



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

May 13, 2009

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

The County had local tax revenue of \$17,122,205 for the year ended June 30, 2008, which included \$944,879 in tax credits from the state. The County forwarded \$12,254,283 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,867,922 of the local tax revenue to finance County operations, a 3 percent increase over the prior year. Other revenues included charges for service of \$1,951,091, operating grants, contributions and restricted interest of \$4,153,371, capital grants, contributions and restricted interest of \$37,839, local option sales tax of \$567,367, unrestricted investment earnings of \$246,067 and other general revenues of \$58,953.

Expenses for County operations totaled \$11,764,710, a 13 percent increase over the prior year. Expenses included \$3,898,540 for roads and transportation, \$2,746,915 for public safety and legal services and \$1,954,462 for mental health.

The significant increase in expenses is due primarily to increased mental health costs, a CDBG project for a group home and increased health insurance claims.

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, 2008

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O'Brien County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Haack	Board of Supervisors	Jan 2009
Dan Struve	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

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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, 2008, 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, 2008, 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.

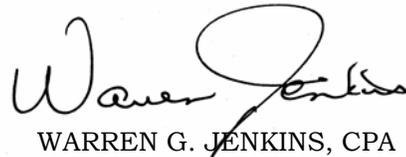
In accordance with Government Auditing Standards, we have also issued our report dated April 14, 2009 on our consideration of O'Brien County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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 four years ended June 30, 2007 (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 qualified opinions on those financial statements due to the effects of the omission of general fixed assets. Other supplementary information included in Schedules 1 through 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 14, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

O'Brien County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008, along with comparative data for the year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased approximately 8%, or approximately \$875,000, from fiscal 2007 to fiscal 2008. Property and other county tax increased approximately \$189,000, operating grants, contributions and restricted interest increased approximately \$394,000 and charges for service increased approximately \$243,000.
- Program expenses were approximately \$1,339,000, or 13%, more in fiscal 2008 than in fiscal 2007.
- The County's net assets increased approximately 1%, or approximately \$118,000, from June 30, 2007 to June 30, 2008.

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, 2008 and June 30, 2007.

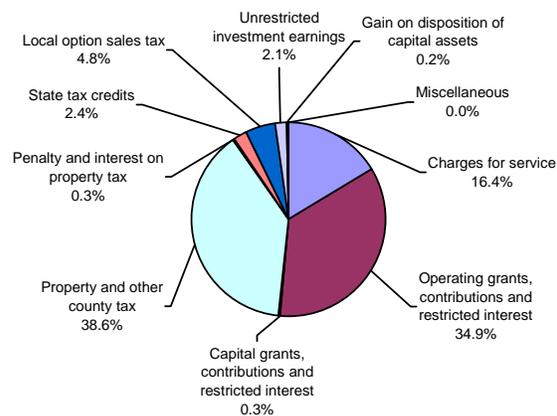
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2008	2007
Current and other assets	\$ 11,371	10,811
Capital assets	14,456	13,170
Total assets	<u>25,827</u>	<u>23,981</u>
Long-term liabilities	4,636	3,055
Other liabilities	5,468	5,321
Total liabilities	<u>10,104</u>	<u>8,376</u>
Net assets:		
Invested in capital assets, net of related debt	10,181	10,375
Restricted	2,653	2,381
Unrestricted	2,889	2,849
Total net assets	<u>\$ 15,723</u>	<u>15,605</u>

Net assets of O'Brien County's governmental activities increased approximately \$118,000, or 1%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased approximately \$40,000, or 1%, to approximately \$2.9 million at June 30, 2008.

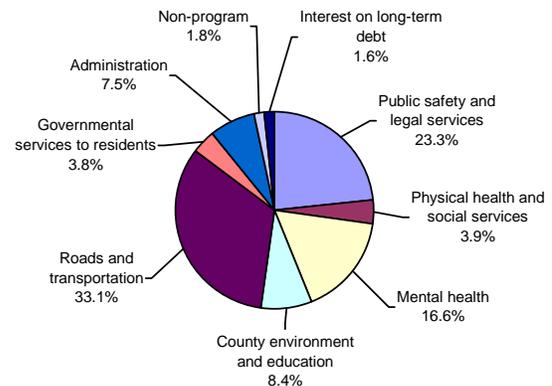
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	June 30,	
	2008	2007
Revenues:		
Program revenues:		
Charges for service	\$ 1,951	1,708
Operating grants, contributions and restricted interest	4,153	3,759
Capital grants, contributions and restricted interest	38	21
General revenues:		
Property and other county tax	4,581	4,392
Penalty and interest on property tax	31	25
State tax credits	287	313
Local option sales tax	568	500
Unrestricted investment earnings	246	266
Gain on disposition of capital assets	27	24
Miscellaneous	1	-
Total revenues	11,883	11,008
Program expenses:		
Public safety and legal services	2,747	2,523
Physical health and social services	458	414
Mental health	1,954	1,790
County environment and education	990	541
Roads and transportation	3,899	3,769
Governmental services to residents	448	397
Administration	878	817
Non-program	206	57
Interest on long-term debt	185	118
Total expenses	11,765	10,426
Change in net assets	118	582
Net assets beginning of year	15,605	15,023
Net assets end of year	\$ 15,723	15,605

Revenue by Source



Expenses by Program



The County increased property tax rates for fiscal 2008 an average of 2.8%. The taxable valuation for fiscal 2008 increased approximately \$4.5 million, or about .9%. As a result, the County's property and other County tax revenue increased approximately \$189,000 in fiscal 2008.

The cost of all governmental activities this year was approximately \$11.8 million compared to approximately \$10.4 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 \$5.6 million because some of the cost was paid by those that directly benefited from the programs, \$2.0 million, or by other governments and organizations that subsidized certain programs with grants and contributions, \$4.2 million. Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased approximately \$654,000 from fiscal 2007 to fiscal 2008.

INDIVIDUAL MAJOR FUND ANALYSIS

As O'Brien County completed the year, its governmental funds reported a combined fund balance of approximately \$5.3 million, an increase of approximately \$700,000 over last year's total of approximately \$4.6 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 \$529,000 and expenditures increased approximately \$609,000. The ending fund balance increased approximately \$65,000 to approximately \$2.1 million. Increases in expenditures in the General Fund were primarily due to a CDBG project for a group home.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$2.0 million, an increase of 9% over the prior year. Revenues increased approximately \$203,000 over the previous year. The Mental Health Fund balance decreased approximately \$42,000 from the prior year. Revenues increased in the Mental Health Fund because the amount of the allowable growth allocation and risk pool funds increased. Expenditures increased due to provider rate increases and an increase in the number of consumers.
- Revenues in the Rural Services Fund increased approximately \$127,000, including an increase of approximately \$68,000 in local option sales tax revenue. Expenditures increased approximately \$10,000 and transfers to the Secondary Roads Fund increased approximately \$9,000. This resulted in a net increase of approximately \$218,000 in the Rural Services Fund balance at June 30, 2008.
- Secondary Roads Fund expenditures increased approximately \$124,000, or 4%, over the prior year. Revenues decreased approximately \$154,000 from fiscal 2007 to fiscal 2008. Road use tax revenue increased approximately \$66,000 while transfer of jurisdiction revenue decreased approximately \$209,000.
- Debt Service Fund revenues, expenditures and fund balance remained similar to the prior year.
- Capital Projects Fund expenditures increased approximately \$1,561,000 from the prior year because of a road project to an ethanol plant. Revenues increased approximately \$34,000 over the prior year. Other financing sources increased approximately \$1,998,000 because of proceeds received from the issuance of general obligation bonds. This resulted in a net increase of approximately \$252,000 in the fund balance at June 30, 2008.

BUDGETARY HIGHLIGHTS

Over the course of the year, O'Brien County amended its budget four times. The first amendment was made in October 2007 and resulted in increases in budgeted disbursements for the purchase of computer equipment, debt service payments for the general obligation bonds and amounts appropriated for the ethanol plant road and other capital projects. The second amendment was made in January 2008 and included increases for court related items, ambulance costs, CDBG disbursements, a motor-grader, a records preservation project and debt service costs. The third amendment was made in March 2008 and was necessary for increases in mental health costs, park improvements, drainage district repairs, grant match for the Sheldon Pool, a mower and building repairs. The fourth amendment was made in May 2008 and increased disbursements for homemaker care, sanitarian expenses and audit costs.

Total disbursements were \$594,488, or 4%, less than the amended budget while total receipts were \$588,509, or 5%, more than the amended budget. The budget exceeded the actual disbursements in the capital projects function by approximately \$215,000 due to the ethanol plant road project not being completed in fiscal 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, O'Brien County had approximately \$14.5 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1.3 million, or 9.8%, from last year, due primarily to road infrastructure projects.

Capital Assets of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2008	2007
Land	\$ 133	133
Buildings and improvements	3,894	3,918
Equipment and vehicles	2,710	2,636
Infrastructure	7,719	6,483
Total	\$ 14,456	13,170

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

Secondary roads infrastructure	\$ 1,645
Motorgrader, tractor, scraper, and pickup for Secondary Roads	342
Pick-up and plow for Conservation Department	34
Four vehicles for Sheriff's Department	105
Construction in progress on Prairie Heritage Nature Center	54
Total	\$ 2,180

The County had depreciation expense of \$869,789 in fiscal year 2008 and total accumulated depreciation of approximately \$5,681,000 at June 30, 2008. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2008, O'Brien County had \$4,400,224 in general obligation bonds/notes outstanding, compared to \$2,591,816 at June 30, 2007. During the year, the County issued \$2,000,000 in general obligation bonds to finance an urban renewal road project for an ethanol plant. In addition, the County repaid a bank loan for a truck during the year.

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 approximately \$34.5 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

O'Brien County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 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 4.0% and the national rate of 5.5% for the period ended June 30, 2008.

These indicators were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget were approximately \$14 million, a decrease of 6.6% from the final 2008 budget. This decrease is due to a decrease in bond proceeds issued for the construction of a road as a part of an abatement agreement with an ethanol plant. Budgeted disbursements are expected to decrease approximately \$1,629,000. If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$1,426,000 by the close of 2009.

O'Brien County considered the current revenues received, along with the historical revenues versus expenditures, when setting the levy rates for fiscal year 2009. 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, 2008

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 5,314,328
Receivables:	
Property tax:	
Delinquent	1,000
Succeeding year	4,574,000
Succeeding year tax increment financing	53,000
Interest and penalty on property tax	4,000
Accounts	32,121
Accrued interest	20,264
Due from other governments	535,023
Inventories	706,389
Prepaid expenses	130,603
Capital assets (net of accumulated depreciation)	14,456,361
Total assets	<u>25,827,089</u>
Liabilities	
Accounts payable	352,111
Contracts payable	49,080
Accrued interest payable	14,223
Salaries and benefits payable	31,491
Due to other governments	393,755
Deferred revenue:	
Succeeding year property tax	4,574,000
Succeeding year tax increment financing	53,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds/notes	205,000
Compensated absences	236,234
Portion due or payable after one year:	
General obligation bonds/notes	4,195,224
Total liabilities	<u>10,104,118</u>
Net Assets	
Invested in capital assets, net of related debt	10,181,211
Restricted for:	
Supplemental levy purposes	347,934
Mental health purposes	20,136
Secondary roads purposes	1,914,199
Debt service	70,107
Capital projects	22,484
Drainage purposes	60,472
Other purposes	217,641
Unrestricted	2,888,787
Total net assets	<u>\$ 15,722,971</u>

See notes to financial statements.

O'Brien County
 Statement of Activities
 Year ended June 30, 2008

	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	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,746,915	1,046,304	14,934	-	(1,685,677)
Physical health and social services	457,542	12,649	503,450	-	58,557
Mental health	1,954,462	95,934	1,255,441	-	(603,087)
County environment and education	990,476	175,592	19,964	37,839	(757,081)
Roads and transportation	3,898,540	214,322	2,358,812	-	(1,325,406)
Governmental services to residents	447,859	248,162	755	-	(198,942)
Administration	877,616	17,807	15	-	(859,794)
Non-program	206,084	140,321	-	-	(65,763)
Interest on long-term debt	185,216	-	-	-	(185,216)
Total	\$ 11,764,710	1,951,091	4,153,371	37,839	(5,622,409)
General Revenues:					
Property and other county tax levied for:					
General purposes					4,300,342
Debt service					280,376
Penalty and interest on property tax					30,516
State tax credits					287,204
Local option sales tax					567,367
Unrestricted investment earnings					246,067
Gain on disposition of capital assets					27,345
Miscellaneous					1,092
Total general revenues					5,740,309
Change in net assets					117,900
Net assets beginning of year					15,605,071
Net assets end of year					\$ 15,722,971

See notes to financial statements.

O'Brien County
Balance Sheet
Governmental Funds

June 30, 2008

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,006,736	490,548	547,206	1,057,339
Receivables:				
Property tax:				
Delinquent	1,000	-	-	-
Succeeding year	2,698,000	531,000	1,067,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	4,000	-	-	-
Accounts	13,473	-	-	18,648
Accrued interest	18,366	-	-	-
Due from other governments	163,100	21,852	148,250	201,821
Inventories	-	-	-	706,389
Prepaid expenses	38,928	-	4,002	87,673
	\$ 4,943,603	1,043,400	1,766,458	2,071,870
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 33,350	103,600	250	71,715
Contracts payable	-	-	-	-
Salaries and benefits payable	16,914	-	2,541	12,036
Due to other governments	2,780	388,664	1,889	422
Deferred revenue:				
Succeeding year property tax	2,698,000	531,000	1,067,000	-
Succeeding year tax increment financing	-	-	-	-
Other	120,000	21,000	-	7,000
Total liabilities	2,871,044	1,044,264	1,071,680	91,173
Fund balances:				
Reserved for:				
Supplemental levy purposes	347,934	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	1,724,625	-	-	-
Special revenue funds	-	(864)	694,778	1,980,697
Capital projects fund	-	-	-	-
Total fund balances	2,072,559	(864)	694,778	1,980,697
	\$ 4,943,603	1,043,400	1,766,458	2,071,870

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
4,804	276,318	278,113	4,661,064
-	-	-	1,000
278,000	-	-	4,574,000
-	-	53,000	53,000
-	-	-	4,000
-	-	-	32,121
-	-	-	18,366
-	-	-	535,023
-	-	-	706,389
-	-	-	130,603
<u>282,804</u>	<u>276,318</u>	<u>331,113</u>	<u>10,715,566</u>
-	154	-	209,069
-	49,080	-	49,080
-	-	-	31,491
-	-	-	393,755
278,000	-	-	4,574,000
-	-	53,000	53,000
-	-	-	148,000
<u>278,000</u>	<u>49,234</u>	<u>53,000</u>	<u>5,458,395</u>
-	-	-	347,934
4,804	79,526	-	84,330
-	-	-	1,724,625
-	-	278,113	2,952,724
-	147,558	-	147,558
<u>4,804</u>	<u>227,084</u>	<u>278,113</u>	<u>5,257,171</u>
<u>282,804</u>	<u>276,318</u>	<u>331,113</u>	<u>10,715,566</u>

O'Brien County

O'Brien County

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

June 30, 2008

Total governmental fund balances (page 19) \$ 5,257,171

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$20,137,196 and the accumulated depreciation is \$5,680,835. 14,456,361

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 148,000

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. 512,120

Long-term liabilities, including bonds/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 governmental funds. (4,650,681)

Net assets of governmental activities (page 16) \$ 15,722,971

See notes to financial statements.

O'Brien County

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

Year ended June 30, 2008

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 2,499,790	537,124	1,830,795	-
Interest and penalty on property tax	29,515	-	-	-
Intergovernmental	1,500,449	1,367,798	138,201	2,369,058
Licenses and permits	3,200	-	-	-
Charges for service	411,694	-	-	94,408
Use of money and property	279,781	-	-	-
Miscellaneous	48,537	7,200	15	114,668
Total revenues	4,772,966	1,912,122	1,969,011	2,578,134
Expenditures:				
Operating:				
Public safety and legal services	2,074,666	-	516,149	-
Physical health and social services	458,495	-	-	-
Mental health	-	1,954,462	-	-
County environment and education	804,849	-	147,912	1,271
Roads and transportation	-	-	-	3,294,303
Governmental services to residents	426,339	-	1,620	-
Administration	855,461	-	-	-
Non-program	4,902	-	-	-
Debt service	-	-	-	210,761
Capital projects	-	-	-	122,355
Total expenditures	4,624,712	1,954,462	665,681	3,628,690
Excess (deficiency) of revenues over (under) expenditures	148,254	(42,340)	1,303,330	(1,050,556)
Other financing sources (uses):				
Sale of capital assets	5,278	-	-	-
General obligation bonds issued	-	-	-	-
Discount on general obligation bonds	-	-	-	-
Operating transfers in	-	-	-	1,174,272
Operating transfers out	(88,969)	-	(1,085,303)	-
Total other financing sources (uses)	(83,691)	-	(1,085,303)	1,174,272
Net change in fund balances	64,563	(42,340)	218,027	123,716
Fund balances (deficit) beginning of year	2,007,996	41,476	476,751	1,856,981
Fund balances (deficit) end of year	\$ 2,072,559	(864)	694,778	1,980,697

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
280,376	-	-	5,148,085
-	-	-	29,515
16,990	-	35,202	5,427,698
-	-	-	3,200
-	-	3,282	509,384
-	37,839	6,830	324,450
-	-	8,019	178,439
297,366	37,839	53,333	11,620,771
-	-	32,625	2,623,440
-	-	-	458,495
-	-	-	1,954,462
-	-	2,842	956,874
-	-	-	3,294,303
-	-	2,084	430,043
-	-	-	855,461
-	-	-	4,902
296,871	66,771	-	574,403
-	1,716,903	-	1,839,258
296,871	1,783,674	37,551	12,991,641
495	(1,745,835)	15,782	(1,370,870)
-	-	-	5,278
-	2,000,000	-	2,000,000
-	(7,200)	-	(7,200)
-	5,000	-	1,179,272
-	-	(5,000)	(1,179,272)
-	1,997,800	(5,000)	1,998,078
495	251,965	10,782	627,208
4,309	(24,881)	267,331	4,629,963
4,804	227,084	278,113	5,257,171

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, 2008

Net change in fund balances - Total governmental funds (page 23) \$ 627,208

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

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

Expenditures for capital assets	\$ 2,133,742	
Depreciation expense	(869,789)	1,263,953

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. 22,067

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. 62,000

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Governmental funds report the effect of discounts when the debt is first issued, whereas the discount is deferred and amortized in the Statement of Activities. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues and discount amortization exceeded repayments as follows:

Issued	(2,000,000)	
Amortization of bond discount	(8,408)	
Repaid	403,639	(1,604,769)

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	23,312	
Interest on long-term debt	(6,044)	17,268

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. (269,827)

Change in net assets of governmental activities (page 17) \$ 117,900

See notes to financial statements.

O'Brien County
 Statement of Net Assets
 Proprietary Fund
 June 30, 2008

	Internal Service - Employee Health Insurance
Assets	
Cash	\$ 147,566
Investments	505,698
Accrued interest receivable	1,898
Total assets	655,162
Liabilities	
Accounts payable	143,042
Net Assets	
Unrestricted	\$ 512,120

See notes to financial statements.

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

Year ended June 30, 2008

		<u>Internal Service - Employee Health Insurance</u>
Operating revenues:		
Reimbursements from operating funds		\$ 777,643
Stop loss insurance reimbursements		88,466
Reimbursements from others		14,110
Total operating revenues		<u>880,219</u>
Operating expenses:		
Health claims and administrative services	\$ 1,181,422	
Workers' compensation insurance	<u>797</u>	<u>1,182,219</u>
Operating loss		(302,000)
Non-operating revenues:		
Interest income		<u>32,173</u>
Net loss		(269,827)
Net assets beginning of year		<u>781,947</u>
Net assets end of year		<u><u>\$ 512,120</u></u>

See notes to financial statements.

O'Brien County
 Statement of Cash Flows
 Proprietary Fund
 Year ended June 30, 2008

	Internal Service - Employee Health Insurance
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 777,643
Cash received from stop loss insurance reimbursements	88,466
Cash received from others	14,110
Cash paid for health claims and to administrative provider	(1,111,369)
Cash paid for workers' compensation insurance	(797)
Net cash used for operating activities	(231,947)
Cash flows from investing activities:	
Purchase of investments	(500,000)
Interest on investments	28,731
Net cash used for investing activities	(471,269)
Net decrease in cash and cash equivalents	(703,216)
Cash and cash equivalents beginning of year	850,782
Cash and cash equivalents end of year	\$ 147,566
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (302,000)
Adjustment to reconcile operating loss to net cash used for operating activities:	
Increase in payables	70,053
Net cash used for operating activities	\$ (231,947)

See notes to financial statements.

O'Brien County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

Assets

Cash and pooled investments:	
County Treasurer	\$ 994,660
Other County officials	20,401
Receivables:	
Property tax:	
Delinquent	11,000
Succeeding year	11,605,000
Accounts	17,334
Accrued interest	1,520
Special assessments	103,109
Due from other governments	7,492
Total assets	<u>12,760,516</u>

Liabilities

Accounts payable	605
Due to other governments	12,709,301
Trusts payable	18,386
Compensated absences	32,224
Total liabilities	<u>12,760,516</u>

Net assets \$ -

See notes to financial statements.

O'Brien County

Notes to Financial Statements

June 30, 2008

(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.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

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

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets 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 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, 2008. 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, Employee Health Insurance 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, 2008, disbursements did not exceed the amounts budgeted by function.

(2) Cash and Pooled Investments

The County’s deposits in banks at June 30, 2008 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 \$1,708,264 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, 2008 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	Special Revenue: Resource Enhancement and Protection	\$ 5,000
Special Revenue: Secondary Roads	General Special Revenue: Rural Services	88,969 1,085,303
		1,174,272
Total		\$ 1,179,272

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, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 133,500	-	-	133,500
Construction in progress, road network	70,426	1,644,644	-	1,715,070
Construction in progress	755,071	54,457	-	809,528
Total capital assets not being depreciated	958,997	1,699,101	-	2,658,098
Capital assets being depreciated:				
Buildings	3,963,135	-	-	3,963,135
Improvements other than buildings	30,697	-	-	30,697
Equipment and vehicles	6,001,220	500,538	(214,663)	6,287,095
Infrastructure, road network	7,198,171	-	-	7,198,171
Total capital assets being depreciated	17,193,223	500,538	(214,663)	17,479,098
Less accumulated depreciation for:				
Buildings	823,174	77,414	-	900,588
Improvements other than buildings	7,981	614	-	8,595
Equipment and vehicles	3,365,049	382,903	(170,833)	3,577,119
Infrastructure, road network	785,675	408,858	-	1,194,533
Total accumulated depreciation	4,981,879	869,789	(170,833)	5,680,835
Total capital assets being depreciated, net	12,211,344	(369,251)	(43,830)	11,798,263
Governmental activities capital assets, net	\$ 13,170,341	1,329,850	(43,830)	14,456,361

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 132,228
Physical health and social services	261
County environment and education	22,065
Roads and transportation	703,343
Administration	11,892
Total depreciation expense - governmental activities	\$ 869,789

(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>\$ 2,780</u>
Special Revenue:		
Mental Health	Services	388,664
Rural Services	Services	1,889
Secondary Roads	Services	<u>422</u>
		<u>390,975</u>
Total for governmental funds		<u><u>\$ 393,755</u></u>
Agency:		
County Assessor	Collections	\$ 613,977
Schools		6,346,587
Community Colleges		340,745
Corporations		4,526,256
Townships		127,410
City Special Assessments		103,109
Auto License, Use Tax and Driver's License		269,615
E911 Surcharges		184,130
All other		<u>197,472</u>
Total for agency funds		<u><u>\$ 12,709,301</u></u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	<u>Bank</u>	<u>General</u>	<u>Compen-</u>	
	<u>Loan</u>	<u>Obligation</u>	<u>sated</u>	<u>Total</u>
		<u>Bonds/Notes</u>	<u>Absences</u>	
Balance beginning of year	\$ 203,639	2,591,816	259,546	3,055,001
Increases	-	2,008,408	270,313	2,278,721
Decreases	<u>203,639</u>	<u>200,000</u>	<u>293,625</u>	<u>697,264</u>
Balance end of year	<u>\$ -</u>	<u>4,400,224 *</u>	<u>236,234</u>	<u>4,636,458</u>
Due within one year	<u><u>\$ -</u></u>	<u><u>205,000</u></u>	<u><u>236,234</u></u>	<u><u>441,234</u></u>

* Net of \$84,776 of unamortized discount at June 30, 2008.

General Obligation Bonds/Notes

A summary of the County's June 30, 2008 general obligation bond/notes indebtedness is as follows:

Year Ending June 30,	Refunding Notes Series 2006		
	Issued Jul 1, 2005		
	Interest Rates	Principal	Interest
2009	3.500	\$ 205,000	89,396
2010	3.500	215,000	82,134
2011	3.500-3.625	220,000	74,521
2012	3.625	235,000	66,524
2013	3.400-3.625	245,000	57,915
2014-2018	3.400-4.000	1,365,000	150,110
Total		\$ 2,485,000	520,600

Year Ending June 30,	Bond Series 2008			Total		
	Issued Aug 1, 2007			Principal	Interest	Total
	Interest Rates	Principal	Interest			
2009		\$ -	79,525	205,000	168,921	373,921
2010		-	79,525	215,000	161,659	376,659
2011		-	79,525	220,000	154,046	374,046
2012	3.850	110,000	79,525	345,000	146,049	491,049
2013	3.900	325,000	75,290	570,000	133,205	703,205
2014-2018	3.950 - 4.050	1,565,000	161,970	2,930,000	312,080	3,242,080
Total		\$ 2,000,000	555,360	4,485,000	1,075,960	5,560,960

During the year ended June 30, 2008, the County issued \$2,000,000 and retired \$200,000 of general obligation bonds/notes.

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$244,004, \$223,927 and \$217,893, respectively, equal to the required contributions for each year.

(8) Risk Management

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

(9) Employee Health Insurance Plan

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

Monthly payments of service fees and plan contributions to the Employee Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to First Administrators from the Employee Health Insurance Fund. The County's contribution for the year ended June 30, 2008 was \$777,643.

Amounts payable from the Employee Health Insurance Fund at June 30, 2008 total \$143,042, 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 \$512,120 at June 30, 2008 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	\$ 72,989
Incurred claims (including claims incurred but not reported at June 30, 2008)	1,181,422
Payment on claims during the fiscal year	<u>1,111,369</u>
Unpaid claims end of year	<u><u>\$ 143,042</u></u>

(10) Contingent Liability

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

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, 2008

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 5,111,442	-	5,111,442
Interest and penalty on property tax	29,515	-	29,515
Intergovernmental	5,373,974	-	5,373,974
Licenses and permits	2,700	-	2,700
Charges for service	508,508	-	508,508
Use of money and property	329,827	1,660	328,167
Miscellaneous	252,365	-	252,365
Total receipts	<u>11,608,331</u>	<u>1,660</u>	<u>11,606,671</u>
Disbursements:			
Public safety and legal services	2,620,416	-	2,620,416
Physical health and social services	460,860	-	460,860
Mental health	1,863,308	-	1,863,308
County environment and education	959,439	1,512	957,927
Roads and transportation	3,482,410	-	3,482,410
Governmental services to residents	429,086	-	429,086
Administration	860,449	-	860,449
Non-program	4,902	-	4,902
Debt service	507,632	-	507,632
Capital projects	1,931,099	-	1,931,099
Total disbursements	<u>13,119,601</u>	<u>1,512</u>	<u>13,118,089</u>
Excess (deficiency) of receipts over (under) disbursements	(1,511,270)	148	(1,511,418)
Other financing sources, net	1,998,078	-	1,998,078
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	486,808	148	486,660
Balance beginning of year	4,174,256	60,324	4,113,932
Balance end of year	<u>\$ 4,661,064</u>	<u>60,472</u>	<u>4,600,592</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
4,971,476	5,016,260	95,182
12,600	17,671	11,844
4,764,245	5,213,718	160,256
42,625	43,050	(40,350)
353,425	361,221	147,287
183,505	274,868	53,299
65,125	91,374	160,991
10,393,001	11,018,162	588,509
2,682,772	2,713,442	93,026
474,299	503,917	43,057
1,688,500	1,863,500	192
800,428	981,555	23,628
3,563,200	3,618,200	135,790
469,480	471,168	42,082
854,806	896,334	35,885
10,500	10,000	5,098
416,797	507,947	315
1,734,000	2,146,514	215,415
12,694,782	13,712,577	594,488
(2,301,781)	(2,694,415)	1,182,997
1,501,000	1,997,200	878
(800,781)	(697,215)	1,183,875
3,007,320	4,084,669	29,263
2,206,539	3,387,454	1,213,138

O'Brien County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,608,331	12,440	11,620,771
Expenditures	13,119,601	(127,960)	12,991,641
Net	(1,511,270)	140,400	(1,370,870)
Other financing sources, net	1,998,078	-	1,998,078
Beginning fund balances	4,174,256	455,707	4,629,963
Ending fund balances	<u>\$ 4,661,064</u>	<u>596,107</u>	<u>5,257,171</u>

See accompanying independent auditor's report.

O'Brien County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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, four budget amendments increased budgeted disbursements by \$1,017,795. The budget amendments are reflected in the final budgeted amounts. Also, interest on bonds issued during the year was budgeted under the capital projects function but was reclassified to the debt service function in the financial statements.

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, 2008, disbursements did not exceed the amounts budgeted by function.

O'Brien County

Other Supplementary Information

O'Brien County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2008

	Resource Enhancement and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Federal Drug Reimburse- ment
Assets				
Cash and pooled investments	\$ 12,957	28,959	5	1,601
Receivables:				
Succeeding year tax increment financing	-	-	-	-
Total assets	\$ 12,957	28,959	5	1,601
Liabilities and Fund Equity				
Deferred revenue:				
Succeeding year tax increment financing	\$ -	-	-	-
Fund equity:				
Unreserved, reported in:				
Special revenue funds	12,957	28,959	5	1,601
Total liabilities and fund equity	\$ 12,957	28,959	5	1,601

See accompanying independent auditor's report.

Special Revenue							
Ambulance Replacement	Housing Rehab	Title XIX Set Aside - 10%	County Urban Renewal	Special Environment	Drainage Districts	Conservation Land Acquisition	Total
121,737	39,029	5,120	-	7,753	60,472	480	278,113
-	-	-	53,000	-	-	-	53,000
121,737	39,029	5,120	53,000	7,753	60,472	480	331,113
-	-	-	53,000	-	-	-	53,000
121,737	39,029	5,120	-	7,753	60,472	480	278,113
121,737	39,029	5,120	53,000	7,753	60,472	480	331,113

O'Brien County

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

Year ended June 30, 2008

	Resource Enhancement and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Federal Drug Reimburse- ment
Revenues:				
Intergovernmental	\$ 17,602	-	-	100
Charges for service	-	3,282	-	-
Use of money and property	118	755	-	-
Miscellaneous	-	-	-	-
Total revenues	17,720	4,037	-	100
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	4,000
County environment and education	-	-	-	-
Governmental services to residents	-	2,084	-	-
Total expenditures	-	2,084	-	4,000
Excess (deficiency) of revenues over (under) expenditures	17,720	1,953	-	(3,900)
Other financing uses:				
Operating transfers out	(5,000)	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	12,720	1,953	-	(3,900)
Fund balances beginning of year	237	27,006	5	5,501
Fund balances end of year	\$ 12,957	28,959	5	1,601

See accompanying independent auditor's report.

Special Revenue						
Ambulance Replacement	Housing Rehab	Title XIX Set Aside - 10%	Special Environment	Drainage Districts	Conservation Land Acquisition	Total
17,500	-	-	-	-	-	35,202
-	-	-	-	-	-	3,282
3,713	440	-	139	1,660	5	6,830
-	8,019	-	-	-	-	8,019
21,213	8,459	-	139	1,660	5	53,333
28,625	-	-	-	-	-	32,625
-	-	-	1,330	1,512	-	2,842
-	-	-	-	-	-	2,084
28,625	-	-	1,330	1,512	-	37,551
(7,412)	8,459	-	(1,191)	148	5	15,782
-	-	-	-	-	-	(5,000)
(7,412)	8,459	-	(1,191)	148	5	10,782
129,149	30,570	5,120	8,944	60,324	475	267,331
121,737	39,029	5,120	7,753	60,472	480	278,113

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

June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,617	344,037	104,587	5,745
Other County officials	20,401	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	-	4,000	-
Succeeding year	-	144,000	284,000	6,238,000	335,000
Accounts	576	-	27	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 20,977	145,617	628,064	6,346,587	340,745
Liabilities					
Accounts payable	\$ -	-	-	-	-
Due to other governments	17,460	145,617	613,977	6,346,587	340,745
Trusts payable	3,517	-	-	-	-
Compensated absences	-	-	14,087	-	-
Total liabilities	\$ 20,977	145,617	628,064	6,346,587	340,745

See accompanying independent auditor's report.

Corporations	Townships	City Special Assesments	Auto License, Use Tax and Driver's License	E911 Surcharges	Other	Total
42,256	2,410	-	269,615	158,573	65,820	994,660
-	-	-	-	-	-	20,401
7,000	-	-	-	-	-	11,000
4,477,000	125,000	-	-	-	2,000	11,605,000
-	-	-	-	16,635	96	17,334
-	-	-	-	1,520	-	1,520
-	-	103,109	-	-	-	103,109
-	-	-	-	7,492	-	7,492
4,526,256	127,410	103,109	269,615	184,220	67,916	12,760,516
-	-	-	-	90	515	605
4,526,256	127,410	103,109	269,615	184,130	34,395	12,709,301
-	-	-	-	-	14,869	18,386
-	-	-	-	-	18,137	32,224
4,526,256	127,410	103,109	269,615	184,220	67,916	12,760,516

O'Brien County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 19,178	96,006	562,857	6,227,146	349,811
Additions:					
Property and other county tax	-	144,144	284,086	6,239,809	325,432
E911 surcharge	-	-	-	-	-
State tax credits	-	6,068	17,474	392,677	21,562
Office fees and collections	987,729	-	-	-	-
Auto licenses, driver's licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	12,992	-	-	-	-
Miscellaneous	-	-	2,057	-	-
Total additions	1,000,721	150,212	303,617	6,632,486	346,994
Deductions:					
Agency remittances:					
To other funds	846,464	-	-	-	-
To other governments	138,932	100,601	238,410	6,513,045	356,060
Trusts paid out	13,526	-	-	-	-
Total deductions	998,922	100,601	238,410	6,513,045	356,060
Balances end of year	\$ 20,977	145,617	628,064	6,346,587	340,745

See accompanying independent auditor's report.

Corpora- tions	Townships	City Special Assess- ments	Auto License, Use Tax and Driver's License	E911 Surcharges	Other	Total
3,873,623	126,718	131,335	286,375	156,857	55,109	11,885,015
4,476,219	125,181	-	-	-	1,737	11,596,608
-	-	-	-	127,825	-	127,825
212,466	7,316	-	-	-	112	657,675
-	-	-	-	-	-	987,729
-	-	-	3,475,639	-	-	3,475,639
-	-	21,142	-	-	-	21,142
-	-	-	-	-	96,105	109,097
-	-	-	-	8,458	97,121	107,636
4,688,685	132,497	21,142	3,475,639	136,283	195,075	17,083,351
-	-	-	123,674	-	-	970,138
4,036,052	131,805	49,368	3,368,725	108,920	97,374	15,139,292
-	-	-	-	-	84,894	98,420
4,036,052	131,805	49,368	3,492,399	108,920	182,268	16,207,850
4,526,256	127,410	103,109	269,615	184,220	67,916	12,760,516

O'Brien County

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

For the Last Eight Years

	Modified Accrual Basis			
	2008	2007	2006	2005
Revenues:				
Property and other county tax	\$ 5,148,085	4,894,771	4,653,789	4,604,752
Interest and penalty on property tax	29,515	25,929	27,537	27,329
Intergovernmental	5,427,698	5,010,777	4,903,597	4,613,268
Licenses and permits	3,200	2,025	2,945	2,900
Charges for service	509,384	455,847	450,537	438,879
Use of money and property	324,450	292,660	247,089	175,374
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	178,439	182,915	195,699	117,822
Total	\$ 11,620,771	10,864,924	10,481,193	9,980,324
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,623,440	2,506,085	2,429,677	2,088,365
Physical health and social services	458,495	413,728	426,163	419,935
Mental health	1,954,462	1,790,088	1,610,403	1,481,050
County environment and education	956,874	553,618	608,032	460,886
Roads and transportation	3,294,303	3,187,986	3,117,446	2,971,035
Governmental services to residents	430,043	408,498	501,337	402,674
Administration	855,461	834,441	896,972	818,498
Non-program	4,902	7,945	4,856	5,114
Debt service	574,403	363,602	343,075	304,149
Capital projects	1,839,258	478,061	1,791,724	1,131,844
Total	\$ 12,991,641	10,544,052	11,729,685	10,083,550

See accompanying independent auditor's report.

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

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

To the Officials of O'Brien County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of O'Brien County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated April 14, 2009. 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, including deficiencies we consider to be 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, 2008 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 14, 2009

O'Brien County

Schedule of Findings

Year ended June 30, 2008

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, Public Health, Sheriff and Sanitation
(2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	Recorder, Public Health, Sheriff, Conservation and Sanitation
(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 and Sheriff

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.

Public Health – We will try to comply with the limited number of employees we have.

O'Brien County

Schedule of Findings

Year ended June 30, 2008

Sanitation – We will monitor the financial duties and comply with recommendations.

Conservation – A process has been implemented which will record a chain of custody for collection and deposit of funds.

Conclusions – Responses accepted.

- (B) Financial Reporting – During the audit, we identified a material payable not recorded in the County's financial statements. An adjustment was subsequently made by the County to include the payable in the financial statements.

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

Response – We will implement procedures to identify all payables to ensure all are in our financial statements in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

O'Brien County

Schedule of Findings

Year ended June 30, 2008

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted by function.
- (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	\$ 334
Emily Waund, Board of Supervisors, Emily and her two brothers (Chuck Getting and John Getting) own the Getting gravel pit.	Gravel pit royalties	23,016

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Hartley Farm and Home Center, Inc. do not appear to represent a conflict of interest since the total purchases did not exceed \$1,500 during the year.

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with the Getting gravel pit may represent a conflict of interest since the total purchases exceeded \$1,500 during the year.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – We will consult legal counsel on this matter.

Conclusion – Response accepted.

- (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.

O'Brien County

Schedule of Findings

Year ended June 30, 2008

(8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

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

Disbursements during the year ended June 30, 2008 for the County Extension Office did not exceed the amount budgeted.

(10) Deficit Fund Balance – The Mental Health Fund had a deficit fund balance of \$864 at June 30, 2008.

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

Response – During the Fiscal 2008 year, we knew we were going to have financial problems in the Mental Health Fund. The Board of Supervisors began a waiting list for services and also cut a day per week of work services for all clients. These cuts have continued in Fiscal 2009. In addition, the County applied for risk pool funding in the amount of \$300,000. We were awarded \$67,092 in risk pool funds and received this on December 15, 2008. Upon final receipt for our current year revenues from the State, the Board will once again look at the financial situation of the Mental Health Fund with the possibility of further cuts to services as provided by the County Mental Health Plan.

Conclusion – Response accepted.

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

Recommendation – The County should obtain and retain images of both the front and back of cancelled checks as required.

Responses –

Treasurer – The bank is now providing both front and back images.

Recorder – Our bank has agreed to comply in the future.

Sheriff – Our bank is attempting to comply in the near future.

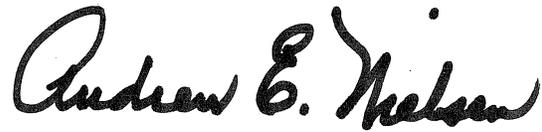
Conclusions – Responses accepted.

O'Brien County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Scott P. Boisen, Senior Auditor II
Shawn R. Elsbury, Senior Auditor
Marta M. Sobieszkoda, Staff Auditor
Jacqueline E. Gulick, Assistant Auditor
Casey L. Johnson, 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 a distinct dot over the 'i' in Nielsen.

Andrew E. Nielsen, CPA
Deputy Auditor of State