



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

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**NEWS RELEASE**

FOR RELEASE

March 30, 2010

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$17,864,628 for the year ended June 30, 2009, which included \$975,907 in tax credits from the state. The County forwarded \$12,973,410 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,891,218 of the local tax revenue to finance County operations, a less than one percent increase over the prior year. Other revenues included charges for service of \$2,083,291, operating grants, contributions and restricted interest of \$3,900,655, tax increment financing of \$52,159, capital grants, contributions and restricted interest of \$2,280,430, local option sales tax of \$550,006, unrestricted investment earnings of \$126,490 and other general revenues of \$80,830.

Expenses for County operations totaled \$11,970,796, a 1.75 percent increase over the prior year. Expenses included \$4,193,989 for roads and transportation, \$2,801,780 for public safety and legal services and \$1,866,966 for mental health.

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

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**O'BRIEN COUNTY**

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

**JUNE 30, 2009**

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**O'Brien County**

**Officials**

**(Before January 2009)**

<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

**(After January 2009)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas Farnsworth	Board of Supervisors	Jan 2011
Jacob Moermond	Board of Supervisors	Jan 2011
Richard Haack	Board of Supervisors	Jan 2013
John Haack	Board of Supervisors	Jan 2013
Emily Waund	Board of Supervisors	Jan 2013
Barbara Rohwer	County Auditor	Jan 2013
Sylvia Nikles	County Treasurer	Jan 2011
Kurt Brown	County Recorder	Jan 2011
Michael J. Anderson	County Sheriff	Jan 2013
Bruce A. Green	County Attorney	Jan 2011
Lowell L. Dykstra	County Assessor	Jan 2010

**O'Brien County**



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Independent Auditor's Report

To the Officials of O'Brien County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of O'Brien County, Iowa, as of and for the year ended June 30, 2009, 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.

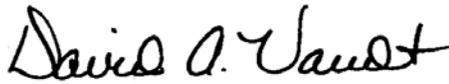
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2009, 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 March 9, 2010 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 44 through 48 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 five years ended June 30, 2008 (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

March 9, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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O'Brien County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009, along with comparative data for the year ended June 30, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2009 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased approximately 18%, or approximately \$2,082,000, from fiscal year 2008 to fiscal year 2009. Property and other county tax increased approximately \$68,000, capital grants, contributions and restricted interest increased approximately \$2,242,000 and charges for service increased approximately \$132,000. The increases were offset by decreases in operating grants, contributions and restricted interest and unrestricted interest earnings of approximately \$252,000 and \$120,000, respectively.
- Program expenses were approximately \$206,000, or 2%, more in fiscal year 2009 than in fiscal year 2008.
- The County's net assets increased approximately 13%, or approximately \$1,994,000, from June 30, 2008 to June 30, 2009.

### 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

*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. O'Brien County's combined net assets increased from a year ago, from approximately \$15.7 million to approximately \$17.7 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

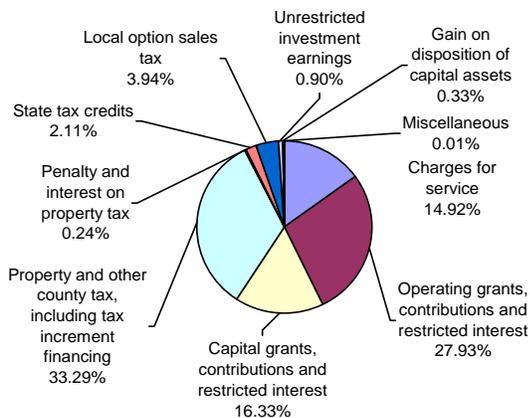
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2009	2008
Current and other assets	\$ 11,961	11,371
Capital assets	16,177	14,456
Total assets	<u>28,138</u>	<u>25,827</u>
Long-term liabilities	4,537	4,636
Other liabilities	5,884	5,468
Total liabilities	<u>10,421</u>	<u>10,104</u>
Net assets:		
Invested in capital assets, net of related debt	11,973	10,181
Restricted	2,881	2,653
Unrestricted	2,863	2,889
Total net assets	<u>\$ 17,717</u>	<u>15,723</u>

Net assets of O'Brien County's governmental activities increased approximately \$1,994,000, or 13%. 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, decreased approximately \$26,000, or 1%, to approximately \$2,863,000 at June 30, 2009.

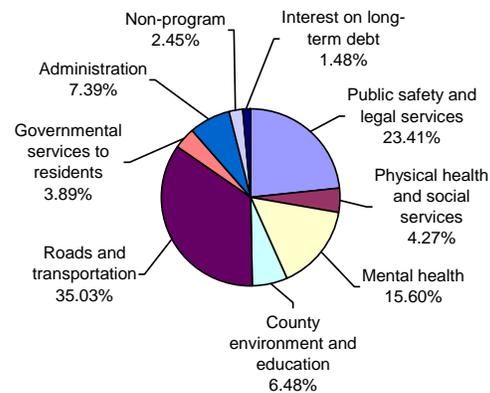
Changes in Net Assets of Governmental Activities  
(Expressed in Thousands)

	June 30,	
	2009	2008
Revenues:		
Program revenues:		
Charges for service	\$ 2,083	1,951
Operating grants, contributions and restricted interest	3,901	4,153
Capital grants, contributions and restricted interest	2,280	38
General revenues:		
Property and other county tax, including tax increment financing	4,649	4,581
Penalty and interest on property tax	33	31
State tax credits	294	287
Local option sales tax	550	568
Unrestricted investment earnings	126	246
Gain on disposition of capital assets	47	27
Miscellaneous	2	1
<b>Total revenues</b>	<b>13,965</b>	<b>11,883</b>
Program expenses:		
Public safety and legal services	2,802	2,747
Physical health and social services	511	458
Mental health	1,867	1,954
County environment and education	776	990
Roads and transportation	4,194	3,899
Governmental services to residents	466	448
Administration	885	878
Non-program	293	206
Interest on long-term debt	177	185
<b>Total expenses</b>	<b>11,971</b>	<b>11,765</b>
Change in net assets	1,994	118
Net assets beginning of year	15,723	15,605
Net assets end of year	<b>\$ 17,717</b>	<b>15,723</b>

**Revenues by Source**



**Expenses by Program**



O'Brien County's net assets of governmental activities increased approximately \$1,994,000 during the year. Revenues for governmental activities increased approximately \$2,082,000 over the prior year, with property tax revenue up from the prior year approximately \$68,000, or 1%.

The cost of all governmental activities this year was approximately \$12.0 million compared to approximately \$11.8 million last year. However, as shown in the Statement of Activities on page 17, the amount property taxpayers ultimately financed for these activities was approximately \$3.7 million because some of the cost was paid by those that directly benefited from the programs, approximately \$2.1 million, or by other governments and organizations which subsidized certain programs with grants and contributions, approximately \$6.2 million. Overall, the County's governmental activities revenues, including intergovernmental aid and fees for services, increased in fiscal year 2009 from approximately \$6,142,000 to approximately \$8,264,000, principally due to grant contributions from Iowa Department of Transportation for road construction and maintenance. The County paid for the remaining "public benefit" portion of governmental activities (\$3,706,000) with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As O'Brien County completed the year, its governmental funds reported a combined fund balance of approximately \$5.4 million, an increase of approximately \$117,000 over last year's total of approximately \$5.3 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance declined approximately \$13,000 from the prior year to approximately \$2,059,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,867,000, a decrease of 5% from the prior year. Revenues totaled approximately \$2,014,000, an increase of 5% over the prior year. The Mental Health Fund balance increased approximately \$147,000 over the prior year.
- Rural Services Fund revenues declined approximately \$210,000, principally due to property and other county tax. The County decreased the rural tax rate from \$3.70234 per \$1,000 of taxable valuation in fiscal year 2008 to \$3.14536 per \$1,000 of taxable valuation in fiscal year 2009. Expenditures and transfers out remained consistent when compared to the prior year. The ending fund balance decreased approximately \$26,000 from the prior year to approximately \$669,000.
- Secondary Roads Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance increased approximately \$177,000 over the prior year to approximately \$2,157,000.
- Debt Service Fund revenues, expenditures and fund balance remained similar to the prior year.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, O'Brien County amended its budget two times. The first amendment was made in November 2008 and resulted in increases in budgeted disbursements for the public safety and legal services function for the purchase of an ambulance for the City of Paulina and the capital projects function for carryover of projects into fiscal year 2009. The second amendment was made in March 2009 and included increases in budgeted disbursements for the public safety and legal services function for autopsy cost and juvenile care and the mental health function for increased rates and clients.

The County's receipts were \$520,446 more than budgeted, a variance of 5%. The most significant variances resulted from County receiving more local option sales tax and intergovernmental receipts for care of prisoners and road use tax than anticipated.

Total disbursements were \$1,046,529, or 8%, less than the amended budget. Actual disbursements for the public safety and legal services, roads and transportation and capital projects functions were \$149,347, \$260,337 and \$456,193, respectively, less than budgeted. This was primarily due to less Sheriff's office salaries and benefits, autopsy costs, juvenile costs and gravel crushing than anticipated and the delay of a local paving project. Actual disbursements did not exceed the budget in fiscal year 2009.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, O'Brien County had approximately \$16.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1.7 million, or 12%, from last year, due primarily to road infrastructure projects.

Capital Assets of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2009	2008
Land	\$ 133	133
Buildings and improvements	3,896	3,894
Equipment and vehicles	2,563	2,710
Infrastructure	9,585	7,719
<b>Total</b>	<b>\$ 16,177</b>	<b>14,456</b>
This year's major additions included (in thousands):		
Secondary Roads infrastructure	\$	2,415
Secondary Roads building		68
Loader and snow plow for Secondary Roads		104
Pick-up and mower for Conservation Department		37
Two vehicles for Sheriff's Department		48
Construction in progress on Prairie Heritage Nature Center		13
<b>Total</b>	<b>\$</b>	<b>2,685</b>

The County had depreciation expense of \$1,010,302 in fiscal year 2009 and total accumulated depreciation of approximately \$6,611,000 at June 30, 2009. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2009, O'Brien County had \$4,203,632 in general obligation bonds/notes outstanding, compared to \$4,400,224 at June 30, 2009.

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 \$37.6 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 2010 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 5.0% versus 3.1% a year ago. This compares with the State's unemployment rate of 6.2% and the national rate of 9.5% for the period ended June 30, 2009.

These indicators were taken into account when adopting the budget for fiscal year 2010. Amounts available for appropriation in the operating budget were approximately \$14.3 million, an increase of 7% from the final fiscal year 2009 budget. Budgeted disbursements are expected to decrease approximately \$160,754. If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$1,003,000 by the close of fiscal year 2010.

O'Brien County considered the current revenues received, along with the historical revenues versus expenditures, when setting the levy rates for fiscal year 2010. 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, 2009

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 5,622,321
Receivables:	
Property tax:	
Delinquent	1,000
Succeeding year	5,039,000
Succeeding year tax increment financing	94,000
Interest and penalty on property tax	5,000
Accounts	6,734
Accrued interest	10,273
Due from other governments	469,590
Inventories	653,540
Prepaid expenses	59,662
Capital assets (net of accumulated depreciation)	16,177,084
<b>Total assets</b>	<u>28,138,204</u>
<b>Liabilities</b>	
Accounts payable	476,463
Accrued interest payable	13,625
Salaries and benefits payable	27,488
Due to other governments	233,824
Deferred revenue:	
Succeeding year property tax	5,039,000
Succeeding year tax increment financing	94,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds/notes	215,000
Compensated absences	240,382
Portion due or payable after one year:	
General obligation bonds/notes	3,988,632
Net OPEB liability	92,536
<b>Total liabilities</b>	<u>10,420,950</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	11,973,452
Restricted for:	
Supplemental levy purposes	292,148
Mental health purposes	146,347
Secondary roads purposes	2,089,768
Capital projects	55,604
Drainage purposes	60,787
Other purposes	236,621
Unrestricted	2,862,527
<b>Total net assets</b>	<u>\$ 17,717,254</u>

See notes to financial statements.

O'Brien County  
 Statement of Activities  
 Year ended June 30, 2009

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 2,801,780	1,055,195	34,629	-	(1,711,956)
Physical health and social services	510,511	8,568	175,491	-	(326,452)
Mental health	1,866,966	110,803	1,313,767	-	(442,396)
County environment and education	776,159	128,391	47,141	-	(600,627)
Roads and transportation	4,193,989	184,260	2,328,982	2,280,430	599,683
Governmental services to residents	465,614	262,962	330	-	(202,322)
Administration	884,935	12,231	-	-	(872,704)
Non-program	293,311	320,881	-	-	27,570
Interest on long-term debt	177,531	-	315	-	(177,216)
Total	\$ 11,970,796	2,083,291	3,900,655	2,280,430	(3,706,420)

**General Revenues:**

Property and other county tax levied for:		
General purposes		4,318,115
Debt service		278,701
Tax increment financing		52,159
Penalty and interest on property tax		32,568
State tax credits		294,402
Local option sales tax		550,006
Unrestricted investment earnings		126,490
Gain on disposition of capital assets		46,790
Miscellaneous		1,472
Total general revenues		5,700,703
Change in net assets		1,994,283
Net assets beginning of year		15,722,971
Net assets end of year		\$ 17,717,254

See notes to financial statements.

O'Brien County  
Balance Sheet  
Governmental Funds

June 30, 2009

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 2,043,061	477,715	601,284	1,300,861
Receivables:				
Property tax:				
Delinquent	1,000	-	-	-
Succeeding year	3,078,000	532,000	1,147,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	5,000	-	-	-
Accounts	-	-	1,054	5,680
Accrued interest	8,534	-	-	-
Advances to other funds	-	-	-	68,482
Due from other governments	151,007	35,374	64,888	218,321
Inventories	-	-	-	653,540
Prepaid expenditures	35,689	-	4,976	18,997
<b>Total assets</b>	<b>\$ 5,322,291</b>	<b>1,045,089</b>	<b>1,819,202</b>	<b>2,265,881</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 89,594	144,330	2,376	89,563
Salaries and benefits payable	15,815	-	-	11,673
Advances to other funds	-	-	-	-
Due to other governments	10,407	222,412	660	-
Deferred revenue:				
Succeeding year property tax	3,078,000	532,000	1,147,000	-
Succeeding year tax increment financing	-	-	-	-
Other	69,244	648	-	7,226
Total liabilities	<b>3,263,060</b>	<b>899,390</b>	<b>1,150,036</b>	<b>108,462</b>
Fund balances:				
Reserved for:				
Supplemental levy purposes	310,023	-	-	-
Advances to other funds	-	-	-	68,482
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	1,749,208	-	-	-
Special revenue funds	-	145,699	669,166	2,088,937
Capital projects fund	-	-	-	-
Total fund balances	<b>2,059,231</b>	<b>145,699</b>	<b>669,166</b>	<b>2,157,419</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,322,291</b>	<b>1,045,089</b>	<b>1,819,202</b>	<b>2,265,881</b>

See notes to financial statements.

Debt Service	Nonmajor	Total
5,659	405,622	4,834,202
-	-	1,000
282,000	-	5,039,000
-	94,000	94,000
-	-	5,000
-	-	6,734
-	-	8,534
-	-	68,482
-	-	469,590
-	-	653,540
-	-	59,662
<u>287,659</u>	<u>499,622</u>	<u>11,239,744</u>
-	-	325,863
-	-	27,488
-	68,482	68,482
-	345	233,824
282,000	-	5,039,000
-	94,000	94,000
-	-	77,118
<u>282,000</u>	<u>162,827</u>	<u>5,865,775</u>
-	-	310,023
-	-	68,482
5,659	-	5,659
-	-	1,749,208
-	281,191	3,184,993
-	55,604	55,604
<u>5,659</u>	<u>336,795</u>	<u>5,373,969</u>
<u>287,659</u>	<u>499,622</u>	<u>11,239,744</u>

**O'Brien County**

O'Brien County

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

June 30, 2009

**Total governmental fund balances (page 19)** \$ 5,373,969

***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 \$22,788,553 and the accumulated depreciation is \$6,611,469. 16,177,084

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 77,118

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. 639,258

Long-term liabilities, including bonds/notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (4,550,175)

**Net assets of governmental activities (page 16)** \$ 17,717,254

See notes to financial statements.

O'Brien County

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

Year ended June 30, 2009

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 2,711,834	533,670	1,622,617	-
Interest and penalty on property tax	31,568	-	-	-
Intergovernmental	1,290,846	1,479,859	133,047	2,356,736
Licenses and permits	4,050	-	-	-
Charges for service	430,384	-	-	77,298
Use of money and property	190,181	-	-	920
Miscellaneous	28,600	-	2,991	78,062
Total revenues	4,687,463	2,013,529	1,758,655	2,513,016
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	2,140,686	-	549,275	-
Physical health and social services	510,089	-	-	-
Mental health	-	1,866,966	-	-
County environment and education	627,455	-	147,707	-
Roads and transportation	-	-	-	3,347,948
Governmental services to residents	461,346	-	2,215	-
Administration	869,095	-	-	-
Non-program	4,942	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	298,691
Total expenditures	4,613,613	1,866,966	699,197	3,646,639
Excess (deficiency) of revenues over (under) expenditures	73,850	146,563	1,059,458	(1,133,623)
<b>Other financing sources (uses):</b>				
Sale of capital assets	-	-	1,133	-
Operating transfers in	-	-	-	1,310,345
Operating transfers out	(87,178)	-	(1,086,203)	-
Total other financing sources (uses)	(87,178)	-	(1,085,070)	1,310,345
Net change in fund balances	(13,328)	146,563	(25,612)	176,722
Fund balances (deficit) beginning of year	2,072,559	(864)	694,778	1,980,697
Fund balances end of year	\$ 2,059,231	145,699	669,166	2,157,419

See notes to financial statements.

Debt Service	Nonmajor	Total
278,701	52,159	5,198,981
-	-	31,568
16,741	38,913	5,316,142
-	-	4,050
-	3,929	511,611
209	5,455	196,765
-	7,053	116,706
<u>295,651</u>	<u>107,509</u>	<u>11,375,823</u>
-	30,606	2,720,567
-	-	510,089
-	-	1,866,966
-	998	776,160
-	-	3,347,948
-	1,603	465,164
-	-	869,095
-	-	4,942
294,796	79,925	374,721
-	25,815	324,506
<u>294,796</u>	<u>138,947</u>	<u>11,260,158</u>
<u>855</u>	<u>(31,438)</u>	<u>115,665</u>
-	-	1,133
-	5	1,310,350
-	(136,969)	(1,310,350)
-	(136,964)	1,133
855	(168,402)	116,798
4,804	505,197	5,257,171
<u>5,659</u>	<u>336,795</u>	<u>5,373,969</u>

O'Brien County

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

Year ended June 30, 2009

**Net change in fund balances - Total governmental funds (page 23)** \$ 116,798

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

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

Expenditures for capital assets	\$ 407,680	
Capital assets contributed by the Iowa Department of Transportation	2,277,688	
Depreciation expense	<u>(1,010,302)</u>	1,675,066

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. 45,657

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. (70,882)

Governmental funds report discounts when 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 repayments exceeded discount amortization, as follows:

Amortization of bond discount	(8,408)	
Repayments	<u>205,000</u>	196,592

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	(4,148)	
Other postemployment benefits	(92,536)	
Interest on long-term debt	<u>598</u>	(96,086)

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. 127,138

**Change in net assets of governmental activities (page 17)** \$ 1,994,283

See notes to financial statements.

O'Brien County  
Statement of Net Assets  
Proprietary Fund  
June 30, 2009

	<u>Internal Service - Employee Health Insurance</u>
<b>Assets</b>	
Cash	\$ 538,119
Investments	250,000
Accrued interest receivable	<u>1,739</u>
<b>Total assets</b>	789,858
<b>Liabilities</b>	
Accounts payable	<u>150,600</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 639,258</u></u>

See notes to financial statements.

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

Year ended June 30, 2009

		<u>Internal Service - Employee Health Insurance</u>
Operating revenues:		
Reimbursements from operating funds		\$ 808,043
Stop loss insurance reimbursements		268,565
Reimbursements from others		11,044
Total operating revenues		<u>1,087,652</u>
Operating expenses:		
Health claims and administrative services	\$ 974,390	
Workers' compensation insurance	<u>903</u>	<u>975,293</u>
Operating income		112,359
Non-operating revenues:		
Interest income		14,779
Net income		<u>127,138</u>
Net assets beginning of year		<u>512,120</u>
Net assets end of year		<u><u>\$ 639,258</u></u>

See notes to financial statements.

O'Brien County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2009

	<u>Internal Service - Employee Health Insurance</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 808,043
Cash received from stop loss insurance reimbursements	268,565
Cash received from others	11,044
Cash paid for health claims and for administrative services	(966,832)
Cash paid for workers' compensation insurance	(903)
Net cash provided by operating activities	<u>119,917</u>
Cash flows from investing activities:	
Sale of investments	255,698
Interest on investments	14,938
Net cash provided by investing activities	<u>270,636</u>
Net increase in cash and cash equivalents	390,553
Cash and cash equivalents beginning of year	<u>147,566</u>
Cash and cash equivalents end of year	<u>\$ 538,119</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 112,359
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in payables	<u>7,558</u>
Net cash provided by operating activities	<u>\$ 119,917</u>

See notes to financial statements.

O'Brien County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2009

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 1,103,796
Other County officials	20,608
Receivables:	
Property tax:	
Delinquent	8,000
Succeeding year	12,311,000
Accounts	18,424
Accrued interest	58
Special assessments	128,853
Due from other governments	31,657
<b>Total assets</b>	<u>13,622,396</u>

**Liabilities**

Accounts payable	258
Due to other governments	13,563,133
Trusts payable	28,924
Compensated absences	30,081
<b>Total liabilities</b>	<u>13,622,396</u>

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

O'Brien County

Notes to Financial Statements

June 30, 2009

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

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

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

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.

Advances to/from Other Funds – Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account for governmental funds which indicates they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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 and tax increment financing receivables 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 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, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts 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, 2009, disbursements did not exceed the amounts budgeted by function.

### (2) **Cash and Pooled Investments**

The County's deposits in banks at June 30, 2009 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 \$2,609,835 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, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 87,178
	Special Revenue: Rural Services	1,086,203
	County Urban Renewal	68,482
	Capital Projects	68,482
		<u>1,310,345</u>
County Recorder's Records Management	Special Revenue: County Recorder's Electronic Transaction Fee	5
Total		<u>\$ 1,310,350</u>

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2009 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 133,500	-	-	133,500
Construction in progress, road network	1,715,070	2,414,652	(4,129,722)	-
Construction in progress	809,528	12,805	-	822,333
Total capital assets not being depreciated	<u>2,658,098</u>	<u>2,427,457</u>	<u>(4,129,722)</u>	<u>955,833</u>
Capital assets being depreciated:				
Buildings	3,963,135	68,000	-	4,031,135
Improvements other than buildings	30,697	-	-	30,697
Equipment and vehicles	6,287,095	236,205	(80,305)	6,442,995
Infrastructure, road network	7,198,171	4,129,722	-	11,327,893
Total capital assets being depreciated	<u>17,479,098</u>	<u>4,433,927</u>	<u>(80,305)</u>	<u>21,832,720</u>
Less accumulated depreciation for:				
Buildings	900,588	78,774	-	979,362
Improvements other than buildings	8,595	614	-	9,209
Equipment and vehicles	3,577,119	382,996	(79,668)	3,880,447
Infrastructure, road network	1,194,533	547,918	-	1,742,451
Total accumulated depreciation	<u>5,680,835</u>	<u>1,010,302</u>	<u>(79,668)</u>	<u>6,611,469</u>
Total capital assets being depreciated, net	<u>11,798,263</u>	<u>3,423,625</u>	<u>(637)</u>	<u>15,221,251</u>
Governmental activities capital assets, net	<u>\$ 14,456,361</u>	<u>5,851,082</u>	<u>(4,130,359)</u>	<u>16,177,084</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 128,619
Physical health and social services		261
County environment and education		28,559
Roads and transportation		840,971
Administration		11,892
		<u>11,892</u>
Total depreciation expense - governmental activities		<u>\$ 1,010,302</u>

**(5) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 10,407
Special Revenue:		
Mental Health	Services	222,412
Rural Services	Services	660
Drainage Districts	Services	345
		<u>223,417</u>
Total for governmental funds		<u>\$ 233,824</u>
Agency:		
County Assessor	Collections	\$ 674,602
Schools		6,790,044
Community Colleges		343,659
Corporations		4,734,033
Townships		144,393
City Special Assessments		129,654
Auto License, Use Tax and Driver's License		323,433
E911 Surcharges		187,468
All other		235,847
		<u>235,847</u>
Total for agency funds		<u>\$ 13,563,133</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	General Obligation Bonds/Notes	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 4,400,224	236,234	-	4,636,458
Increases	8,408	298,115	92,536	399,059
Decreases	205,000	293,967	-	498,967
Balance end of year	<u>\$ 4,203,632</u> *	<u>240,382</u>	<u>92,536</u>	<u>4,536,550</u>
Due within one year	\$ 215,000	240,382	-	455,382

\* Net of \$76,368 of unamortized discount at June 30, 2009.

General Obligation Bonds/Notes

A summary of the County's June 30, 2009 general obligation bonds/notes indebtedness is as follows:

Year Ending June 30,	Refunding Notes Series 2006 Issued Jul 1, 2005		
	Interest Rates	Principal	Interest
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	3.400-3.500	255,000	49,365
2015-2018	3.500-4.000	1,110,000	100,745
Total		\$ 2,280,000	431,204

Year Ending June 30,	Bond Series 2008 Issued Aug 1, 2007			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
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	3.950	340,000	62,616	595,000	111,981	706,981
2015-2018	4.000 - 4.050	1,225,000	99,354	2,335,000	200,099	2,535,099
Total		\$ 2,000,000	475,835	4,280,000	907,039	5,187,039

During the year ended June 30, 2009, the County retired \$205,000 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 4.10% of their annual covered salary and the County is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$277,907, \$244,004 and \$223,927, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

The County implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions, during the year ended June 30, 2009.

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 85 active and no retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 102,181
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	102,181
Contributions made	(9,645)
Increase in net OPEB obligation	92,536
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 92,536</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the County contributed \$9,645 to the medical plan and there were no plan member contributions.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 102,181	9.4%	\$ 92,536

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$878,220, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$878,220. The covered payroll (annual payroll of active employees covered by the plan) was \$3,779,134 and the ratio of the UAAL to covered payroll was 23.2%. As of June 30, 2009, there were no trust fund assets.

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

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

As of the July 1, 2008 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions includes a 4% discount rate based on the County's funding policy. The projected annual health trend rate is 10%. The ultimate health trend rate is 4.5%. The health trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$1,045 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

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

**(10) Employee Health Insurance Plan**

The Internal Service, Employee Health Insurance Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with 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, 2009 was \$808,043.

Amounts payable from the Employee Health Insurance Fund at June 30, 2009 total \$150,600, 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 \$639,258 at June 30, 2009 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	\$ 143,042
Incurred claims (including claims incurred but not reported at June 30, 2008)	974,390
Payment on claims during the fiscal year	<u>966,832</u>
Unpaid claims end of year	<u><u>\$ 150,600</u></u>

**(11) Contingent Liability**

The County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Northwest Iowa Area Solid Waste Agency required by Chapter 567-113.14 of the Iowa Administrative Code. The County's financial assurance obligation is \$237,000.

**(12) Financial Condition**

The Special Revenue, County Urban Renewal Fund had an unreserved deficit fund balance of \$16,217 at June 30, 2009. The County plans to eliminate the deficit through the collection of future tax increment financing revenues.

**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, 2009

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 5,286,651	-	5,286,651
Interest and penalty on property tax	31,568	-	31,568
Intergovernmental	5,354,327	-	5,354,327
Licenses and permits	82,152	-	82,152
Charges for service	441,826	-	441,826
Use of money and property	208,068	660	207,408
Miscellaneous	136,747	-	136,747
Total receipts	<u>11,541,339</u>	<u>660</u>	<u>11,540,679</u>
<b>Disbursements:</b>			
Public safety and legal services	2,689,733	-	2,689,733
Physical health and social services	498,106	-	498,106
Mental health	2,059,583	-	2,059,583
County environment and education	777,573	-	777,573
Roads and transportation	3,210,513	-	3,210,513
Governmental services to residents	465,704	-	465,704
Administration	846,239	-	846,239
Non-program	4,942	-	4,942
Debt service	294,796	-	294,796
Capital projects	521,012	-	521,012
Total disbursements	<u>11,368,201</u>	<u>-</u>	<u>11,368,201</u>
Excess (deficiency) of receipts over (under) disbursements	173,138	660	172,478
Other financing sources, net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	173,138	660	172,478
Balance beginning of year	<u>4,661,064</u>	<u>60,472</u>	<u>4,600,592</u>
Balance end of year	<u>\$ 4,834,202</u>	<u>61,132</u>	<u>4,773,070</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
5,103,458	5,109,439	177,212
17,600	13,281	18,287
4,802,088	5,193,503	160,824
63,250	63,400	18,752
357,065	350,318	91,508
214,737	183,898	23,510
99,325	106,394	30,353
<u>10,657,523</u>	<u>11,020,233</u>	<u>520,446</u>
2,764,155	2,839,080	149,347
548,964	524,351	26,245
1,877,700	2,097,241	37,658
863,162	815,638	38,065
3,470,850	3,470,850	260,337
507,857	485,655	19,951
917,416	904,813	58,574
10,000	5,000	58
344,897	294,897	101
779,025	977,205	456,193
<u>12,084,026</u>	<u>12,414,730</u>	<u>1,046,529</u>
(1,426,503)	(1,394,497)	1,566,975
1,000	1,000	(1,000)
(1,425,503)	(1,393,497)	1,565,975
3,415,442	4,480,690	119,902
<u>1,989,939</u>	<u>3,087,193</u>	<u>1,685,877</u>

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O'Brien County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,541,339	(165,516)	11,375,823
Expenditures	11,368,201	(108,043)	11,260,158
Net	173,138	(57,473)	115,665
Other financing sources, net	-	1,133	1,133
Beginning fund balances	4,661,064	596,107	5,257,171
Ending fund balances	\$ 4,834,202	539,767	5,373,969

See accompanying independent auditor's report.

O'Brien County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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, two budget amendments increased budgeted disbursements by \$330,704. The budget amendments are reflected in the final budgeted amounts. Also, interest on the Series 2008 general obligation bonds 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, 2009, disbursements did not exceed the amounts budgeted by function.

O'Brien County

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

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Jul 1, 2008	\$ -	878	878	0.00%	\$ 3,779	23.2%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**Other Supplementary Information**

O'Brien County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2009

	Resource Enhancement and Protection	County Recorder's Records Management	Federal Drug Reimburse- ment	Ambulance Replacement
<b>Assets</b>				
Cash and pooled investments	\$ 30,072	31,620	4,501	111,488
Receivables:				
Succeeding year tax increment financing	-	-	-	-
<b>Total assets</b>	<b>\$ 30,072</b>	<b>31,620</b>	<b>4,501</b>	<b>111,488</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Advances from other funds	\$ -	-	-	-
Due to other governments	-	-	-	-
Deferred revenue:				
Succeeding year tax increment financing	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Unreserved, reported in:				
Special revenue funds	30,072	31,620	4,501	111,488
Capital projects fund	-	-	-	-
Total fund balances	30,072	31,620	4,501	111,488
<b>Total liabilities and fund equity</b>	<b>\$ 30,072</b>	<b>31,620</b>	<b>4,501</b>	<b>111,488</b>

See accompanying independent auditor's report.

Special Revenue								
Housing Rehab	Title XIX Set Aside - 10%	County Urban Renewal	Special Environment	Drainage Districts	Conservation Land Acquisition	Capital Projects	Total	
46,214	5,120	52,265	7,125	61,132	481	55,604	405,622	
-	-	94,000	-	-	-	-	94,000	
46,214	5,120	146,265	7,125	61,132	481	55,604	499,622	
-	-	68,482	-	-	-	-	68,482	
-	-	-	-	345	-	-	345	
-	-	94,000	-	-	-	-	94,000	
-	-	162,482	-	345	-	-	162,827	
46,214	5,120	(16,217)	7,125	60,787	481	-	281,191	
-	-	-	-	-	-	55,604	55,604	
46,214	5,120	(16,217)	7,125	60,787	481	55,604	336,795	
46,214	5,120	146,265	7,125	61,132	481	55,604	499,622	

O'Brien County

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

Year ended June 30, 2009

	Resource Enhancement and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Federal Drug Reimburse- ment
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	16,913	-	-	4,500
Charges for service	-	3,929	-	-
Use of money and property	202	330	-	-
Miscellaneous	-	-	-	-
Total revenues	17,115	4,259	-	4,500
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	1,600
County environment and education	-	-	-	-
Governmental services to residents	-	1,603	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	-	1,603	-	1,600
Excess (deficiency) of revenues over (under) expenditures	17,115	2,656	-	2,900
Other financing sources (uses):				
Operating transfers in	-	5	-	-
Operating transfers out	-	-	(5)	-
Total other financing sources (uses)	-	5	(5)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	17,115	2,661	(5)	2,900
Fund balances beginning of year	12,957	28,959	5	1,601
Fund balances end of year	\$ 30,072	31,620	-	4,501

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	Capital Projects	Total	
-	-	-	52,159	-	-	-	-	52,159	
17,500	-	-	-	-	-	-	-	38,913	
-	-	-	-	-	-	-	-	3,929	
1,257	132	-	106	25	660	1	2,742	5,455	
-	7,053	-	-	-	-	-	-	7,053	
18,757	7,185	-	52,265	25	660	1	2,742	107,509	
29,006	-	-	-	-	-	-	-	30,606	
-	-	-	-	653	345	-	-	998	
-	-	-	-	-	-	-	-	1,603	
-	-	-	-	-	-	-	79,925	79,925	
-	-	-	-	-	-	-	25,815	25,815	
29,006	-	-	-	653	345	-	105,740	138,947	
(10,249)	7,185	-	52,265	(628)	315	1	(102,998)	(31,438)	
-	-	-	-	-	-	-	-	5	
-	-	-	(68,482)	-	-	-	(68,482)	(136,969)	
-	-	-	(68,482)	-	-	-	(68,482)	(136,964)	
(10,249)	7,185	-	(16,217)	(628)	315	1	(171,480)	(168,402)	
121,737	39,029	5,120	-	7,753	60,472	480	227,084	505,197	
111,488	46,214	5,120	(16,217)	7,125	60,787	481	55,604	336,795	

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

June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,435	393,988	104,044	5,659
Other County officials	20,608	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	-	3,000	-
Succeeding year	-	155,000	297,000	6,683,000	338,000
Accounts	671	-	132	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 21,279</b>	<b>157,435</b>	<b>691,120</b>	<b>6,790,044</b>	<b>343,659</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	-	-	-
Due to other governments	17,849	157,435	674,602	6,790,044	343,659
Trusts payable	3,430	-	-	-	-
Compensated absences	-	-	16,518	-	-
<b>Total liabilities</b>	<b>\$ 21,279</b>	<b>157,435</b>	<b>691,120</b>	<b>6,790,044</b>	<b>343,659</b>

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Auto License, Use Tax and Driver's License	E911 Surcharges	Other	Total
35,033	2,393	801	323,433	161,929	74,081	1,103,796
-	-	-	-	-	-	20,608
5,000	-	-	-	-	-	8,000
4,694,000	142,000	-	-	-	2,000	12,311,000
-	-	-	-	17,212	409	18,424
-	-	-	-	58	-	58
-	-	128,853	-	-	-	128,853
-	-	-	-	8,269	23,388	31,657
<b>4,734,033</b>	<b>144,393</b>	<b>129,654</b>	<b>323,433</b>	<b>187,468</b>	<b>99,878</b>	<b>13,622,396</b>
-	-	-	-	-	258	258
4,734,033	144,393	129,654	323,433	187,468	60,563	13,563,133
-	-	-	-	-	25,494	28,924
-	-	-	-	-	13,563	30,081
<b>4,734,033</b>	<b>144,393</b>	<b>129,654</b>	<b>323,433</b>	<b>187,468</b>	<b>99,878</b>	<b>13,622,396</b>

O'Brien County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 20,977	145,617	628,064	6,346,587	340,745
Additions:					
Property and other county tax	-	155,801	299,174	6,713,203	339,267
E911 surcharge	-	-	-	-	-
State tax credits	-	9,479	18,735	406,648	22,019
Office fees and collections	1,068,700	-	-	-	-
Auto licenses, driver's licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	134,311	-	-	-	-
Miscellaneous	-	-	3,225	-	-
Total additions	1,203,011	165,280	321,134	7,119,851	361,286
Deductions:					
Agency remittances:					
To other funds	869,062	-	-	-	-
To other governments	200,002	153,462	258,078	6,676,394	358,372
Trusts paid out	133,645	-	-	-	-
Total deductions	1,202,709	153,462	258,078	6,676,394	358,372
Balances end of year	\$ 21,279	157,435	691,120	6,790,044	343,659

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
4,526,256	127,410	103,109	269,615	184,220	67,916	12,760,516
4,640,640	142,111	-	-	-	1,709	12,291,905
-	-	-	-	126,126	-	126,126
216,971	7,541	-	-	-	112	681,505
-	-	-	-	-	-	1,068,700
-	-	-	3,476,635	-	-	3,476,635
-	-	70,987	-	-	-	70,987
-	-	-	-	-	107,240	241,551
-	-	-	-	6,034	124,051	133,310
4,857,611	149,652	70,987	3,476,635	132,160	233,112	18,090,719
-	-	-	130,071	-	-	999,133
4,649,834	132,669	44,442	3,292,746	128,912	104,535	15,999,446
-	-	-	-	-	96,615	230,260
4,649,834	132,669	44,442	3,422,817	128,912	201,150	17,228,839
4,734,033	144,393	129,654	323,433	187,468	99,878	13,622,396

O'Brien County

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

For the Last Nine Years

	2009	2008	2007	2006
<b>Revenues:</b>				
Property and other county tax	\$ 5,198,981	5,148,085	4,894,771	4,653,789
Interest and penalty on property tax	31,568	29,515	25,929	27,537
Intergovernmental	5,316,142	5,427,698	5,010,777	4,903,597
Licenses and permits	4,050	3,200	2,025	2,945
Charges for service	511,611	509,384	455,847	450,537
Use of money and property	196,765	324,450	292,660	247,089
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	116,706	178,439	182,915	195,699
<b>Total</b>	<b>\$ 11,375,823</b>	<b>11,620,771</b>	<b>10,864,924</b>	<b>10,481,193</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 2,720,567	2,623,440	2,506,085	2,429,677
Physical health and social services	510,089	458,495	413,728	426,163
Mental health	1,866,966	1,954,462	1,790,088	1,610,403
County environment and education	776,160	956,874	553,618	608,032
Roads and transportation	3,347,948	3,294,303	3,187,986	3,117,446
Governmental services to residents	465,164	430,043	408,498	501,337
Administration	869,095	855,461	834,441	896,972
Non-program	4,942	4,902	7,945	4,856
Debt service	374,721	574,403	363,602	343,075
Capital projects	324,506	1,839,258	478,061	1,791,724
<b>Total</b>	<b>\$ 11,260,158</b>	<b>12,991,641</b>	<b>10,544,052</b>	<b>11,729,685</b>

See accompanying independent auditor's report.

Modified Accrual Basis				
2005	2004	2003	2002	2001
4,604,752	4,680,655	4,252,755	4,130,925	4,052,563
27,329	28,979	27,467	27,495	24,313
4,613,268	4,474,319	3,456,156	4,044,170	3,536,435
2,900	2,490	2,130	2,653	1,998
438,879	429,707	826,538	317,334	291,309
175,374	122,939	159,671	216,667	391,111
-	-	-	19,220	7,500
117,822	92,822	104,351	79,408	70,897
9,980,324	9,831,911	8,829,068	8,837,872	8,376,126
2,088,365	1,988,860	1,811,584	1,735,215	1,554,780
419,935	401,973	460,947	442,874	430,469
1,481,050	1,432,499	1,513,629	1,511,855	1,378,308
460,886	457,522	479,319	737,798	533,057
2,971,035	2,869,960	2,297,184	2,606,244	2,649,320
402,674	385,449	340,608	320,057	294,771
818,498	816,791	810,551	706,773	716,634
5,114	5,728	5,010	8,063	4,426
304,149	301,999	304,684	307,104	303,922
1,131,844	518,023	403,049	861,249	656,641
10,083,550	9,178,804	8,426,565	9,237,232	8,522,328

**O'Brien County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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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, 2009, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 9, 2010. 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 a deficiency we consider to be a material weakness.

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 item (A) is a material weakness.

#### 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, 2009 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

March 9, 2010

O'Brien County

Schedule of Findings

Year ended June 30, 2009

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

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

	<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.	Treasurer, 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.	Treasurer, Recorder, Public Health, Sheriff and Sanitation
(3) Bank reconciliations are not performed by a person who does not record cash receipts or prepare checks. In addition, bank reconciliations are not reviewed periodically by an independent person for propriety.	Recorder, Sheriff and Treasurer
(4) The person who signs checks is not independent of the person preparing checks, approving disbursements and recording cash receipts.	Recorder

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel 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:

Treasurer – We will continue to perform checks and balances, with different people balancing, counting cash, posting daily cash-up, apportioning and balancing to the abstract. This lessens the risk of fraud.

O'Brien County

Schedule of Findings

Year ended June 30, 2009

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. We have only one administrative assistant to this position with no one to assume her duties when she is gone from work. Therefore, we will attempt to use existing personnel to fulfill this comment by the State Auditor's office. Also, we will be reconciling the bank statement manually until our computer software upgrade has been installed and tested to help us comply with State Auditor's comment.

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

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

Conclusions – Responses accepted.

- (B) County Assessor – Personnel of the County Assessor's office do not prepare and file timesheets.

Recommendation – Timesheets should be prepared by all personnel in all departments, salaried as well as hourly, and should be submitted to the County Assessor prior to the processing of payroll each pay period. The timesheets should be signed by the employee and should be reviewed and signed by the County Assessor prior to submission. The timesheets should support all hours worked and all hours taken as vacation, sick leave and personal hours.

Response – Vacation time, sick leave and personal hours are currently being maintained in a payroll ledger book. Personnel will initial these each month to verify totals.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

O'Brien County

Schedule of Findings

Year ended June 30, 2009

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 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	\$ 2,087
Emily Waund, Board of Supervisors, Emily and her two brothers (Chuck Getting and John Getting) own the Getting gravel pit	Gravel stockpile rent	403
Jacob Moermond, Board of Supervisors, owner of the Moermond gravel pit	Gravel stockpile rent	605

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

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Emily Waund and Jacob Moermond do not appear to represent conflicts of interest since the cumulative total purchase price did not exceed \$1,500 in fiscal year 2009.

- (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, 2009

(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, 2009 for the County Extension Office did not exceed the amount budgeted.

(10) Deficit Fund Balance – The Special Revenue, County Urban Renewal Fund had a deficit fund balance of \$16,217 at June 30, 2009.

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

Response – The deficit will be eliminated with the collection of future tax increment financing revenues.

Conclusion – Response accepted.

(11) Outstanding Warrants – The County did not cancel warrants outstanding for more than one year as required by Chapter 331.554(7) of the Code of Iowa.

Recommendation – The County should cancel warrants outstanding for more than one year.

Response – We will get this done.

Conclusion – Response accepted.

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O'Brien County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager  
Scott P. Boisen, Senior Auditor II  
Jenny M. Podrebarac, Staff Auditor  
Daryl L. Hart, Assistant Auditor

A handwritten signature in cursive script that reads "Andrew E. Nielsen".

Andrew E. Nielsen, CPA  
Deputy Auditor of State