.

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

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

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

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

**O'Brien County**

## **Basic Financial Statements**



**Exhibit A**

O'Brien County  
Statement of Net Assets  
June 30, 2007

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 5,025,038
Receivables:	
Property tax:	
Delinquent	1,000
Succeeding year	4,579,000
Interest and penalty on property tax	3,000
Accounts	140,442
Accrued interest	27,897
Due from other governments	347,885
Inventories	623,986
Prepaid expenses	62,500
Capital assets (net of accumulated depreciation)	13,170,341
<b>Total assets</b>	<u>23,981,089</u>
<b>Liabilities</b>	
Accounts payable	366,818
Accrued interest payable	8,179
Salaries and benefits payable	33,700
Due to other governments	333,320
Deferred revenue:	
Succeeding year property tax	4,579,000
Long-term liabilities:	
Portion due or payable within one year:	
Bank loan	29,903
General obligation refunding notes	200,000
Compensated absences	259,546
Portion due or payable after one year:	
Bank loan	173,736
General obligation refunding notes	2,391,816
<b>Total liabilities</b>	<u>8,376,018</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	10,374,886
Restricted for:	
Supplemental levy purposes	282,276
Mental health purposes	51,476
Secondary roads purposes	1,775,784
Debt service	4,309
Drainage purposes	60,324
Other purposes	207,007
Unrestricted	2,849,009
<b>Total net assets</b>	<u>\$ 15,605,071</u>

See notes to financial statements.

O'Brien County

Statement of Activities

Year ended June 30, 2007

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 2,523,209	902,220	29,974	-	(1,591,015)
Physical health and social services	414,025	11,065	174,039	13,619	(215,302)
Mental health	1,790,088	101,491	1,045,472	-	(643,125)
County environment and education	541,160	138,270	7,669	-	(395,221)
Roads and transportation	3,769,026	242,126	2,501,893	5,965	(1,019,042)
Governmental services to residents	396,334	239,349	-	1,150	(155,835)
Administration	817,235	11,847	-	-	(805,388)
Non-program	56,428	61,905	-	-	5,477
Interest on long-term debt	118,374	-	-	-	(118,374)
<b>Total</b>	<b>\$ 10,425,879</b>	<b>1,708,273</b>	<b>3,759,047</b>	<b>20,734</b>	<b>(4,937,825)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					4,123,441
Debt service					269,395
Penalty and interest on property tax					24,555
State tax credits					312,596
Local option sales tax					500,479
Unrestricted investment earnings					265,562
Gain on disposition of capital assets					23,836
<b>Total general revenues</b>					<b>5,519,864</b>
Change in net assets					582,039
Net assets beginning of year					15,023,032
Net assets end of year					<b>\$ 15,605,071</b>

See notes to financial statements.

O'Brien County  
Balance Sheet  
Governmental Funds

June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 1,922,439	435,495	364,487	1,107,323
Receivables:				
Property tax:				
Delinquent	1,000	-	-	-
Succeeding year	2,499,000	537,000	1,263,000	-
Interest and penalty on property tax	3,000	-	-	-
Accounts	3,539	17,091	111,208	8,604
Accrued interest	23,743	-	-	-
Due from other funds	25,000	-	-	-
Due from other governments	115,062	-	-	232,823
Inventories	-	-	-	623,986
Prepaid expenses	37,838	-	3,643	21,019
	<b>\$ 4,630,621</b>	<b>989,586</b>	<b>1,742,338</b>	<b>1,993,755</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 40,985	86,576	1,304	92,211
Salaries and benefits payable	13,750	-	-	19,950
Due to other funds	-	-	-	-
Due to other governments	4,890	314,534	1,283	12,613
Deferred revenue:				
Succeeding year property tax	2,499,000	537,000	1,263,000	-
Other	64,000	10,000	-	12,000
Total liabilities	<b>2,622,625</b>	<b>948,110</b>	<b>1,265,587</b>	<b>136,774</b>
Fund balances:				
Reserved for:				
Supplemental levy purposes	282,276	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	1,725,720	-	-	-
Special revenue funds	-	41,476	476,751	1,856,981
Capital projects fund	-	-	-	-
Total fund balances	<b>2,007,996</b>	<b>41,476</b>	<b>476,751</b>	<b>1,856,981</b>
	<b>\$ 4,630,621</b>	<b>989,586</b>	<b>1,742,338</b>	<b>1,993,755</b>

See notes to financial statements.

Debt		
Service	Nonmajor	Total
4,309	340,203	4,174,256
-	-	1,000
280,000	-	4,579,000
-	-	3,000
-	-	140,442
-	-	23,743
-	-	25,000
-	-	347,885
-	-	623,986
-	-	62,500
<u>284,309</u>	<u>340,203</u>	<u>9,980,812</u>
-	72,753	293,829
-	-	33,700
-	25,000	25,000
-	-	333,320
280,000	-	4,579,000
-	-	86,000
<u>280,000</u>	<u>97,753</u>	<u>5,350,849</u>
-	-	282,276
4,309	-	4,309
-	-	1,725,720
-	267,331	2,642,539
-	(24,881)	(24,881)
<u>4,309</u>	<u>242,450</u>	<u>4,629,963</u>
<u>284,309</u>	<u>340,203</u>	<u>9,980,812</u>

**O'Brien County**

O'Brien County

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

June 30, 2007

<b>Total governmental fund balances (page 19)</b>	\$	4,629,963
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***Amounts reported for governmental activities in the Statement of Net Assets are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$18,152,220 and the accumulated depreciation is \$4,981,879.		13,170,341
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.		86,000
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The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.		781,947
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Long-term liabilities, including bank loan payable, notes payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(3,063,180)
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<b>Net assets of governmental activities (page 16)</b>	<b>\$</b>	<b>15,605,071</b>
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See notes to financial statements.

O'Brien County

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

Year ended June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 2,408,049	533,163	1,684,120	-
Interest and penalty on property tax	25,789	-	-	-
Intergovernmental	1,107,167	1,175,659	157,863	2,526,669
Licenses and permits	2,025	-	-	-
Charges for service	388,011	-	-	64,392
Use of money and property	280,952	-	-	460
Miscellaneous	32,417	-	-	140,498
Total revenues	4,244,410	1,708,822	1,841,983	2,732,019
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	1,974,863	-	481,616	-
Physical health and social services	413,728	-	-	-
Mental health	-	1,790,088	-	-
County environment and education	403,147	-	147,647	1,224
Roads and transportation	-	-	-	3,187,986
Governmental services to residents	407,002	-	1,496	-
Administration	808,991	-	25,000	-
Non-program	7,945	-	-	-
Debt service	-	-	-	59,806
Capital projects	-	-	-	255,343
Total expenditures	4,015,676	1,790,088	655,759	3,504,359
Excess (deficiency) of revenues over (under) expenditures	228,734	(81,266)	1,186,224	(772,340)
<b>Other financing sources (uses):</b>				
Sale of capital assets	5,847	-	-	-
Bank loan proceeds	-	-	-	256,692
Operating transfers in	-	-	-	1,164,777
Operating transfers out	(90,202)	-	(1,076,575)	-
Total other financing sources (uses)	(84,355)	-	(1,076,575)	1,421,469
Net change in fund balances	144,379	(81,266)	109,649	649,129
Fund balances beginning of year	1,863,617	122,742	367,102	1,207,852
Fund balances end of year	\$ 2,007,996	41,476	476,751	1,856,981

See notes to financial statements.

Debt Service	Nonmajor	Total
269,439	-	4,894,771
140	-	25,929
18,429	24,990	5,010,777
-	-	2,025
-	3,444	455,847
-	11,248	292,660
-	10,000	182,915
288,008	49,682	10,864,924
-	49,606	2,506,085
-	-	413,728
-	-	1,790,088
-	1,600	553,618
-	-	3,187,986
-	-	408,498
-	450	834,441
-	-	7,945
303,796	-	363,602
-	222,718	478,061
303,796	274,374	10,544,052
(15,788)	(224,692)	320,872
-	-	5,847
-	-	256,692
-	15,000	1,179,777
-	(13,000)	(1,179,777)
-	2,000	262,539
(15,788)	(222,692)	583,411
20,097	465,142	4,046,552
4,309	242,450	4,629,963



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, 2007

**Net change in fund balances - Total governmental funds (page 23)** \$ 583,411

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

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

Expenditures for capital assets	\$ 610,280	
Capital assets contributed by the Iowa Department of Transportation	5,965	
Depreciation expense	<u>(843,848)</u>	(227,603)

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. 17,989

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

Property tax	(1,596)	
Other	<u>22,377</u>	20,781

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments as follows:

Issued	(256,692)	
Repaid	<u>244,645</u>	(12,047)

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	(21,065)	
Interest on long-term debt	<u>583</u>	(20,482)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 219,990

**Change in net assets of governmental activities (page 17)** \$ 582,039

See notes to financial statements.

O'Brien County  
 Statement of Net Assets  
 Proprietary Fund  
 June 30, 2007

	<u>Internal            Service -            Employee            Health            Insurance</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 850,782
Accrued interest receivable	4,154
	<u>854,936</u>
<b>Total assets</b>	<b>854,936</b>
<b>Liabilities</b>	
Accounts payable	<u>72,989</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 781,947</u></u>

See notes to financial statements.

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

Year ended June 30, 2007

		<u>Internal Service - Employee Health Insurance</u>
Operating revenues:		
Reimbursements from operating funds		\$ 813,119
Stop loss insurance reimbursements		782
Reimbursements from others		22,601
Total operating revenues		<u>836,502</u>
Operating expenses:		
Health claims and administrative services	\$ 646,371	
Workers' compensation insurance	<u>648</u>	<u>647,019</u>
Operating income		189,483
Non-operating revenues:		
Interest income		<u>30,507</u>
Net income		219,990
Net assets beginning of year		<u>561,957</u>
Net assets end of year		<u>\$ 781,947</u>

See notes to financial statements.

O'Brien County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2007

	<u>Internal Service - Employee Health Insurance</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 813,119
Cash received from stop loss insurance reimbursements	782
Cash received from others	22,601
Cash paid for health claims and to administrative provider	(645,808)
Cash paid for workers' compensation insurance	(648)
Net cash provided by operating activities	<u>190,046</u>
Cash flows from investing activities:	
Interest on investments	<u>27,795</u>
Net increase in cash and cash equivalents	217,841
Cash and cash equivalents beginning of year	<u>632,941</u>
Cash and cash equivalents end of year	<u>\$ 850,782</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 189,483
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in payables	<u>563</u>
Net cash provided by operating activities	<u>\$ 190,046</u>

See notes to financial statements.

O'Brien County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2007

**Assets**

Cash and pooled investments:

County Treasurer	\$ 914,566
Other County officials	18,604

Receivables:

Property tax:

Delinquent	9,000
Succeeding year	10,790,000

Accounts	18,475
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Special assessments	127,686
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Due from other governments	6,684
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<b>Total assets</b>	<u>11,885,015</u>
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**Liabilities**

Accounts payable	504
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Due to other governments	11,849,503
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Trusts payable	3,658
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Compensated absences	31,350
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<b>Total liabilities</b>	<u>11,885,015</u>
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**Net assets**

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

O'Brien County

Notes to Financial Statements

June 30, 2007

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

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

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

A. Reporting Entity

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

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

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

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

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

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

#### B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major

individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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



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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The

compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The County’s deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,799,338 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	General	\$ 2,000
	Special Revenue:	
	Resource Enhancement and Protection	13,000
		<u>15,000</u>
Special Revenue:		
Secondary Roads	General	88,202
	Special Revenue:	
	Rural Services	1,076,575
		<u>1,164,777</u>
Total		<u>\$ 1,179,777</u>

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 133,500	-	-	133,500
Construction in progress, road network	-	150,248	(79,822)	70,426
Construction in progress	628,567	126,504	-	755,071
Total capital assets not being depreciated	<u>762,067</u>	<u>276,752</u>	<u>(79,822)</u>	<u>958,997</u>
Capital assets being depreciated:				
Buildings	3,963,135	-	-	3,963,135
Improvements other than buildings	30,697	-	-	30,697
Equipment and vehicles	5,784,118	366,793	(149,691)	6,001,220
Infrastructure, road network	7,118,349	79,822	-	7,198,171
Total capital assets being depreciated	<u>16,896,299</u>	<u>446,615</u>	<u>(149,691)</u>	<u>17,193,223</u>
Less accumulated depreciation for:				
Buildings	745,760	77,414	-	823,174
Improvements other than buildings	7,367	614	-	7,981
Equipment and vehicles	3,147,207	358,222	(140,380)	3,365,049
Infrastructure, road network	378,077	407,598	-	785,675
Total accumulated depreciation	<u>4,278,411</u>	<u>843,848</u>	<u>(140,380)</u>	<u>4,981,879</u>
Total capital assets being depreciated, net	<u>12,617,888</u>	<u>(397,233)</u>	<u>(9,311)</u>	<u>12,211,344</u>
Governmental activities capital assets, net	<u>\$ 13,379,955</u>	<u>(120,481)</u>	<u>(89,133)</u>	<u>13,170,341</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 126,892
County environment and education	19,739
Roads and transportation	688,329
Administration	8,888
Total depreciation expense - governmental activities	<u>\$ 843,848</u>

**(5) Due to Other Governments**

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 4,890</u>
Special Revenue:		
Mental Health	Services	314,534
Rural Services	Services	1,283
Secondary Roads	Services	<u>12,613</u>
		<u>328,430</u>
Total for governmental funds		<u><u>\$ 333,320</u></u>
Agency:		
County Assessor	Collections	\$ 549,350
Schools		6,227,146
Community Colleges		349,811
Corporations		3,873,623
Townships		126,718
City Special Assessments		131,335
Auto License, Use Tax and Driver's License		286,375
E911 Surcharges		156,462
All other		<u>148,683</u>
Total for agency funds		<u><u>\$ 11,849,503</u></u>

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

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	<u>Bank</u>	<u>General</u>	<u>Compen-</u>	<u>Total</u>
	<u>Loan</u>	<u>Obligation</u>	<u>sated</u>	
		<u>Refunding</u>	<u>Absences</u>	
		<u>Notes</u>		
Balance beginning of year	\$ -	2,783,408	238,481	3,021,889
Increases	256,692	-	248,617	505,309
Decreases	53,053	191,592	227,552	472,197
Balance end of year	<u>\$ 203,639</u>	<u>2,591,816</u>	<u>* 259,546</u>	<u>3,055,001</u>
Due within one year	<u>\$ 29,903</u>	<u>200,000</u>	<u>259,546</u>	<u>489,449</u>

\* Net of \$93,184 of unamortized discount at June 30, 2007.

### General Obligation Refunding Notes Payable

A summary of the County's June 30, 2007 general obligation refunding note indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2008	3.500%	\$ 200,000	96,396	296,396
2009	3.500	205,000	89,396	294,396
2010	3.500	215,000	82,134	297,134
2011	3.500-3.625	220,000	74,521	294,521
2012	3.625	235,000	66,524	301,524
2013-2017	3.400-4.000	1,315,000	199,125	1,514,125
2018	4.000	295,000	8,900	303,900
Total		<u>\$ 2,685,000</u>	<u>616,996</u>	<u>3,301,996</u>

### Bank Loan

On October 26, 2006, the County entered into an agreement with United Community Bank to borrow \$256,692 to purchase secondary roads vehicles. The interest rate on the loan is 5.75% per annum and the maturity date is October 26, 2011. During the year ended June 30, 2007, the County paid principal of \$53,053 on the loan. The balance of the loan was subsequently paid off in January 2008.

#### **(7) Deficit Balance**

At June 30, 2007, the Capital Projects Fund had a deficit balance of \$24,881. The deficit balance is the result of project costs in excess of available funds. The deficit will be eliminated upon receipt of general obligation bond proceeds.

#### **(8) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$223,927, 217,893 and \$195,079, respectively, equal to the required contributions for each year.

#### **(9) Risk Management**

O'Brien County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural

disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Employee Health Insurance Plan**

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

Monthly payments of service fees and plan contributions to the Employee Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Health Insurance Fund. The County’s contribution for the year ended June 30, 2007 was \$813,119.

Amounts payable from the Employee Health Insurance Fund at June 30, 2007 total \$72,989, 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 \$781,947 at June 30, 2007 and is reported as a designation of the Internal Service, Employee Health Insurance Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 72,426
Incurred claims (including claims incurred but not reported at June 30, 2007)	646,934
Payment on claims during the fiscal year	<u>646,371</u>
Unpaid claims end of year	<u><u>\$ 72,989</u></u>

**(11) Contingent Liability**

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

**(12) Subsequent Event**

On August 1, 2007, the County issued \$2,000,000 of general obligation bonds to pay the costs of the infrastructure for the VeraSun Ethanol Plant. The bonds are payable from property tax levied within the urban renewal area.



**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, 2007

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 4,884,828	-	4,884,828
Interest and penalty on property tax	25,794	-	25,794
Intergovernmental	5,073,397	-	5,073,397
Licenses and permits	66,382	-	66,382
Charges for service	420,685	-	420,685
Use of money and property	250,443	1,997	248,446
Miscellaneous	152,365	-	152,365
Total receipts	10,873,894	1,997	10,871,897
<b>Disbursements:</b>			
Public safety and legal services	2,504,998	-	2,504,998
Physical health and social services	422,834	-	422,834
Mental health	1,614,875	-	1,614,875
County environment and education	549,892	-	549,892
Roads and transportation	3,092,204	-	3,092,204
Governmental services to residents	409,995	-	409,995
Administration	841,303	-	841,303
Non-program	7,945	-	7,945
Debt service	363,602	-	363,602
Capital projects	818,871	-	818,871
Total disbursements	10,626,519	-	10,626,519
Excess (deficiency) of receipts over (under) disbursements	247,375	1,997	245,378
Other financing sources, net	263,839	-	263,839
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	511,214	1,997	509,217
Balance beginning of year	3,663,042	58,327	3,604,715
Balance end of year	\$ 4,174,256	60,324	4,113,932

See accompanying independent auditor's report.

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Budgeted Amounts		Final to Net Variance
Original	Final	
4,788,584	4,756,427	128,401
12,600	13,217	12,577
4,452,472	5,064,274	9,123
27,375	42,375	24,007
360,145	355,910	64,775
141,945	152,928	95,518
63,585	73,977	78,388
9,846,706	10,459,108	412,789
2,586,047	2,631,031	126,033
446,937	461,734	38,900
1,616,104	1,615,869	994
545,511	710,881	160,989
3,300,165	3,374,250	282,046
437,693	430,423	20,428
841,022	861,638	20,335
11,000	9,800	1,855
303,797	363,797	195
791,000	891,421	72,550
10,879,276	11,350,844	724,325
(1,032,570)	(891,736)	1,137,114
32,500	264,739	(900)
(1,000,070)	(626,997)	1,136,214
2,896,186	3,571,317	33,398
1,896,116	2,944,320	1,169,612

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O'Brien County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,873,894	(8,970)	10,864,924
Expenditures	10,626,519	(82,467)	10,544,052
Net	247,375	73,497	320,872
Other financing sources, net	263,839	(1,300)	262,539
Beginning fund balances	3,663,042	383,510	4,046,552
Ending fund balances	\$ 4,174,256	455,707	4,629,963

See accompanying independent auditor's report.

O'Brien County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$471,568. 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, 2007, disbursements did not exceed amounts budgeted.

**O'Brien County**

**Other Supplementary Information**



O'Brien County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2007

	Resource Enhancement and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Special Federal Drug Reimburse- ment
<b>Assets</b>				
Cash and pooled investments	\$ 237	27,006	5	5,501
<b>Liabilities and Fund Equity</b>				
Accounts payable	\$ -	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Fund equity:				
Unreserved, reported in:				
Special revenue funds	237	27,006	5	5,501
Capital projects fund	-	-	-	-
Total fund balances	237	27,006	5	5,501
<b>Total liabilities and fund equity</b>	<b>\$ 237</b>	<b>27,006</b>	<b>-</b>	<b>5,501</b>

See accompanying independent auditor's report.

Revenue								
Ambulance Replacement	Housing Rehab	Title XIX Set Aside - 10%	Special Environment	Drainage Districts	Conservation Land Acquisition	Capital Projects	Total	
129,149	30,570	5,120	8,944	60,324	475	72,872	340,203	
-	-	-	-	-	-	72,753	72,753	
-	-	-	-	-	-	25,000	25,000	
-	-	-	-	-	-	97,753	97,753	
129,149	30,570	5,120	8,944	60,324	475	-	267,331	
-	-	-	-	-	-	(24,881)	(24,881)	
129,149	30,570	5,120	8,944	60,324	475	(24,881)	242,450	
129,149	30,570	5,120	8,944	60,324	475	72,872	340,203	

O'Brien County

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

Year ended June 30, 2007

	Resource Enhancement and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Special Federal Drug Reimburse- ment
Revenues:				
Intergovernmental	\$ 7,490	-	-	-
Charges for service	-	3,444	-	-
Use of money and property	179	711	5	-
Miscellaneous	-	-	-	-
Total revenues	7,669	4,155	5	-
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	-	-
Administration	-	-	450	-
Capital projects	-	-	-	-
Total expenditures	-	-	450	-
Excess (deficiency) of revenues over (under) expenditures	7,669	4,155	(445)	-
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(13,000)	-	-	-
Total other financing sources (uses)	(13,000)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(5,331)	4,155	(445)	-
Fund balances beginning of year	5,568	22,851	450	5,501
Fund balances (deficit) end of year	\$ 237	27,006	5	5,501

See accompanying independent auditor's report.

Revenue								
Ambulance Replacement	Housing Rehab	Title XIX Set Aside - 10%	Special Environment	Drainage Districts	Conservation Land Acquisition	Capital Projects	Total	
17,500	-	-	-	-	-	-	24,990	
-	-	-	-	-	-	-	3,444	
4,286	416	-	198	1,843	5	3,605	11,248	
-	10,000	-	-	-	-	-	10,000	
21,786	10,416	-	198	1,843	5	3,605	49,682	
49,606	-	-	-	-	-	-	49,606	
-	-	-	1,600	-	-	-	1,600	
-	-	-	-	-	-	-	450	
-	-	-	-	-	-	222,718	222,718	
-	-	-	1,600	-	-	222,718	274,374	
21,786	10,416	-	(1,402)	1,843	5	(219,113)	(224,692)	
-	-	-	-	-	-	15,000	15,000	
-	-	-	-	-	-	-	(13,000)	
-	-	-	-	-	-	15,000	2,000	
21,786	10,416	-	(1,402)	1,843	5	(204,113)	(222,692)	
156,969	20,154	5,120	10,346	58,481	470	179,232	465,142	
178,755	30,570	5,120	8,944	60,324	475	(24,881)	242,450	

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

June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,006	291,785	105,146	5,811
Other County officials	18,604	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	-	4,000	-
Succeeding year	-	94,000	271,000	6,118,000	344,000
Accounts	574	-	72	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 19,178</b>	<b>96,006</b>	<b>562,857</b>	<b>6,227,146</b>	<b>349,811</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	-	-	-
Due to other governments	19,178	96,006	549,350	6,227,146	349,811
Trusts payable	-	-	-	-	-
Compensated absences	-	-	13,507	-	-
<b>Total liabilities</b>	<b>\$ 19,178</b>	<b>96,006</b>	<b>562,857</b>	<b>6,227,146</b>	<b>349,811</b>

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Auto License, Use Tax and Driver's License	E911 Surcharges	Other	Total
31,623	2,718	3,649	286,375	132,445	53,008	914,566
-	-	-	-	-	-	18,604
5,000	-	-	-	-	-	9,000
3,837,000	124,000	-	-	-	2,000	10,790,000
-	-	-	-	17,728	101	18,475
-	-	127,686	-	-	-	127,686
-	-	-	-	6,684	-	6,684
<b>3,873,623</b>	<b>126,718</b>	<b>131,335</b>	<b>286,375</b>	<b>156,857</b>	<b>55,109</b>	<b>11,885,015</b>
-	-	-	-	395	109	504
3,873,623	126,718	131,335	286,375	156,462	33,499	11,849,503
-	-	-	-	-	3,658	3,658
-	-	-	-	-	17,843	31,350
<b>3,873,623</b>	<b>126,718</b>	<b>131,335</b>	<b>286,375</b>	<b>156,857</b>	<b>55,109</b>	<b>11,885,015</b>

O'Brien County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 16,379	114,631	496,296	6,012,894	328,691
Additions:					
Property and other county tax	-	94,052	272,403	6,141,077	345,294
E911 surcharge	-	-	-	-	-
State tax credits	-	8,139	18,839	426,985	23,559
Office fees and collections	938,485	-	-	-	-
Auto licenses, driver's licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	11,543	-	-	-	-
Miscellaneous	-	-	3,332	-	-
Total additions	950,028	102,191	294,574	6,568,062	368,853
Deductions:					
Agency remittances:					
To other funds	728,702	-	-	-	-
To other governments	209,783	120,816	228,013	6,353,810	347,733
Trusts paid out	8,744	-	-	-	-
Total deductions	947,229	120,816	228,013	6,353,810	347,733
Balances end of year	\$ 19,178	96,006	562,857	6,227,146	349,811

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Auto License, Use Tax and Driver's License	E911 Surcharges	Other	Total
3,826,800	121,694	181,023	270,736	89,113	77,263	11,535,520
3,795,981	124,990	-	-	-	1,952	10,775,749
-	-	-	-	137,613	-	137,613
224,142	8,542	-	-	-	142	710,348
-	-	-	-	-	-	938,485
-	-	-	3,247,819	-	-	3,247,819
-	-	22,987	-	-	-	22,987
-	-	-	-	-	53,512	65,055
-	-	-	-	7,790	89,952	101,074
4,020,123	133,532	22,987	3,247,819	145,403	145,558	15,999,130
-	-	-	114,445	-	-	843,147
3,973,300	128,508	72,675	3,117,735	77,659	103,761	14,733,793
-	-	-	-	-	63,951	72,695
3,973,300	128,508	72,675	3,232,180	77,659	167,712	15,649,635
3,873,623	126,718	131,335	286,375	156,857	55,109	11,885,015



O'Brien County

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

For the Last Seven Years

	2007	2006	2005
Revenues:			
Property and other county tax	\$ 4,894,771	4,653,789	4,604,752
Interest and penalty on property tax	25,929	27,537	27,329
Intergovernmental	5,010,777	4,903,597	4,613,268
Licenses and permits	2,025	2,945	2,900
Charges for service	455,847	450,537	438,879
Use of money and property	292,660	247,089	175,374
Fines, forfeitures and defaults	-	-	-
Miscellaneous	182,915	195,699	117,822
<b>Total</b>	<b>\$ 10,864,924</b>	<b>10,481,193</b>	<b>9,980,324</b>
Expenditures:			
Operating:			
Public safety and legal services	\$ 2,506,085	2,429,677	2,088,365
Physical health and social services	413,728	426,163	419,935
Mental health	1,790,088	1,610,403	1,481,050
County environment and education	553,618	608,032	460,886
Roads and transportation	3,187,986	3,117,446	2,971,035
Governmental services to residents	408,498	501,337	402,674
Administration	834,441	896,972	818,498
Non-program	7,945	4,856	5,114
Debt service	363,602	343,075	304,149
Capital projects	478,061	1,791,724	1,131,844
<b>Total</b>	<b>\$ 10,544,052</b>	<b>11,729,685</b>	<b>10,083,550</b>

See accompanying independent auditor's report.

Modified Accrual Basis			
2004	2003	2002	2001
4,680,655	4,252,755	4,130,925	4,052,563
28,979	27,467	27,495	24,313
4,474,319	3,456,156	4,044,170	3,536,435
2,490	2,130	2,653	1,998
429,707	826,538	317,334	291,309
122,939	159,671	216,667	391,111
-	-	19,220	7,500
92,822	104,351	79,408	70,897
9,831,911	8,829,068	8,837,872	8,376,126
1,988,860	1,811,584	1,735,215	1,554,780
401,973	460,947	442,874	430,469
1,432,499	1,513,629	1,511,855	1,378,308
457,522	479,319	737,798	533,057
2,869,960	2,297,184	2,606,244	2,649,320
385,449	340,608	320,057	294,771
816,791	810,551	706,773	716,634
5,728	5,010	8,063	4,426
301,999	304,684	307,104	303,922
518,023	403,049	861,249	656,641
9,178,804	8,426,565	9,237,232	8,522,328

**O'Brien County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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

To the Officials of O'Brien County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of O'Brien County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated April 15, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects O'Brien County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood misstatement of O'Brien County's financial statements that is more than inconsequential will not be prevented or detected by O'Brien County's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by O'Brien County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A) and (B) are material weaknesses.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

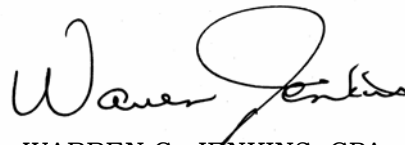
O'Brien County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit O'Brien County's responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 15, 2008

O'Brien County

Schedule of Findings

Year ended June 30, 2007

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

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

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

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

Responses –

Recorder – We will try to comply as best we can with the limited number of employees we have.

Sheriff – We will attempt to comply in the future.

Conclusion – Responses accepted.

O'Brien County

Schedule of Findings

Year ended June 30, 2007

- (B) Financial Reporting – Material amounts of payables, receivables, inventory and infrastructure requiring adjustment in the County’s financial statements were noted, as follows:

County Engineer – Gravel inventory at June 30, 2007 was initially valued using an unsupported price. Gravel royalty for gravel crushed by June 30, 2007 was not initially included in the accounts payable listing. Also, the spreadsheets used to account for the County’s infrastructure were not updated. Adjustments were subsequently made by the County to properly adjust for these items in the financial statements.

County Treasurer – Voided miscellaneous receipts were included on the County’s miscellaneous receipts listing used to compile accounts receivable for the fiscal year. Adjustments were subsequently made by the County to properly adjust for these items in the financial statements.

County Auditor – The accounts receivable and accounts payable reports were not thoroughly reviewed to identify adjustments needed for the County Engineer and County Treasurer items noted above.

Recommendation – The County should implement procedures to ensure all relevant items are identified and included in the County’s financial statements.

Responses:

County Engineer – The office will include a note in gravel crushing files where installment payments are due in future years to include those as liabilities in our financial report as well as any other payables that may exist. Final audit for project files will include a note to enter construction projects for infrastructure record keeping.

County Treasurer – The voided miscellaneous receipts issue will be closely watched by doing a voided miscellaneous receipt report and looking at the description.

County Auditor – The payable and receipt issue will be more closely watched and we will run reports to watch for this.

Conclusion – Responses accepted

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

O'Brien County

Schedule of Findings

Year ended June 30, 2007

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.
- (2) 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.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Jim Norton, Conservation Board Member, owner of Hartley Farm and Home Center, Inc.	Supplies, building materials and parts	\$ 6,334
Emily Waund, Board of Supervisors, Emily and her two brothers (Chuck Getting and John Getting) own the Getting gravel pit.	Gravel pit royalties	280

In the opinion of the O'Brien County Attorney, the transactions with Hartley Farm and Home Center, Inc. do not represent a conflict of interest.

In accordance with Chapter 331.342(10) of the Code of Iowa, the transaction with Emily Waund, Chuck Getting and John Getting does not appear to represent a conflict of interest since the cumulative total purchase price did not exceed \$1,500 in fiscal year 2007.

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



O'Brien County

Schedule of Findings

Year ended June 30, 2007

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

Disbursements during the year ended June 30, 2007 for the County Extension Office did not exceed the amount budgeted.

- (10) Deficit Fund Balance – The Capital Projects Fund had a deficit fund balance of \$24,881 at June 30, 2007.

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

Response – The deficit will be eliminated upon receipt of general obligation bond proceeds.

Conclusion – Response accepted.

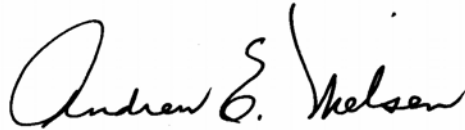
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O'Brien County

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager  
Scott P. Boisen, Senior Auditor  
Tiffany A. Gossweiler, Staff Auditor  
Michael J. Hackett, Staff Auditor  
William J. Hanson, Assistant Auditor  
Brett M. Zeller, 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