



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

April 4, 2013

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

The County had local tax revenue of \$20,815,819 for the year ended June 30, 2012, which included \$826,647 in tax credits from the state. The County forwarded \$15,190,910 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,624,909 of the local tax revenue to finance County operations, a 3% increase over the prior year. Other revenues included charges for service of \$1,978,105, operating grants, contributions and restricted interest of \$4,158,205, capital grants, contributions and restricted interest of \$1,775,949, tax increment financing of \$454,053, local option sales tax of \$502,532, unrestricted investment earnings of \$69,261 and other general revenues of \$62,816.

Expenses for County operations totaled \$12,144,775, a 7% increase over the prior year. Expenses included \$4,335,157 for roads and transportation, \$2,760,426 for public safety and legal services and \$1,931,746 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/1210-0071-B00F.pdf>.

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O'BRIEN COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2012

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O'Brien County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Haack	Board of Supervisors	Jan 2013
Richard Haack	Board of Supervisors	Jan 2013
Emily Waund	Board of Supervisors	Jan 2013
Jim DeBoom	Board of Supervisors	Jan 2015
Thomas Farnsworth	Board of Supervisors	Jan 2015
Barbara Rohwer	County Auditor	Jan 2013
Phyllis Rohlfen	County Treasurer	Jan 2015
Kurt Brown	County Recorder	Jan 2015
Michael J. Anderson	County Sheriff	Jan 2013
Micah Schreurs	County Attorney	Jan 2015
Lowell L. Dykstra	County Assessor	Jan 2016

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, 2012, 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, 2012, 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 5, 2013 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.

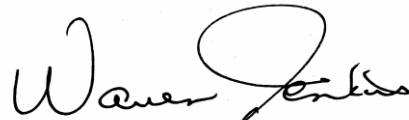
U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of

the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 eight years ended June 30, 2011 (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 year ended June 30, 2003 (which are not presented herein) and expressed a qualified opinion on those financial statements due to the effects of the omission of general fixed assets. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 5, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

O'Brien County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2012, along with comparative data for the year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 8.2%, or approximately \$1,105,000, from fiscal year 2011 to fiscal year 2012. Property and other county tax increased approximately \$331,000. Capital grants, contributions and restricted interest increased approximately \$1,228,000. Operating grants, contributions and restricted interest decreased approximately \$477,000.
- Program expenses of the County's governmental activities were approximately \$12,145,000, or 6.7% more in fiscal year 2012 than in fiscal year 2011. Roads and transportation and mental health expenses increased approximately \$272,000 and \$230,000, respectively.
- The County's net assets increased 11.8%, or approximately \$2,481,000, from June 30, 2011 to June 30, 2012.

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 financial 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.

Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Internal Service and 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 and Workers' Compensation Self Insurance Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net 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

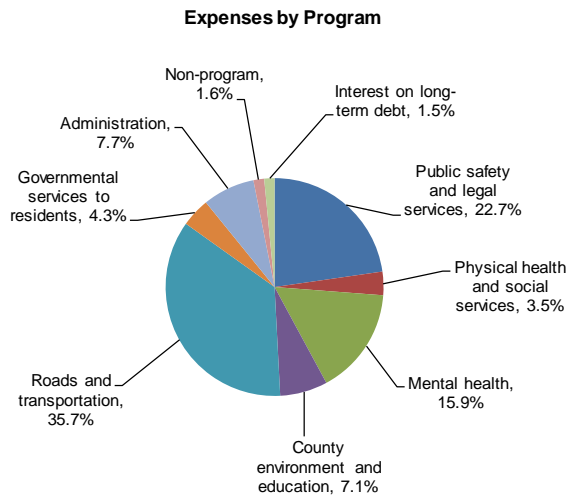
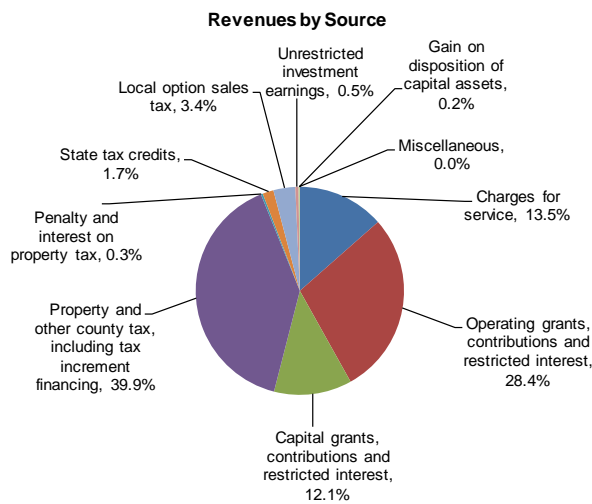
As noted earlier, net assets may serve over time as a useful indicator of financial position. O'Brien County's combined net assets increased from a year ago, from approximately \$21.1 million to approximately \$23.6 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2012	2011
Current and other assets	\$ 15,619	14,862
Capital assets	18,413	17,197
Total assets	<u>34,032</u>	<u>32,059</u>
Long-term liabilities	3,799	4,281
Other liabilities	6,660	6,686
Total liabilities	<u>10,459</u>	<u>10,967</u>
Net assets:		
Invested in capital assets, net of related debt	15,169	13,411
Restricted	5,109	4,631
Unrestricted	3,295	3,050
Total net assets	<u>\$ 23,573</u>	<u>21,092</u>

Net assets of O'Brien County's governmental activities increased approximately \$2,481,000, or 11.8%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased approximately \$245,000, or 8.0%, to approximately \$3,295,000 at June 30, 2012.

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

	Year ended June 30,	
	2012	2011
Revenues:		
Program revenues:		
Charges for service	\$ 1,978	1,719
Operating grants, contributions and restricted interest	4,158	4,635
Capital grants, contributions and restricted interest	1,776	548
General revenues:		
Property and other county tax, including tax increment financing	5,825	5,494
Penalty and interest on property tax	39	39
State tax credits	254	262
Local option sales tax	503	549
Unrestricted investment earnings	69	84
Gain on disposition of capital assets	24	177
Miscellaneous	-	14
Total revenues	14,626	13,521
Program expenses:		
Public safety and legal services	2,760	2,694
Physical health and social services	423	484
Mental health	1,932	1,702
County environment and education	857	722
Roads and transportation	4,335	4,063
Governmental services to residents	520	478
Administration	939	938
Non-program	193	140
Interest on long-term debt	186	163
Total expenses	12,145	11,384
Change in net assets	2,481	2,137
Net assets beginning of year	21,092	18,955
Net assets end of year	\$ 23,573	21,092



O'Brien County's governmental activities net assets increased approximately \$2,481,000 over the prior year. Revenues for governmental activities increased approximately \$1,105,000 over the prior year. Property and other county tax revenue increased approximately \$331,000, or 6.0%, over the prior year. Capital grants, contributions and restricted interest increased approximately \$1,228,000, due primarily to infrastructure and land contributions from the State of Iowa. Operating grants, contributions and restricted interest decreased approximately \$477,000, due primarily to decreases in I-Jobs and FEMA revenues.

The cost of all governmental activities this year was approximately \$12.1 million compared to approximately \$11.4 million last year. However, as shown in the Statement of Activities on page 17, the amount property taxpayers ultimately financed for these activities was approximately \$4.2 million because some of the cost was paid by those who directly benefited from the programs, approximately \$2.0 million, or by other governments and organizations which subsidized certain programs with grants and contributions, approximately \$5.9 million. Overall, the County's governmental activities program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2012 from approximately \$6,902,000 to approximately \$7,912,000. The County paid for the remaining "public benefit" portion of governmental activities (approximately \$4,233,000) 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 \$7.7 million, an increase of approximately \$640,000 over last year's total of approximately \$7.0 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$51,000, or 1.1%, while expenditures increased approximately \$251,000 from the prior year to approximately \$4,707,000, an increase of 5.6% over the prior year. The ending fund balance increased approximately \$81,000 over the prior year to approximately \$2,867,000.
- Although the County has continued to look for ways to effectively manage the cost of mental health services, expenditures for the year totaled approximately \$1,929,000, an increase of 14.2% over the prior year. Revenues increased approximately \$27,000, an increase of 1.5% over the prior year. The Special Revenue, Mental Health Fund balance decreased approximately \$84,000 from the prior year to approximately \$377,000.
- Special Revenue, Rural Services Fund revenues increased approximately \$94,000, principally due to a decrease in local option sales tax of approximately \$46,000 and an increase of property and other county tax of approximately \$134,000. The County increased the rural services property tax levy rate from \$3.3812 per \$1,000 of taxable valuation in fiscal year 2011 to \$3.56304 per \$1,000 of taxable valuation in fiscal year 2012. Expenditures and transfers out increased approximately \$21,000 over the prior year to approximately \$2,075,000, an increase of 1.0% over the prior year. The ending fund balance increased approximately \$9,000 from the prior year to approximately \$413,000.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$218,000, primarily due to funding received in fiscal year 2011 for flood recovery. Expenditures decreased approximately \$659,000 from the prior year to approximately \$3,822,000, a decrease of 14.7% from the prior year. The decrease is primarily due to a decrease in roadway construction expenditures. The ending fund balance increased approximately \$618,000 over the prior year to approximately \$3,541,000.
- 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 March 2012 and resulted in increases or decreases in budgeted disbursements for all functions except mental health, netting to an overall increase of \$507,975. The largest increases were \$340,000 and \$245,093 in the roads and transportation and debt service functions, respectively. The capital projects function decreased \$199,539. The roads and transportation function increased due to the purchase of additional equipment and equipment operations. The debt service function increased for payments associated with the refinancing of the TIF bonds. The capital projects function decrease was due to a decrease in road projects for the fiscal year. The second amendment was made in May 2012 for an increase of \$48,702. The amendment included increases in budgeted disbursements for the public safety, physical health and social services, county environment and education and governmental services to residents functions. This provided for emergency surgery for a prisoner, regional transit prior year appropriation paid in the current year, authority to disburse funds from the housing fund and to pay for postage for a county wide voter mail out.

The County's receipts were \$383,252 more than budgeted, a variance of 3.1%. The variance is a result of a conservative budgeting process which underestimates projected receipts for the County.

Total disbursements were \$1,392,966, or 10.1%, less than the amended budget. Actual disbursements for the roads and transportation and the capital projects functions were \$409,207 and \$564,208, respectively, less than budgeted. This was primarily due to fewer disbursements for roadway maintenance and general roadway disbursements than anticipated and a decrease in construction projects. Actual disbursements did not exceed the budget in any function during fiscal year 2012.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, O'Brien County had approximately \$18.4 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1.2 million, or 7.1%, over the prior year.

Capital Assets of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2012	2011
Land	\$ 378	133
Buildings and improvements	3,703	3,751
Equipment and vehicles	2,848	2,748
Infrastructure	11,484	10,565
Total	\$ 18,413	17,197
This year's major additions included (in thousands):		
Secondary Roads infrastructure	\$	1,742
Catepillar dozer for Secondary Roads		151
Tractor for Secondary Roads		73
Mower for Secondary Roads		29
Scraper for Secondary Roads		38
Vehicle for Secondary Roads		25
Mill Creek State Park Lake		244
Fishing jetties at various parks for Conservation		49
Vehicle for Conservation		29
Video recording system for Sheriff's Department		30
Two vehicles for Sheriff's Department		50
Courthouse phone system		28
Total	\$	2,488

The County had depreciation expense of \$1,330,359 in fiscal year 2012 and total accumulated depreciation of approximately \$9,495,000 at June 30, 2012. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2012, O'Brien County had \$3,243,856 of general obligation bonds/notes outstanding, compared to \$3,785,448 at June 30, 2011. During the year ended June 30, 2012, the County issued general obligation urban renewal refunding bonds to refund the Series 2008 general obligation bonds.

The County continues to carry a general obligation bond rating of AAA assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. O'Brien County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$63.5 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

O'Brien County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. According to information from Iowa Workforce Development, unemployment in the County stands at 4.2% versus 4.7% a year ago. This compares with the State's unemployment rate of 5.1% and the national rate of 8.2% for the period ended June 30, 2012.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget were approximately \$15.8 million, a decrease of 7.0% from the final fiscal year 2012 budget. Budgeted disbursements are expected to increase \$1,990,127 over fiscal year 2012 actual disbursements. If these estimates are realized, the County's budgetary operating balance is expected to decrease \$1,712,318 by the close of fiscal year 2013.

O'Brien County considered the current year's revenues, along with the historical revenues versus expenditures, when setting the levy rates for fiscal year 2013. A major factor in estimating many of the revenues from the State of Iowa was the current financial condition of the State and the history of the Iowa Legislature cutting funding for counties.

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

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

O'Brien County

Basic Financial Statements

Exhibit A

O'Brien County
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash, pooled investments and cash equivalents	\$ 7,807,740
Receivables:	
Property tax:	
Delinquent	2,384
Succeeding year	5,483,000
Succeeding year tax increment financing	607,000
Interest and penalty on property tax	7,068
Accounts	1,547
Accrued interest	6,779
Due from other governments	545,406
Inventories	1,080,267
Prepaid insurance	78,265
Capital assets, net of accumulated depreciation	18,412,740
Total assets	<u>34,032,196</u>
Liabilities	
Accounts payable	254,244
Accrued interest payable	7,273
Salaries and benefits payable	34,958
Due to other governments	273,796
Deferred revenue:	
Succeeding year property tax	5,483,000
Succeeding year tax increment financing	607,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds/notes	915,000
Compensated absences	242,952
Portion due or payable after one year:	
General obligation bonds/notes	2,328,856
Net OPEB liability	312,500
Total liabilities	<u>10,459,579</u>
Net Assets	
Invested in capital assets, net of related debt	15,168,884
Restricted for:	
Supplemental levy purposes	460,731
Mental health purposes	373,984
Rural services purposes	351,330
Secondary roads purposes	3,449,047
Drainage purposes	61,075
Conservation land acquisition	10,166
Debt service	263,779
Other purposes	138,474
Unrestricted	3,295,147
Total net assets	<u>\$ 23,572,617</u>

See notes to financial statements.

O'Brien County

Statement of Activities

Year ended June 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,760,426	865,653	5,302	-	(1,889,471)
Physical health and social services	422,517	15,534	138,474	-	(268,509)
Mental health	1,931,746	125,713	1,152,649	-	(653,384)
County environment and education	856,827	246,918	11,723	244,160	(354,026)
Roads and transportation	4,335,157	207,420	2,850,057	1,531,789	254,109
Governmental services to residents	520,292	276,733	-	-	(243,559)
Administration	938,987	12,898	-	-	(926,089)
Non-program	193,182	227,236	-	-	34,054
Interest on long-term debt	185,641	-	-	-	(185,641)
Total	\$ 12,144,775	1,978,105	4,158,205	1,775,949	(4,232,516)
General Revenues:					
Property and other county tax levied for:					
General purposes					5,081,096
Debt service					289,981
Tax increment financing					454,053
Penalty and interest on property tax					38,320
State tax credits					253,832
Local option sales tax					502,532
Unrestricted investment earnings					69,261
Gain on disposition of capital assets					24,185
Miscellaneous					311
Total general revenues					6,713,571
Change in net assets					2,481,055
Net assets beginning of year					21,091,562
Net assets end of year					\$ 23,572,617

See notes to financial statements.

O'Brien County
Balance Sheet
Governmental Funds

June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash, pooled investments and cash equivalents	\$ 2,730,241	722,090	308,671	2,264,549
Receivables:				
Property tax:				
Delinquent	1,761	307	79	-
Succeeding year	3,070,000	540,000	1,585,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	7,068	-	-	-
Accounts	907	-	-	640
Accrued interest	5,417	-	-	-
Advances to other funds	-	-	-	68,482
Due from other governments	171,417	19,474	98,151	256,364
Inventories	-	-	-	1,080,267
Prepaid insurance	44,903	-	7,033	26,329
Total assets	\$ 6,031,714	1,281,871	1,998,934	3,696,631
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 60,249	101,299	1,212	72,373
Salaries and benefits payable	14,252	-	93	20,613
Advances from other funds	-	-	-	-
Due to other governments	8,345	263,494	-	1,957
Deferred revenue:				
Succeeding year property tax	3,070,000	540,000	1,585,000	-
Succeeding year tax increment financing	-	-	-	-
Other	12,182	307	79	60,571
Total liabilities	3,165,028	905,100	1,586,384	155,514
Fund balances:				
Nonexpendable:				
Inventories	-	-	-	1,080,267
Prepaid insurance	44,903	-	7,033	26,329
Advances to other funds	-	-	-	68,482
Restricted for:				
Supplemental levy purposes	479,026	-	-	-
Mental health purposes	-	376,771	-	-
Rural services purposes	-	-	405,517	-
Secondary roads purposes	-	-	-	2,366,039
Drainage purposes	-	-	-	-
Conservation land acquisition	10,166	-	-	-
Debt service	-	-	-	-
Other purposes	3,969	-	-	-
Committed for ambulance replacement	133,265	-	-	-
Unassigned	2,195,357	-	-	-
Total fund balances	2,866,686	376,771	412,550	3,541,117
Total liabilities and fund balances	\$ 6,031,714	1,281,871	1,998,934	3,696,631

See notes to financial statements.

Debt Service	Nonmajor	Total
7,688	530,733	6,563,972
237	-	2,384
288,000	-	5,483,000
-	607,000	607,000
-	-	7,068
-	-	1,547
-	156	5,573
-	-	68,482
-	-	545,406
-	-	1,080,267
-	-	78,265
<u>295,925</u>	<u>1,137,889</u>	<u>14,442,964</u>
-	3,700	238,833
-	-	34,958
-	68,482	68,482
-	-	273,796
288,000	-	5,483,000
-	607,000	607,000
237	-	73,376
<u>288,237</u>	<u>679,182</u>	<u>6,779,445</u>
-	-	1,080,267
-	-	78,265
-	-	68,482
-	-	479,026
-	-	376,771
-	-	405,517
-	-	2,366,039
-	61,075	61,075
-	-	10,166
7,688	263,127	270,815
-	134,505	138,474
-	-	133,265
-	-	2,195,357
<u>7,688</u>	<u>458,707</u>	<u>7,663,519</u>
<u>295,925</u>	<u>1,137,889</u>	<u>14,442,964</u>

O'Brien County

O'Brien County

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

June 30, 2012

Total governmental fund balances (page 19) \$ 7,663,519

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 \$27,908,011 and the accumulated depreciation is \$9,495,271. 18,412,740

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 73,376

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health insurance benefit plan and workers' compensation self insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets. 1,229,563

Long-term liabilities, including bonds/notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (3,806,581)

Net assets of governmental activities (page 16) \$ 23,572,617

See notes to financial statements.

O'Brien County

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

Year ended June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 3,102,700	540,216	1,437,781	-
Local option sales tax	-	-	502,532	-
Tax increment financing	-	-	-	-
Interest and penalty on property tax	36,263	-	-	-
Intergovernmental	1,069,559	1,304,404	143,611	2,898,183
Licenses and permits	11,950	-	-	103,821
Charges for service	467,886	-	-	-
Use of money and property	163,347	-	-	1,740
Miscellaneous	34,918	-	-	79,689
Total revenues	4,886,623	1,844,620	2,083,924	3,083,433
Expenditures:				
Operating:				
Public safety and legal services	2,070,917	-	674,010	-
Physical health and social services	416,072	-	-	-
Mental health	-	1,928,652	-	-
County environment and education	720,929	-	147,151	-
Roads and transportation	-	-	-	3,533,717
Governmental services to residents	515,158	-	1,551	-
Administration	978,377	-	-	-
Non-program	5,944	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	288,286
Total expenditures	4,707,397	1,928,652	822,712	3,822,003
Excess (deficiency) of revenues over (under) expenditures	179,226	(84,032)	1,261,212	(738,570)
Other financing sources (uses):				
General obligation refunding bond proceeds	-	-	-	-
General obligation refunding bond discount	-	-	-	-
Payment to escrow agent	-	-	-	-
Sale of capital assets	5,375	-	-	-
Operating transfers in	-	-	-	1,356,340
Operating transfers out	(103,764)	-	(1,252,576)	-
Total other financing sources (uses)	(98,389)	-	(1,252,576)	1,356,340
Change in fund balances	80,837	(84,032)	8,636	617,770
Fund balances beginning of year	2,785,849	460,803	403,914	2,923,347
Fund balances end of year	\$ 2,866,686	376,771	412,550	3,541,117

See notes to financial statements.

Debt Service	Nonmajor	Total
289,871	-	5,370,568
-	-	502,532
-	454,053	454,053
-	-	36,263
12,717	11,365	5,439,839
-	-	115,771
-	3,231	471,117
423	4,902	170,412
-	1,548	116,155
303,011	475,099	12,676,710
-	-	2,744,927
-	677	416,749
-	-	1,928,652
-	22,532	890,612
-	-	3,533,717
-	-	516,709
-	-	978,377
-	-	5,944
302,024	430,281	732,305
-	180	288,466
302,024	453,670	12,036,458
987	21,429	640,252
-	1,685,000	1,685,000
-	(5,930)	(5,930)
-	(1,685,000)	(1,685,000)
-	-	5,375
-	-	1,356,340
-	-	(1,356,340)
-	(5,930)	(555)
987	15,499	639,697
6,701	443,208	7,023,822
7,688	458,707	7,663,519

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, 2012

Change in fund balances - Total governmental funds (page 23) \$ 639,697

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	\$ 751,427	
Capital assets contributed by the Iowa Department of Transportation	1,531,789	
Capital assets contributed by the Iowa Department of Natural Resources	244,160	
Depreciation expense	<u>(1,330,359)</u>	1,197,017

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. 18,810

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

Property tax	509	
Other	<u>(90,463)</u>	(89,954)

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

Issued	(1,685,000)	
Repaid	2,235,000	
Amortization of bond discount	<u>(8,408)</u>	541,592

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	2,443	
Other postemployment benefits	(62,100)	
Interest on long-term debt	<u>5,072</u>	(54,585)

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health insurance benefit plan and workers' compensation self insurance to individual funds. The change in net assets of the Internal Service Funds is reported with governmental activities. 228,478

Change in net assets of governmental activities (page 17) \$ 2,481,055

See notes to financial statements.

O'Brien County
Statement of Net Assets
Proprietary Funds

June 30, 2012

	<u>Internal Service</u>
Assets	
Cash	\$ 793,768
Investments	450,000
Accrued interest receivable	<u>1,206</u>
Total assets	1,244,974
Liabilities	
Accounts payable	<u>15,411</u>
Net Assets	
Unrestricted	<u><u>\$ 1,229,563</u></u>

See notes to financial statements.

Exhibit H

O'Brien County

Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2012

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds	\$ 980,534
Stop loss insurance reimbursements	151,189
Reimbursements from others	26,786
Total operating revenues	<u>1,158,509</u>
Operating expenses:	
Health claims and administrative services	<u>941,735</u>
Operating income	216,774
Non-operating revenues:	
Interest income	<u>11,704</u>
Net income	228,478
Net assets beginning of year	<u>1,001,085</u>
Net assets end of year	<u><u>\$ 1,229,563</u></u>
See notes to financial statements.	

O'Brien County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2012

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 983,157
Cash received from stop loss insurance reimbursements	151,189
Cash received from others	24,163
Cash paid for health claims and for administrative services	(994,015)
Net cash provided by operating activities	164,494
Cash flows from investing activities:	
Interest on investments	12,077
Net increase in cash and cash equivalents	176,571
Cash and cash equivalents beginning of year	617,197
Cash and cash equivalents end of year	\$ 793,768
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 216,774
Adjustment to reconcile operating income to net cash provided by operating activities:	
Decrease in payables	(52,280)
Net cash provided by operating activities	\$ 164,494

See notes to financial statements.

O'Brien County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

Assets

Cash and pooled investments:

County Treasurer	\$ 993,548
Other County officials	17,471

Receivables:

Property tax:

Delinquent	17,029
Succeeding year	14,597,000

Accounts	15,227
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Accrued interest	94
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Special assessments	37,744
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Due from other governments	33,290
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Total assets	<u>15,711,403</u>
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Liabilities

Accounts payable	3,764
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Due to other governments	15,650,722
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Trusts payable	25,323
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Compensated absences	31,594
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Total liabilities	<u>15,711,403</u>
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Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

O'Brien County

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

The County also participates in the following jointly governed organizations: Northwest Iowa Multi-county Regional Juvenile Detention Center, Northwest Iowa Area Solid Waste Agency, Synergy Center and Iowa Great Lakes Drug Task Force. In addition, the County is involved in the following jointly governed organizations: Northwest Iowa Planning and Development Commission, Compass Pointe, Regional Transit Authority, New Family Crisis Center, Private Industries Council, Seasons Mental Health Center, Third Judicial District Department of Correctional Services, Upper Des Moines Opportunity, Inc., Iowa County Engineers Association Service Bureau, Regional Transit Authority/RIDES, Inc. 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 the following 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 and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The County reports the following major governmental funds:

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

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, 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 the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The proprietary funds of the County apply 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 Funds is charges to customers for sales and services. Operating expenses for the Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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

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

Advances to and from Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment, 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

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

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, fund balances are classified as follows:

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The County’s deposits in banks at June 30, 2012 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 \$389,824 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Interfund Assets/Liabilities

The detail of advances to/from other funds at June 30, 2012 is as follows:

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

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General	\$ 103,764
	Special Revenue: Rural Services	<u>1,252,576</u>
Total		<u>\$ 1,356,340</u>

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

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 133,500	244,160	-	377,660
Construction in progress, road network	1,084,337	1,741,668	(2,776,070)	49,935
Total capital assets not being depreciated	<u>1,217,837</u>	<u>1,985,828</u>	<u>(2,776,070)</u>	<u>427,595</u>
Capital assets being depreciated:				
Buildings	4,873,764	-	-	4,873,764
Improvements other than buildings	30,697	48,840	-	79,537
Equipment and vehicles	6,953,084	534,292	(93,821)	7,393,555
Infrastructure, road network	12,357,490	2,776,070	-	15,133,560
Total capital assets being depreciated	<u>24,215,035</u>	<u>3,359,202</u>	<u>(93,821)</u>	<u>27,480,416</u>
Less accumulated depreciation for:				
Buildings	1,142,650	94,894	-	1,237,544
Improvements other than buildings	10,437	2,568	-	13,005
Equipment and vehicles	4,205,774	410,677	(71,047)	4,545,404
Infrastructure, road network	2,877,098	822,220	-	3,699,318
Total accumulated depreciation	<u>8,235,959</u>	<u>1,330,359</u>	<u>(71,047)</u>	<u>9,495,271</u>
Total capital assets being depreciated, net	<u>15,979,076</u>	<u>2,028,843</u>	<u>(22,774)</u>	<u>17,985,145</u>
Governmental activities capital assets, net	<u>\$17,196,913</u>	<u>4,014,671</u>	<u>(2,798,844)</u>	<u>18,412,740</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 133,459
Physical health and social services	261
County environment and education	59,442
Roads and transportation	1,124,469
Administration	<u>12,728</u>
Total depreciation expense - governmental activities	<u>\$1,330,359</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2012 is as follows:

Fund	Description	Amount
General	Services	\$ 8,345
Special Revenue:		
Mental Health	Services	263,494
Secondary Roads	Services	1,957
Total for governmental funds		<u>\$ 273,796</u>
Agency:		
County Assessor	Collections	\$ 429,377
Schools		8,625,440
Community Colleges		416,749
Corporations		5,168,238
Townships		177,286
Auto License, Use Tax and Driver's License		322,288
E911 Surcharges		153,674
All other		357,670
Total for agency funds		<u>\$ 15,650,722</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	General Obligation Bonds/Notes	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 3,785,448	245,395	250,400	4,281,243
Increases	1,693,408	293,897	71,132	2,058,437
Decreases	2,235,000	296,340	9,032	2,540,372
Balance end of year	<u>\$ 3,243,856</u>	* 242,952	312,500	<u>3,799,308</u>
Due within one year	<u>\$ 915,000</u>	242,952	-	<u>1,157,952</u>

* Net of \$51,144 of unamortized discount at June 30, 2012.

General Obligation Bonds/Notes

On September 7, 2011, the County issued \$1,685,000 of general obligation urban renewal refunding bonds for the crossover advance refunding of \$1,890,000 of general obligation bonds dated September 1, 2008. The County used \$223,513 of existing balances plus the refunding bond proceeds to call and retire the Series 2008 bonds on June 1, 2012.

For the crossover advance refunding, the County entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. government securities. These securities, along with additional cash, were placed with an escrow agent to pay the principal and interest on the refunding general obligation bonds (new debt) until the crossover refunding date. On the crossover refunding date of June 1, 2012, the refunded general obligation bonds (old debt) were paid using the amounts held by the escrow agent.

The refunding was undertaken to reduce total debt service payments over the next 5 years by \$121,769 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$102,082.

A summary of the County's June 30, 2012 general obligation bond/note indebtedness is as follows:

Year Ending June 30,	Law Enforcement Center Refunding Notes Series 2005 Issued Jul 1, 2005		
	Interest	Principal	Interest
	Rates		
2013	3.400-3.625%	\$ 245,000	57,915
2014	3.400-3.500	255,000	49,365
2015	3.500-3.600	260,000	40,415
2016	3.600-4.000	270,000	31,030
2017	4.000	285,000	20,400
2018	4.000	295,000	8,900
Total		\$ 1,610,000	208,025

Year Ending June 30,	TIF Ethanol Plant Infrastructure Refunding Bonds, Series 2011 Issued Sept 1, 2011			Total		
	Interest	Principal	Interest	Principal	Interest	Total
	Rates					
2013	1.000%	\$ 670,000	18,675	915,000	76,590	991,590
2014	1.000	440,000	11,975	695,000	61,340	756,340
2015	1.250	420,000	7,575	680,000	47,990	727,990
2016	1.500	155,000	2,325	425,000	33,355	458,355
2017	-	-	-	285,000	20,400	305,400
2018	-	-	-	295,000	8,900	303,900
Total		\$ 1,685,000	40,550	3,295,000	248,575	3,543,575

During the year ended June 30, 2012, the County retired \$2,235,000 of general obligation bonds/notes.

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.87% 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, 2012, 2011 and 2010 were \$338,640, \$293,618 and \$280,448, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 81 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 71,067
Interest on net OPEB obligation	10,016
Adjustment to annual required contribution	(9,951)
Annual OPEB cost	<u>71,132</u>
Contributions made	(9,032)
Increase in net OPEB obligation	<u>62,100</u>
Net OPEB obligation beginning of year	<u>250,400</u>
Net OPEB obligation end of year	<u><u>\$ 312,500</u></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, 2012.

For the year ended June 30, 2012, the County contributed \$9,032 to the medical plan and there were no plan member contributions.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 102,346	18.2%	\$ 176,305
2011	102,595	27.8	250,400
2012	71,132	12.7	312,500

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$617,496, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$617,496. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,994,000 and the ratio of the UAAL to covered payroll was 15.4%. As of June 30, 2012, there were no trust fund assets.

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

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

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

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

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

(10) 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.

(11) 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, Inc. 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, Inc. from the Employee Health Insurance Fund. The County's contribution to the fund for the year ended June 30, 2012 was \$980,534.

Amounts payable from the Employee Health Insurance Fund at June 30, 2012 total \$15,411, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$1,209,167 at June 30, 2012 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	\$ 67,691
Incurred claims (including claims incurred but not reported at June 30, 2012)	940,311
Payment on claims during the fiscal year	<u>992,591</u>
Unpaid claims end of year	<u><u>\$ 15,411</u></u>

(12) 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 \$222,472.

(13) Subsequent Event

In October 2012, the County approved the issuance of \$1,515,000 of general obligation refunding capital loan notes to refund the 2005 refunding notes.

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, 2012

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 6,327,653	-	6,327,653
Interest and penalty on property tax	36,263	-	36,263
Intergovernmental	5,406,162	-	5,406,162
Licenses and permits	115,281	-	115,281
Charges for service	470,788	-	470,788
Use of money and property	174,504	618	173,886
Miscellaneous	119,271	-	119,271
Total receipts	12,649,922	618	12,649,304
Disbursements:			
Public safety and legal services	2,759,783	-	2,759,783
Physical health and social services	426,374	-	426,374
Mental health	1,809,783	-	1,809,783
County environment and education	855,548	1,557	853,991
Roads and transportation	3,879,458	-	3,879,458
Governmental services to residents	517,613	-	517,613
Administration	980,338	-	980,338
Non-program	5,944	-	5,944
Debt service	732,305	-	732,305
Capital projects	497,053	-	497,053
Total disbursements	12,464,199	1,557	12,462,642
Excess (deficiency) of receipts over (under) disbursements	185,723	(939)	186,662
Other financing sources, net	(555)	-	(555)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	185,168	(939)	186,107
Balance beginning of year	6,378,804	62,014	6,316,790
Balance end of year	\$ 6,563,972	61,075	6,502,897

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
6,357,804	6,355,898	(28,245)
12,500	13,506	22,757
4,990,088	5,217,914	188,248
68,500	68,500	46,781
366,610	393,347	77,441
122,947	148,208	25,678
59,575	68,679	50,592
11,978,024	12,266,052	383,252
2,856,359	2,905,780	145,997
454,731	463,669	37,295
1,912,250	1,912,250	102,467
844,800	890,670	36,679
3,948,685	4,288,685	409,227
555,049	555,388	37,775
964,508	1,031,619	51,281
9,700	9,144	3,200
492,049	737,142	4,837
1,260,800	1,061,261	564,208
13,298,931	13,855,608	1,392,966
(1,320,907)	(1,589,556)	1,776,218
3,001	8,375	(8,930)
(1,317,906)	(1,581,181)	1,767,288
4,247,382	6,342,108	(25,318)
2,929,476	4,760,927	1,741,970

O'Brien County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 12,649,922	26,788	12,676,710
Expenditures	12,464,199	(427,741)	12,036,458
Net	185,723	454,529	640,252
Other financing sources, net	(555)	-	(555)
Beginning fund balances	6,378,804	645,018	7,023,822
Ending fund balances	\$ 6,563,972	1,099,547	7,663,519

See accompanying independent auditor's report.

O'Brien County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$556,677. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.

O'Brien County

O'Brien County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2008	\$ -	878	878	0.00%	\$ 3,816	23.0%
2011	Jul 1, 2008	-	878	878	0.00	3,759	23.4
2012	Jul 1, 2011	-	617	617	0.00	4,013	15.4

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

O'Brien County

Supplementary Information

O'Brien County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2012

	Resource Enhancement and Protection	County Recorder's Records Management	Federal Drug Reimburse- ment	Special Car Seat Program
Assets				
Cash, pooled investments and cash equivalents	\$ 56,029	32,426	4,501	196
Receivables:				
Succeeding year tax increment financing	-	-	-	-
Interest	-	20	-	-
Total assets	\$ 56,029	32,446	4,501	196
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	-
Advances from other funds	-	-	-	-
Deferred revenue:				
Succeeding year tax increment financing	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Restricted for:				
Drainage purposes	-	-	-	-
Debt service	-	-	-	-
Other purposes	56,029	32,446	4,501	196
Total fund balances	56,029	32,446	4,501	196
Total liabilities and fund equity	\$ 56,029	32,446	4,501	196

See accompanying independent auditor's report.

Revenue						
Housing Rehab	County Urban Renewal	Special Environment	Drainage Districts	Capital Projects	Total	
39,576	331,473	5,175	61,075	282	530,733	
-	607,000	-	-	-	607,000	
-	136	-	-	-	156	
39,576	938,609	5,175	61,075	282	1,137,889	
-	-	3,700	-	-	3,700	
-	68,482	-	-	-	68,482	
-	607,000	-	-	-	607,000	
-	675,482	3,700	-	-	679,182	
-	-	-	61,075	-	61,075	
-	263,127	-	-	-	263,127	
39,576	-	1,475	-	282	134,505	
39,576	263,127	1,475	61,075	282	458,707	
39,576	938,609	5,175	61,075	282	1,137,889	

O'Brien County

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

Year ended June 30, 2012

	Resource Enhancement and Protection	County Recorder's Records Management	Federal Drug Reimburse- ment	Special Car Seat Program
Revenues:				
Tax increment financing	\$ -	-	-	-
Intergovernmental	11,205	-	-	160
Charges for service	-	3,231	-	-
Use of money and property	518	323	-	1
Miscellaneous	-	-	-	-
Total revenues	11,723	3,554	-	161
Expenditures:				
Operating:				
Physical health and social services	-	-	-	677
County environment and education	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	-	-	-	677
Excess (deficiency) of revenues over (under) expenditures	11,723	3,554	-	(516)
Other financing sources (uses):				
General obligation refunding bond proceeds	-	-	-	-
General obligation refunding bond discount	-	-	-	-
Payment to escrow agent	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Change in cash balances	11,723	3,554	-	(516)
Fund balances beginning of year	44,306	28,892	4,501	712
Fund balances end of year	\$ 56,029	32,446	4,501	196

See accompanying independent auditor's report.

Revenue						
Housing Rehab	County Urban Renewal	Special Environment	Drainage Districts	Capital Projects		Total
-	454,053	-	-	-		454,053
-	-	-	-	-		11,365
-	-	-	-	-		3,231
127	3,300	14	618	1		4,902
1,237	311	-	-	-		1,548
1,364	457,664	14	618	1		475,099
-	-	-	-	-		677
15,275	-	5,700	1,557	-		22,532
-	430,281	-	-	-		430,281
-	-	-	-	180		180
15,275	430,281	5,700	1,557	180		453,670
(13,911)	27,383	(5,686)	(939)	(179)		21,429
-	1,685,000	-	-	-		1,685,000
-	(5,930)	-	-	-		(5,930)
-	(1,685,000)	-	-	-		(1,685,000)
-	(5,930)	-	-	-		(5,930)
(13,911)	21,453	(5,686)	(939)	(179)		15,499
53,487	241,674	7,161	62,014	461		443,208
39,576	263,127	1,475	61,075	282		458,707

Schedule 3

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

June 30, 2012

	Employee Health Insurance	Workers' Compensation Self Insurance	Total
Assets			
Cash	\$ 773,372	20,396	793,768
Investments	450,000	-	450,000
Accrued interest receivable	1,206	-	1,206
Total assets	1,224,578	20,396	1,244,974
Liabilities			
Accounts payable	15,411	-	15,411
Net Assets			
Unrestricted	<u>\$ 1,209,167</u>	<u>20,396</u>	<u>1,229,563</u>

See accompanying independent auditor's report.

O'Brien County

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

Year ended June 30, 2012

	Employee Health Insurance	Workers' Compensation Self Insurance	Total
Operating revenues:			
Reimbursements from operating funds	\$ 980,534	-	980,534
Stop loss insurance reimbursements	151,189	-	151,189
Reimbursements from others	24,163	2,623	26,786
Total operating revenues	1,155,886	2,623	1,158,509
Operating expenses:			
Health claims and administrative services	940,311	1,424	941,735
Operating income	215,575	1,199	216,774
Non-operating revenues:			
Interest income	11,704	-	11,704
Net income	227,279	1,199	228,478
Net assets beginning of year	981,888	19,197	1,001,085
Net assets end of year	\$ 1,209,167	20,396	1,229,563

See accompanying independent auditor's report.

O'Brien County

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

Year ended June 30, 2012

	Employee Health Insurance	Workers' Compensation Self Insurance	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ 980,534	2,623	983,157
Cash received from stop loss insurance reimbursements	151,189	-	151,189
Cash received from others	24,163	-	24,163
Cash paid for health claims and administrative services	(992,591)	(1,424)	(994,015)
Net cash provided by operating activities	163,295	1,199	164,494
Cash flows from investing activities:			
Interest on investments	12,077	-	12,077
Net increase in cash and cash equivalents	175,372	1,199	176,571
Cash and cash equivalents beginning of year	598,000	19,197	617,197
Cash and cash equivalents end of year	\$ 773,372	20,396	793,768
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 215,575	1,199	216,774
Adjustment to reconcile operating income to net cash provided by operating activities:			
Decrease in payables	(52,280)	-	(52,280)
Net cash provided by operating activities	\$ 163,295	1,199	164,494

See accompanying independent auditor's report.

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

Year ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,534	249,908	112,779	5,528
Other County officials	17,471	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	83	115	4,661	221
Succeeding year	-	191,000	200,000	8,508,000	411,000
Accounts	627	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 18,098	193,617	450,023	8,625,440	416,749
Liabilities					
Accounts payable	\$ -	-	-	-	-
Due to other governments	13,905	193,617	429,377	8,625,440	416,749
Trusts payable	4,193	-	-	-	-
Compensated absences	-	-	20,646	-	-
Total liabilities	\$ 18,098	193,617	450,023	8,625,440	416,749

See accompanying independent auditor's report.

Corporations	Townships	Auto License, Use Tax and Driver's License	E911 Surcharges	Other	Total
46,294	2,281	322,288	134,147	117,789	993,548
-	-	-	-	-	17,471
11,944	5	-	-	-	17,029
5,110,000	175,000	-	-	2,000	14,597,000
-	-	-	14,600	-	15,227
-	-	-	94	-	94
-	-	-	-	37,744	37,744
-	-	-	8,597	24,693	33,290
<u>5,168,238</u>	<u>177,286</u>	<u>322,288</u>	<u>157,438</u>	<u>182,226</u>	<u>15,711,403</u>
-	-	-	3,764	-	3,764
5,168,238	177,286	322,288	153,674	150,148	15,650,722
-	-	-	-	21,130	25,323
-	-	-	-	10,948	31,594
<u>5,168,238</u>	<u>177,286</u>	<u>322,288</u>	<u>157,438</u>	<u>182,226</u>	<u>15,711,403</u>

O'Brien County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 15,195	179,852	607,749	8,069,835	392,476
Additions:					
Property and other county tax	-	191,876	201,251	8,540,750	412,413
E911 surcharge	-	-	-	-	-
State tax credits	-	8,574	11,243	381,844	18,672
Office fees and collections	1,003,398	-	-	-	-
Auto licenses, driver's licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	277,955	-	-	-	-
Miscellaneous	-	-	4,010	-	-
Total additions	1,281,353	200,450	216,504	8,922,594	431,085
Deductions:					
Agency remittances:					
To other funds	827,731	-	-	-	-
To other governments	172,256	186,685	374,230	8,366,989	406,812
Trusts paid out	278,463	-	-	-	-
Total deductions	1,278,450	186,685	374,230	8,366,989	406,812
Balances end of year	\$ 18,098	193,617	450,023	8,625,440	416,749

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License, Use Tax and Driver's License	E911 Surcharges	Other	Total
4,996,373	143,494	327,769	152,018	194,087	15,078,848
5,057,899	176,005	-	-	1,901	14,582,095
-	-	-	110,615	-	110,615
181,835	6,555	-	-	92	608,815
-	-	-	-	-	1,003,398
-	-	4,325,752	-	-	4,325,752
-	-	-	-	1,100	1,100
-	-	-	-	159,281	437,236
-	-	-	2,233	119,571	125,814
5,239,734	182,560	4,325,752	112,848	281,945	21,194,825
-	-	147,921	-	9	975,661
5,067,869	148,768	4,183,312	107,428	293,797	19,308,146
-	-	-	-	-	278,463
5,067,869	148,768	4,331,233	107,428	293,806	20,562,270
5,168,238	177,286	322,288	157,438	182,226	15,711,403

O'Brien County

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

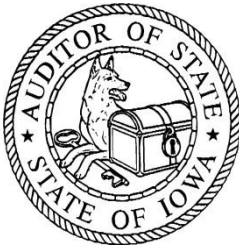
For the last ten years

	2012	2011	2010	2009
Revenues:				
Property and other county tax	\$ 5,370,568	5,217,546	5,061,082	4,596,836
Local option sales tax	502,532	549,039	418,232	550,006
Tax increment financing	454,053	277,107	92,439	52,139
Interest and penalty on property tax	36,263	38,333	40,933	31,568
Intergovernmental	5,439,839	5,638,539	5,086,425	5,316,142
Licenses and permits	115,771	73,441	7,925	4,050
Charges for service	471,117	463,818	480,827	511,611
Use of money and property	170,412	167,814	170,910	196,765
Miscellaneous	116,155	114,013	167,836	116,706
Total	\$ 12,676,710	12,539,650	11,526,609	11,375,823
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,744,927	2,629,857	\$ 2,578,282	2,720,567
Physical health and social services	416,749	498,026	498,693	510,089
Mental health	1,928,652	1,689,437	1,538,454	1,866,966
County environment and education	890,612	770,200	712,447	776,160
Roads and transportation	3,533,717	3,608,080	3,282,107	3,347,948
Governmental services to residents	516,709	478,552	478,305	465,164
Administration	978,377	935,515	860,505	869,095
Non-program	5,944	7,099	5,190	4,942
Debt service	732,305	374,947	377,459	374,721
Capital projects	288,466	882,336	232,698	324,506
Total	\$ 12,036,458	11,874,049	10,564,140	11,260,158

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
4,580,718	4,394,292	4,244,506	4,206,237	4,332,901	3,839,758
567,367	500,479	409,283	398,515	347,754	412,997
-	-	-	-	-	-
29,515	25,929	27,537	27,329	28,979	27,467
5,427,698	5,010,777	4,903,597	4,613,268	4,474,319	3,456,156
3,200	2,025	2,945	2,900	2,490	2,130
509,384	455,847	450,537	438,879	429,707	826,538
324,450	292,660	247,089	175,374	122,939	159,671
178,439	182,915	195,699	117,822	92,822	104,351
11,620,771	10,864,924	10,481,193	9,980,324	9,831,911	8,829,068
2,623,440	2,506,085	2,429,677	2,088,365	1,988,860	1,811,584
458,495	413,728	426,163	419,935	401,973	460,947
1,954,462	1,790,088	1,610,403	1,481,050	1,432,499	1,513,629
956,874	553,618	608,032	460,886	457,522	479,319
3,294,303	3,187,986	3,117,446	2,971,035	2,869,960	2,297,184
430,043	408,498	501,337	402,674	385,449	340,608
855,461	834,441	896,972	818,498	816,791	810,551
4,902	7,945	4,856	5,114	5,728	5,010
574,403	363,602	343,075	304,149	301,999	304,684
1,839,258	478,061	1,791,724	1,131,844	518,023	403,049
12,991,641	10,544,052	11,729,685	10,083,550	9,178,804	8,426,565

O'Brien County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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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, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 5, 2013. 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

Management of O'Brien County is responsible for establishing and maintaining effective 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

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

Compliance and Other Matters

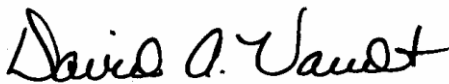
As part of obtaining reasonable assurance about whether O'Brien County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

O'Brien County's responses to the findings 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 5, 2013

O'Brien County

Schedule of Findings

Year ended June 30, 2012

Findings Related to the Financial Statements:

INTERNAL CONTROL 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, Sheriff, Public Health/ Sanitation and Ag Extension
(2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	Treasurer, Recorder, Sheriff and Public Health/ 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, including elected officials and personnel from other County offices, to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons, to the extent possible, and should be evidenced by the signature or initials of the reviewer and the date of the review.

O'Brien County

Schedule of Findings

Year ended June 30, 2012

Responses:

Treasurer – With only two people in the tax department, it is impossible to segregate duties. We cross check deposits, balancing, etc. as much as possible to reduce the risk. Deposits to the bank are made daily for each department – tax, motor vehicle and drivers licenses. The Treasurer normally makes all deposits.

Recorder – With our limited staff, we will try to comply as best we can.

Sheriff – To items (A) (1) and (2) we are not sufficiently staffed to fully comply but we attempt to do our best. As to item (A) (3), as of July 1, 2012 we changed system software and now the Sheriff or Chief Deputy perform these tasks periodically.

Public Health/Sanitation – We will try to comply with this requirement even though we have a limited number of staff in our department.

Ag Extension – We comply as much as possible with the limited staff available.

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

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

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

Response – We will implement a form which will be distributed to all County departments near fiscal year end to determine outstanding payables, receivables and other accruals which will be recorded in the County's financial statements.

Conclusion – Response accepted.

- (C) Commissary Fund - Collections for the commissary fund are not deposited in a timely manner.

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

Response – We will make an effort to deposit more timely.

Conclusion – Response accepted.

O'Brien County

Schedule of Findings

Year ended June 30, 2012

- (D) Seizures Log – The Sheriff's department does not perform a reconciliation of cash seizures on hand to the seizures log.

Recommendation – The Sheriff's department should perform a reconciliation of cash seizures on hand to the seizures log.

Response – We will look into having the log of seized property be completed and verified by two persons.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

O'Brien County

Schedule of Findings

Year ended June 30, 2012

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Diane Harms, Wife of District 1 Foreman	Mowing	\$350
Junelle Grady, Wife of of District 3 Foreman	Mowing	400
Crystal Egdorf, Daughter of District 4 Foreman	Mowing	425

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

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

O'Brien County

Schedule of Findings

Year ended June 30, 2012

- (9) Mental Health Fund – The County maintains a Special Revenue, Mental Health Fund to account for property tax and other funding sources received to provide mental health services. In accordance with Chapter 331.424A of the Code of Iowa, appropriations specifically authorized to be made from the Special Revenue, Mental Health Fund shall not be made from any other fund of the County. During the year ended June 30, 2012, the County paid the Central Point Coordinator's salary and benefits and other administrative costs from the General Fund rather than the Special Revenue, Mental Health Fund.

Recommendation – The County should pay all future mental health costs from the Special Revenue, Mental Health Fund as required.

Response – We will correct our fiscal year 2013 expenditures and pay the Central Point Coordinator's salary, benefits and related administrative costs from the Mental Health Fund going forward.

Conclusion – Response accepted.

- (10) 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, 2012 for the County Extension Office did not exceed the amount budgeted.

O'Brien County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Dorothy O. Stover, Senior Auditor
Jamie T. Reuter, Staff Auditor
Thomas S. Hebert, Assistant Auditor
Lacey D. Kriegel, Assistant Auditor
April D. Harbst, Auditor Intern

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

Andrew E. Nielsen, CPA
Deputy Auditor of State