



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE March 14, 2006

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

The County had local tax revenue of \$22,794,965 for the year ended June 30, 2005, which included \$1,445,402 in tax credits from the state. The County forwarded \$15,197,205 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$7,597,760 of the local tax revenue to finance County operations, a 10 percent increase from the prior year. Other revenues included charges for service of \$1,527,179, operating grants, contributions and restricted interest of \$5,881,597, capital grants, contributions and restricted interest of \$1,853,185, local option sales tax of \$677,236, unrestricted investment earnings of \$215,535 and other general revenues of \$288,796.

Expenses for County operations totaled \$15,616,623, a less than one percent increase from the prior year. Expenses included \$7,191,836 for roads and transportation, \$2,318,423 for public safety and legal services and \$1,931,329 for mental health.

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

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KOSSUTH COUNTY

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

JUNE 30, 2005

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Kossuth County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
Robert J. Cink	Board of Supervisors	Jan 2005
Eugene Elsbecker	Board of Supervisors	Jan 2005
Donald Besch	Board of Supervisors	Jan 2007
Lee Froehlich	Board of Supervisors	Jan 2007
Donald G. McGregor	Board of Supervisors	Jan 2007
Joann Bormann	County Auditor	Jan 2005
Nicholas P. Rahm	County Treasurer	Jan 2007
Karen Benschoter	County Recorder	Jan 2007
Paul Gronbach	County Sheriff	Jan 2005
Todd Holmes	County Attorney	Jan 2007
K. Donald Patton	County Assessor	Jan 2010
(After January 2005)		
Donald Besch	Board of Supervisors	Jan 2007
Lee Froehlich	Board of Supervisors	Jan 2007
Donald G. McGregor	Board of Supervisors	Jan 2007
Eugene Elsbecker	Board of Supervisors	Jan 2009
Jack Plathe	Board of Supervisors	Jan 2009
Joann Bormann	County Auditor	Jan 2009
Nicholas P. Rahm	County Treasurer	Jan 2007
Karen Benschoter	County Recorder	Jan 2007
Paul Gronbach	County Sheriff	Jan 2009
Todd Holmes	County Attorney	Jan 2007
K. Donald Patton	County Assessor	Jan 2010

Kossuth County



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Independent Auditor's Report

To the Officials of Kossuth County:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Kossuth County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Kossuth County's management. Our responsibility is to express opinions on these financial statements based on our audit.

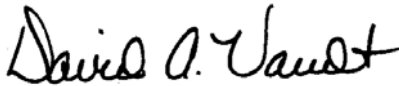
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, the business type activities, each major fund and the aggregate remaining fund information of Kossuth County at June 30, 2005, 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.

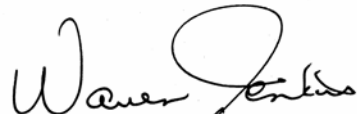
In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2005 on our consideration of Kossuth County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 50 through 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kossuth 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 two years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2002 (which are not presented herein) were audited by other auditors who expressed a qualified opinion on those financial statements because of the omission of separate accounts maintained by the Sheriff's Office. The financial statements for the two years ended June 30, 2001 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 15, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Kossuth County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 8%, or \$1,292,889, from fiscal 2004 to fiscal 2005. Property and other county tax increased \$651,706, operating grants and contributions decreased \$146,206 and capital grants and contributions increased \$549,008.
- Program expenses for governmental activities were .4%, or \$59,901, less in fiscal 2005 than in fiscal 2004. County environment and education expenses decreased from \$719,000 to \$639,870 and roads and transportation expenses decreased from \$7,301,092 to \$7,191,836. Non-program expenses increased from \$194,010 to \$511,243.
- The County's net assets increased 6%, or \$2,424,665, from June 30, 2004 to June 30, 2005. Of this amount, the net assets of the governmental activities increased \$2,521,727 and the net assets of the business type activities decreased by \$97,062.

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 Kossuth 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 Kossuth County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Kossuth County acts solely as an agent or custodian for the benefit of those outside of County government.

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Internal Service and Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net 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 fiscal year. All changes in net assets are reported as soon as the event or 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.

In the Statement of Net Assets and the Statement of Activities, we have divided the County into two kinds of activities:

- **Governmental Activities** – Most of the County's basic services are reported here, such as 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 and interest on long-term debt. Property tax and state and federal grants finance most of these activities.
- **Business Type Activities** – The County charges fees to customers to cover the cost of these services. These activities include operation of the County Landfill.

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, Secondary Roads and Midwest Grain Processors, and 3) 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 government 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 report services for which the County charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business type activities included in the government-wide financial statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements.

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 and cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for emergency management services, E911 services and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following analysis shows the County's total net assets at June 30, 2005 and 2004.

	Governmental		Business Type		Total	
	Activities		Activities		June 30,	
	June 30,		June 30,		June 30,	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 20,076,618	19,032,860	959,313	979,412	21,035,931	20,012,272
Capital assets	35,825,760	34,442,513	730,850	787,036	36,556,610	35,229,549
Total assets	<u>55,902,378</u>	<u>53,475,373</u>	<u>1,690,163</u>	<u>1,766,448</u>	<u>57,592,541</u>	<u>55,241,821</u>
Long-term liabilities	5,189,348	6,026,792	638,209	639,454	5,827,557	6,666,246
Other liabilities	8,765,133	8,022,411	39,446	17,424	8,804,579	8,039,835
Total liabilities	<u>13,954,481</u>	<u>14,049,203</u>	<u>677,655</u>	<u>656,878</u>	<u>14,632,136</u>	<u>14,706,081</u>
Net assets:						
Invested in capital assets, net of related debt	35,485,944	33,673,958	687,647	710,791	36,173,591	34,384,749
Restricted	3,558,732	3,873,995	35,684	49,165	3,594,416	3,923,160
Unrestricted	<u>2,903,221</u>	<u>1,878,217</u>	<u>289,177</u>	<u>349,614</u>	<u>3,192,398</u>	<u>2,227,831</u>
Total net assets	<u>\$ 41,947,897</u>	<u>39,426,170</u>	<u>1,012,508</u>	<u>1,109,570</u>	<u>42,960,405</u>	<u>40,535,740</u>

Net assets of governmental activities increased from FY04 by \$2,521,727, or approximately 6.4 percent. Net assets of business type activities decreased from FY04 by \$97,062, or 8.7 percent. 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 represents 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, legislation or other legal requirements, increased for governmental activities from \$1,878,217 at June 30, 2004 to \$2,903,221 at the end of this year, an increase of 54.6 percent. The increase in unrestricted net assets is due to a reduction in general obligation debt related assets not held by the County and funding certain expenditures for employee benefits and health insurance with net assets restricted for supplemental levy purposes during the year ended June 30, 2005 which were paid with unrestricted net assets in the prior year.

Unrestricted net assets for business type activities decreased by \$60,437, or 17.3%, from FY04 to FY05. The decrease is primarily due to an increase in the estimated liability for landfill closure and postclosure care and additional amounts set aside (restricted) for the required closure and postclosure care accounts.

The following analysis provides the changes in net assets for the County's governmental and business type activities for the years ended June 30, 2005 and 2004.

	Governmental		Business type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Program revenues:						
Charges for service	\$ 1,080,523	881,072	446,656	443,243	1,527,179	1,324,315
Operating grants, contributions and restricted interest	5,879,024	6,025,230	2,573	6,181	5,881,597	6,031,411
Capital grants, contributions and restricted interest	1,853,185	1,304,177	-	-	1,853,185	1,304,177
General revenues:						
Property and other county tax	7,124,186	6,472,480	-	-	7,124,186	6,472,480
Penalty and interest on property tax	54,183	55,761	-	-	54,183	55,761
State tax credits	473,574	405,461	-	-	473,574	405,461
Local option sales tax	677,236	628,041	-	-	677,236	628,041
Grants and contributions not restricted to specific purpose	14,385	30,911	-	-	14,385	30,911
Unrestricted investment earnings	198,991	247,432	16,544	23,296	215,535	270,728
Gain on sale of capital assets	96,093	107,645	10,896	38,104	106,989	145,749
Miscellaneous	69,994	70,275	18,531	-	88,525	70,275
Capital contributions	-	-	24,714	-	24,714	-
Total revenues	17,521,374	16,228,485	519,914	510,824	18,041,288	16,739,309
Program expenses:						
Public safety and legal services	2,318,423	2,398,649	-	-	2,318,423	2,398,649
Physical health and social services	325,547	377,889	-	-	325,547	377,889
Mental health	1,931,329	1,976,654	-	-	1,931,329	1,976,654
County environment and education	637,870	719,000	-	-	637,870	719,000
Roads and transportation	7,191,836	7,301,092	-	-	7,191,836	7,301,092
Governmental service to residents	537,442	488,533	-	-	537,442	488,533
Administration	1,296,549	1,325,272	-	-	1,296,549	1,325,272
Non-program	511,243	194,010	-	-	511,243	194,010
Interest on long-term debt	249,408	278,449	-	-	249,408	278,449
Landfill	-	-	616,976	514,570	616,976	514,570
Total expenses	14,999,647	15,059,548	616,976	514,570	15,616,623	15,574,118
Increase (decrease) in net assets	2,521,727	1,168,937	(97,062)	(3,746)	2,424,665	1,165,191
Net assets July 1	39,426,170	38,257,233	1,109,570	1,113,316	40,535,740	39,370,549
Net assets June 30	\$ 41,947,897	39,426,170	1,012,508	1,109,570	42,960,405	40,535,740

Overall, governmental activities revenues increased by \$1,292,889, or 8.0%. Increases in property and other county tax and capital grants and contributions were offset by a decrease in operating grants and contributions. The increase in capital grants and contributions is primarily due to an increase in capital contributions from the Iowa Department of Transportation. The decrease in operating grants and contributions is primarily due to a decrease in mental health funding from the State of Iowa.

The increase in property tax revenue was due to a \$1.61 increase in the property tax levy rate to \$6.89 per \$1,000 of valuation in the countywide levy and a \$.28 increase in the levy rate to \$3.14 per \$1,000 of valuation in the rural levy. These rates were multiplied by the countywide assessed property valuation of \$793,309,184 and the rural assessed property valuation of \$587,158,648. Although both valuations decreased from FY04 to FY05 by \$98,283,012 and \$101,294,958, respectively, the net effect of the rate increases was an overall increase in property tax revenue.

Governmental activities expenses decreased overall by \$59,901, or 0.4%. The decrease was primarily due to decreased expenses for county environment and education. There were expenses in FY04 related to legal fees for an economic development ethanol project.

Revenues for business type activities remained relatively constant, increasing only \$9,090, or 1.8%. Expenses for business type activities increased \$102,406, or 19.9%, primarily due to an increase in fuel costs, overtime pay and health insurance costs.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Kossuth County completed the year, its governmental funds reported a combined fund balance of \$5,783,777, an increase of \$147,305 above last year's total of \$5,636,472.

The General Fund, the operating fund for Kossuth County, ended FY05 with a fund balance of \$2,025,154, an increase of \$809,752 over FY04's ending balance of \$1,215,402. Revenues increased \$903,699 over the prior year and expenditures increased \$196,664 over the prior year. The increase in revenues was primarily due to an increase in property tax revenue as previously discussed. The increase in expenditures is primarily due to increased election expenses for FY05.

Kossuth County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. FY05 ended with a \$997,698 balance compared to the prior year balance of \$953,099. This is an increase of \$44,599. This increase is due primarily to a decrease in expenditures for persons with chronic mental illness.

The Rural Services Fund ended FY05 with a \$478,667 balance compared to the prior year ending balance of \$453,718. This modest increase was the result of revenues and expenditures remaining relatively constant for the year.

The Secondary Roads Fund ended FY05 with a \$1,748,200 balance compared to the prior year ending balance of \$2,421,954. Capital project expenditures increased from FY04 by approximately \$455,000. Kossuth County maintained 1,118 miles of gravel, 37 miles of dirt and 500 miles of paved roads, as well as 285 bridges, with the resources of this fund.

The Midwest Grain Processors Fund ended the year with a balance of \$47,484 compared to the prior year ending balance of \$52,377. This fund accounts for debt service activity for loan repayments received from Midwest Grain Processors Cooperative and repayments of general obligation bonds issued by the County for the project.

INDIVIDUAL MAJOR BUSINESS TYPE ACTIVITY FUND ANALYSIS

The Landfill Fund ended FY05 with a \$1,012,508 net asset balance compared to the prior year ending net asset balance of \$1,109,570. Revenues remained relatively constant for the year, while expenses increased \$102,406, or 19.9%. The increase in expenses is primarily due to an increase in fuel costs, overtime pay and health insurance costs.

BUDGETARY HIGHLIGHTS

Over the course of the year, Kossuth County amended the operating budget twice. The first amendment was made in December 2004 for various reasons as summarized: public safety and legal services for sheriff's special response team, physical health and social services for sanitarian well testing, county environment and education for Midwest Grain Processors Fund for legal expenses and governmental services to residents for equipment for the Recorder's Office. The second amendment was made in May 2005 for various reasons as summarized: administration for audit costs and unemployment, debt service for principal payments for the law enforcement center and capital projects for trees for conservation and land acquisition.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY05, Kossuth County had \$35,825,760 invested in a broad range of capital assets used for governmental activities, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase of \$1,383,247, or 4 percent, over last year. The County had depreciation expense of \$2,789,977 for governmental activities in FY05 and total accumulated depreciation of \$35,939,034 at June 30, 2005.

At the end of FY05, Kossuth County had \$730,850 invested in capital assets used for business type activities. This is a net decrease of \$56,186, or 7.1 percent from last year. The County had depreciation expense of \$100,246 for business type activities in FY05 and total accumulated depreciation of \$753,550 at June 30, 2005.

Additional information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2005, the County's outstanding balance of general obligation bonds was \$4,305,006 compared to \$4,741,882 at June 30, 2004.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the county's corporate limits. Long-term debt outstanding at June 30, 2005 included \$4,330,000 of general obligation bonds, \$231,910 of local option sales tax revenue bonds, \$270,834 of drainage warrants and \$107,906 in purchase agreements. Kossuth County's outstanding general obligation debt is significantly below its constitutional debt limit of \$46 million. During the year ended June 30, 2005, the County paid principal of \$1,164,770 on its outstanding debt.

Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Kossuth County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and fees that finance the various County services. One of the factors is the economy. Kossuth County experienced a loss of population of 5.1% between 1995 and 2000 that ranks first, or highest, among all counties in the state according to the 2000 census. Kossuth County had a family poverty rate of 7.5% that ranks 19th highest among all counties in the state according to the 2000 census.

These indicators were taken into account when adopting the budget for FY06. Amounts available for appropriation are \$15,637,397, a decrease of 1.3% from the final FY05 budget. The General Fund is budgeted to end FY06 with a balance of \$1,580,920.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Kossuth 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 Kossuth County Auditor's office, 114 West State Street, Algona, Iowa 50511.

Kossuth County

Basic Financial Statements

Exhibit A

Kossuth County
Statement of Net Assets
June 30, 2005

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 7,170,297	293,049	7,463,346
Receivables:			
Property tax:			
Delinquent	16,613	-	16,613
Succeeding year	6,906,000	-	6,906,000
Interest and penalty on property tax	66,373	-	66,373
Accounts	5,212	38,598	43,810
Accrued interest	79,982	5,909	85,891
Drainage assessments:			
Current	76,683	-	76,683
Future	205,202	-	205,202
Notes	4,243,492	-	4,243,492
Due from other governments	745,504	4,212	749,716
Inventories	561,260	-	561,260
Restricted cash and pooled investments	-	617,545	617,545
Capital assets - nondepreciable	1,659,793	261,000	1,920,793
Capital assets - depreciable, net	34,165,967	469,850	34,635,817
Total assets	55,902,378	1,690,163	57,592,541
Liabilities			
Accounts payable	1,350,592	20,702	1,371,294
Accrued interest payable	54,312	-	54,312
Salaries and benefits payable	221,551	18,744	240,295
Due to other governments	232,678	-	232,678
Deferred revenue:			
Succeeding year property tax	6,906,000	-	6,906,000
Long-term liabilities:			
Portion due or payable within one year:			
Revenue bonds	231,910	-	231,910
General obligation bonds	460,000	-	460,000
Compensated absences	209,781	10,393	220,174
Drainage warrants	270,834	-	270,834
Purchase agreements	107,906	34,389	142,295
Portion due or payable after one year:			
General obligation bonds (net of \$24,994 unamortized discount)	3,845,006	-	3,845,006
Compensated absences	63,911	2,752	66,663
Purchase agreements	-	8,814	8,814
Estimated liability for landfill closure and postclosure care	-	581,861	581,861
Total liabilities	13,954,481	677,655	14,632,136

Kossuth County
Statement of Net Assets
June 30, 2005

	Governmental Activities	Business type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	35,485,944	687,647	36,173,591
Restricted for:			
Supplemental levy purposes	503,978	-	503,978
Mental health purposes	991,628	-	991,628
Secondary roads purposes	1,633,844	-	1,633,844
Debt service	139,328	-	139,328
Capital projects	37,517	-	37,517
Closure and postclosure care	-	35,684	35,684
Other purposes	252,437	-	252,437
Unrestricted	2,903,221	289,177	3,192,398
Total net assets	\$ 41,947,897	1,012,508	42,960,405

See notes to financial statements.

Kossuth County
Statement of Activities
Year ended June 30, 2005

	Expenses	Program Revenues	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety and legal services	\$ 2,318,423	170,070	398,695
Physical health and social services	325,547	10,341	229,561
Mental health	1,931,329	-	958,487
County environment and education	637,870	43,893	99,870
Roads and transportation	7,191,836	108,889	3,929,647
Governmental services to residents	537,442	308,290	7,993
Administration	1,296,549	26,052	1,861
Non-program	511,243	412,988	65,762
Interest on long-term debt	249,408	-	187,148
Total governmental activities	14,999,647	1,080,523	5,879,024
Business type activities:			
Landfill	616,976	446,656	2,573
Total	\$ 15,616,623	1,527,179	5,881,597

General Revenues:

Property and other county tax levied for general purposes
Penalty and interest on property tax
State tax credits
Local option sales tax
Grants and contributions not restricted to specific purpose
Unrestricted investment earnings
Gain on sale of capital assets
Miscellaneous
Capital contributions

Total general revenues and capital contributions

Change in net assets

Net assets beginning of year

Net assets end of year

See notes to financial statements.

Capital Grants, Contributions and Restricted Interest	Net (Expenses) Revenue and Changes in Net Assets		
	Governmental Activities	Business type Activities	Total
-	(1,749,658)	-	(1,749,658)
-	(85,645)	-	(85,645)
-	(972,842)	-	(972,842)
-	(494,107)	-	(494,107)
1,732,790	(1,420,510)	-	(1,420,510)
120,395	(100,764)	-	(100,764)
-	(1,268,636)	-	(1,268,636)
-	(32,493)	-	(32,493)
-	(62,260)	-	(62,260)
1,853,185	(6,186,915)	-	(6,186,915)
-	-	(167,747)	(167,747)
1,853,185	(6,186,915)	(167,747)	(6,354,662)
	7,124,186	-	7,124,186
	54,183	-	54,183
	473,574	-	473,574
	677,236	-	677,236
	14,385	-	14,385
	198,991	16,544	215,535
	96,093	10,896	106,989
	69,994	18,531	88,525
	-	24,714	24,714
	8,708,642	70,685	8,779,327
	2,521,727	(97,062)	2,424,665
	39,426,170	1,109,570	40,535,740
\$	41,947,897	1,012,508	42,960,405

Kossuth County
Balance Sheet
Governmental Funds

June 30, 2005

	General	Mental Health	Special Rural Services
Assets			
Cash and pooled investments	\$ 2,084,110	1,220,775	459,405
Receivables:			
Property tax:			
Delinquent	11,897	2,120	2,596
Succeeding year	4,487,000	799,000	1,620,000
Interest and penalty on property tax	66,373	-	-
Accounts	1,468	-	-
Accrued interest	31,583	-	-
Drainage assessments:			
Current	-	-	-
Future	-	-	-
Notes	-	-	-
Due from other funds	-	-	-
Due from other governments	272,338	12,283	21,247
Inventories	-	-	-
Total assets	\$ 6,954,769	2,034,178	2,103,248
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 156,816	45,670	541
Salaries and benefits payable	39,661	2,495	1,444
Due to other funds	2,621	-	-
Due to other governments	44,852	187,195	-
Deferred revenue:			
Succeeding year property tax	4,487,000	799,000	1,620,000
Other	198,665	2,120	2,596
Total liabilities	4,929,615	1,036,480	1,624,581
Fund balances:			
Reserved for:			
Inventories	-	-	-
Supplemental levy purposes	394,956	-	-
Drainage warrants	-	-	-
Debt service	-	-	-
Unreserved:			
Designated for nature center	124,164	-	-
Undesignated, reported in:			
General fund	1,506,034	-	-
Special revenue funds	-	997,698	478,667
Capital projects fund	-	-	-
Total fund balances	2,025,154	997,698	478,667
Total liabilities and fund balances	\$ 6,954,769	2,034,178	2,103,248

See notes to financial statements.

Revenue			
Secondary Roads	Midwest Grain Processors	Nonmajor	Total
2,024,398	1,470	442,842	6,233,000
-	-	-	16,613
-	-	-	6,906,000
-	-	-	66,373
3,744	-	-	5,212
-	46,014	-	77,597
-	-	76,683	76,683
-	-	205,202	205,202
-	4,243,492	-	4,243,492
2,621	-	-	2,621
353,577	-	86,059	745,504
561,260	-	-	561,260
2,945,600	4,290,976	810,786	19,139,557
997,347	-	42,327	1,242,701
177,951	-	-	221,551
-	-	-	2,621
631	-	-	232,678
-	-	-	6,906,000
21,471	4,243,492	281,885	4,750,229
1,197,400	4,243,492	324,212	13,355,780
561,260	-	-	561,260
-	-	-	394,956
-	-	12,848	12,848
-	47,484	170,021	217,505
-	-	-	124,164
-	-	-	1,506,034
1,186,940	-	266,188	2,929,493
-	-	37,517	37,517
1,748,200	47,484	486,574	5,783,777
2,945,600	4,290,976	810,786	19,139,557

Kossuth County

Kossuth County

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

June 30, 2005

Total governmental fund balances (page 21) \$ 5,783,777

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$71,764,794 and the accumulated depreciation is \$35,939,034. 35,825,760

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 4,750,229

The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 831,791

Long-term liabilities, including bonds payable, drainage warrants payable, purchase agreements payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (5,243,660)

Net assets of governmental activities (page 17) \$ 41,947,897

See notes to financial statements.

Kossuth County

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

Year ended June 30, 2005

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 4,360,626	957,205	1,942,945
Interest and penalty on property tax	44,482	-	-
Intergovernmental	971,382	1,021,313	119,543
Licenses and permits	5,100	-	-
Charges for service	540,996	-	-
Use of money and property	239,052	-	-
Miscellaneous	17,240	2,441	-
Total revenues	6,178,878	1,980,959	2,062,488
Expenditures:			
Operating:			
Public safety and legal services	2,352,067	-	-
Physical health and social services	331,501	-	-
Mental health	-	1,936,360	-
County environment and education	460,460	-	153,694
Roads and transportation	-	-	-
Governmental services to residents	666,940	-	-
Administration	1,348,498	-	1,245
Non-program	61,364	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	5,220,830	1,936,360	154,939
Excess (deficiency) of revenues over (under) expenditures	958,048	44,599	1,907,549
Other financing sources (uses):			
Sale of capital assets	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(148,296)	-	(1,882,600)
Purchase agreement	-	-	-
Drainage warrants issued	-	-	-
Total other financing sources (uses)	(148,296)	-	(1,882,600)
Net change in fund balances	809,752	44,599	24,949
Fund balances beginning of year	1,215,402	953,099	453,718
Fund balances end of year	\$ 2,025,154	997,698	478,667

See notes to financial statements.

Revenue				
Secondary Roads	Midwest Grain Processors		Nonmajor	Total
-	-		542,894	7,803,670
-	-		-	44,482
4,013,934	-		15,830	6,142,002
280	-		-	5,380
38,550	-		25,170	604,716
22,403	638,659		129	900,243
29,471	-		406,922	456,074
4,104,638	638,659		990,945	15,956,567
-	-		10,096	2,362,163
-	-		-	331,501
-	-		-	1,936,360
-	-		-	614,154
5,200,058	-		-	5,200,058
-	-		35,535	702,475
-	-		-	1,349,743
-	-		-	61,364
-	643,552		792,236	1,435,788
1,652,611	-		536,187	2,188,798
6,852,669	643,552		1,374,054	16,182,404
(2,748,031)	(4,893)		(383,109)	(225,837)
53,381	-		-	53,381
2,020,896	-		10,000	2,030,896
-	-		-	(2,030,896)
-	-		107,906	107,906
-	-		211,855	211,855
2,074,277	-		329,761	373,142
(673,754)	(4,893)		(53,348)	147,305
2,421,954	52,377		539,922	5,636,472
1,748,200	47,484		486,574	5,783,777

Kossuth County

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

Year ended June 30, 2005

Net change in fund balances - Total governmental funds (page 25) \$ 147,305

**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	\$ 2,397,722	
Capital assets contributed by the Iowa Department of Transportation and others	1,732,790	
Depreciation expense	<u>(2,789,977)</u>	1,340,535

In the Statement of Activities, the gain on the sale of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 42,712

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	(2,248)	
Note receivable	(451,511)	
Other	<u>67,944</u>	(385,815)

Bond and drainage warrant proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded amounts issued, as follows:

Issued	(319,761)	
Repaid	<u>1,161,646</u>	841,885

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 governmental funds, as follows:

Compensated absences	(4,441)	
Accrued interest on long-term debt	<u>24,734</u>	20,293

The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 514,812

Change in net assets of governmental activities (page 19) \$ 2,521,727

See notes to financial statements.

Kossuth County
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Business type Activities <u>Enterprise</u> Fund - <u>Landfill</u>	Governmental Activities <u>Internal</u> Service <u>Funds</u>
Assets		
Current assets:		
Cash and pooled investments	\$ 293,049	937,297
Receivables:		
Accounts	38,598	-
Accrued interest	5,909	2,385
Due from other governments	4,212	-
Total current assets	<u>341,768</u>	<u>939,682</u>
Noncurrent assets:		
Restricted cash and pooled investments	617,545	-
Capital assets, net of accumulated depreciation	730,850	-
Total noncurrent assets	<u>1,348,395</u>	<u>-</u>
Total assets	<u>1,690,163</u>	<u>939,682</u>
Liabilities		
Current liabilities:		
Accounts payable	20,702	107,891
Salaries and benefits payable	18,744	-
Purchase agreement	34,389	-
Compensated absences	10,393	-
Total current liabilities	<u>84,228</u>	<u>107,891</u>
Noncurrent liabilities:		
Estimated liability for landfill closure and postclosure care	581,861	-
Purchase agreement	8,814	-
Compensated absences	2,752	-
Total noncurrent liabilities	<u>593,427</u>	<u>-</u>
Total liabilities	<u>677,655</u>	<u>107,891</u>
Net Assets		
Invested in capital assets, net of related debt	687,647	-
Restricted for closure and postclosure care	35,684	-
Unrestricted	289,177	831,791
Total net assets	<u>\$ 1,012,508</u>	<u>831,791</u>

See notes to financial statements.

Kossuth County

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

Year ended June 30, 2005

	Business type Activities	Governmental Activities
	Enterprise Fund - Landfill	Internal Service Funds
Operating revenues:		
Intergovernmental	\$ 2,573	-
Charges for service	446,656	-
Miscellaneous:		
Reimbursements from operating funds	-	1,316,859
Reimbursements from employees and others	8,531	82,012
Total operating revenues	<u>457,760</u>	<u>1,398,871</u>
Operating expenses:		
Governmental activities:		
Medical claims	-	667,540
Administrative and network access fees	-	51,739
Stop-loss premiums	-	149,925
Other	-	21,027
Business type activities:		
Closure and postclosure care	31,026	-
Depreciation	100,246	-
Other	483,256	-
Total operating expenses	<u>614,528</u>	<u>890,231</u>
Operating income (loss)	<u>(156,768)</u>	<u>508,640</u>
Non-operating revenues (expenses):		
Interest income	16,544	6,172
Rent income	10,000	-
Interest expense	(2,448)	-
Gain on sale of capital assets	10,896	-
Net non-operating revenues	<u>34,992</u>	<u>6,172</u>
Net income (loss) before contributions	(121,776)	514,812
Capital contributions	<u>24,714</u>	-
Change in net assets	(97,062)	514,812
Net assets beginning of year	<u>1,109,570</u>	<u>316,979</u>
Net assets end of year	<u>\$ 1,012,508</u>	<u>831,791</u>

See notes to financial statements.

Kossuth County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2005

	Business type Activities <u>Enterprise</u> Fund - Landfill	Governmental Activities <u>Internal</u> Service Funds
Cash flows from operating activities:		
Cash received from operating fund reimbursements	\$ -	1,316,859
Cash received from customers and others	455,791	82,012
Cash received from operating grants	2,573	-
Cash paid to suppliers for services	(460,464)	(784,586)
Net cash provided by (used for) operating activities	<u>(2,100)</u>	<u>614,285</u>
Cash flows from investing activities:		
Interest on investments	14,867	4,851
Rent	10,000	-
Purchase of investments	(13,790)	-
Net cash provided by investing activities	<u>11,077</u>	<u>4,851</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(8,451)	-
Purchase agreement principal paid	(33,042)	-
Purchase agreement interest paid	(2,448)	-
Net cash used for capital and related financing activities	<u>(43,941)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(34,964)	619,136
Cash and cash equivalents beginning of year	<u>222,285</u>	<u>318,161</u>
Cash and cash equivalents end of year	<u>\$ 187,321</u>	<u>937,297</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (156,768)	508,640
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	100,246	-
Decrease in accounts and other receivables	603	-
Increase in accounts payable and other current liabilities	22,793	105,645
Increase in liability for closure and postclosure care costs	31,026	-
Net cash provided by (used for) operating activities	<u>\$ (2,100)</u>	<u>614,285</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:		
Current assets:		
Cash and pooled investments	\$ 293,049	937,297
Restricted assets:		
Cash and pooled investments	617,545	-
	<u>910,594</u>	<u>937,297</u>
Less items not meeting the definition of a cash equivalent:		
Certificates of deposit	(723,273)	-
Cash and cash equivalents end of year	<u>\$ 187,321</u>	<u>937,297</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, capital assets of \$24,714 were contributed by the Secondary Roads Department to the Landfill Fund.

See notes to financial statements.

Kossuth County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2005

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,021,609
Other county officials	8,511
Receivables:	
Property tax:	
Delinquent	45,352
Succeeding year	14,289,000
Accounts	25,606
Accrued interest	158
Special assessments	55,432
Drainage assessments:	
Current	1,192
Future	918,548
Due from other governments	4,268
Total assets	<u>16,369,676</u>

Liabilities

Accounts payable	7,099
Drainage warrants payable	920,349
Salaries and benefits payable	1,195
Due to other governments	15,418,213
Trusts payable	7,726
Compensated absences	15,094
Total liabilities	<u>16,369,676</u>
Net assets	<u>\$ -</u>

See notes to financial statements.

Kossuth County

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Kossuth 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, Kossuth 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 Kossuth County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

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

Five hundred seventy-six drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from the 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 Kossuth County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. The financial transactions of these districts are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Kossuth 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: Kossuth County Assessor’s Conference Board, Kossuth County Emergency Management Commission and Kossuth County 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.

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, which are supported by property tax, intergovernmental revenues and other nonexchange transactions, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Midwest Grain Processors Fund is used to account for debt issued for an economic development loan to be repaid by the processing plant.

The County reports the following major proprietary fund:

The Landfill Fund is used to account for the operation of the County's sanitary landfill.

Additionally, the County reports the following funds:

Proprietary Fund – 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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

The proprietary 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 revenue of the County's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. The principal operating revenues of the County's Internal Service Funds are reimbursements from County departments for self insurance costs and payments from employees for flexible benefit contributions. 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 balance sheet:

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. Cash investments not meeting the definition of cash equivalents at June 30, 2005 included certificates of deposits of \$723,273 with maturity dates 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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 amounts assessed to individuals for work done that 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 are due and payable but have not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit 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. Current drainage assessments receivable represent assessments which are due and payable but have not been collected. Future drainage assessments receivable represents remaining assessments which are payable but not yet due.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column and the business type 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	\$ 50,000
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	25 - 50
Other improvements	10 - 50
Infrastructure	10 - 65
Equipment	3 - 20
Vehicles	3 - 15

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health 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, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Unrestricted Net Assets – The unrestricted net assets of the Internal Service Fund are 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, 2005 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 \$133,703 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) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	<u>\$ 2,621</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Conservation Land Acquisition	General	\$ 10,000
Secondary Roads	General	138,296
	Special Revenue: Rural Services	<u>1,882,600</u>
Total		<u>\$ 2,030,896</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, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,397,166	134,296	-	1,531,462
Construction in progress, road network	127,720	3,025,730	(3,025,119)	128,331
Total capital assets not being depreciated	<u>1,524,886</u>	<u>3,160,026</u>	<u>(3,025,119)</u>	<u>1,659,793</u>
Capital assets being depreciated:				
Buildings	5,283,334	-	-	5,283,334
Improvements other than buildings	156,187	5,765	-	161,952
Equipment and vehicles	10,540,164	1,127,368	(653,861)	11,013,671
Infrastructure, road network	50,620,925	3,025,119	-	53,646,044
Total capital assets being depreciated	<u>66,600,610</u>	<u>4,158,252</u>	<u>(653,861)</u>	<u>70,105,001</u>
Less accumulated depreciation for:				
Buildings	1,547,382	103,902	-	1,651,284
Improvements other than buildings	22,086	8,107	-	30,193
Equipment and vehicles	6,230,295	729,449	(533,926)	6,425,818
Infrastructure, road network	25,883,220	1,948,519	-	27,831,739
Total accumulated depreciation	<u>33,682,983</u>	<u>2,789,977</u>	<u>(533,926)</u>	<u>35,939,034</u>
Total capital assets being depreciated, net	<u>32,917,627</u>	<u>1,368,275</u>	<u>(119,935)</u>	<u>34,165,967</u>
Governmental activities capital assets, net	<u>\$ 34,442,513</u>	<u>4,528,301</u>	<u>(3,145,054)</u>	<u>35,825,760</u>
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 261,000	-	-	261,000
Capital assets being depreciated:				
Buildings	246,630	-	-	246,630
Equipment and vehicles	970,569	81,564	(75,363)	976,770
Total capital assets being depreciated	<u>1,217,199</u>	<u>81,564</u>	<u>(75,363)</u>	<u>1,223,400</u>
Less accumulated depreciation for:				
Buildings	84,792	8,585	-	93,377
Equipment and vehicles	606,371	91,661	(37,859)	660,173
Total accumulated depreciation	<u>691,163</u>	<u>100,246</u>	<u>(37,859)</u>	<u>753,550</u>
Total capital assets being depreciated, net	<u>526,036</u>	<u>(18,682)</u>	<u>(37,504)</u>	<u>469,850</u>
Business type activities capital assets, net	<u>\$ 787,036</u>	<u>(18,682)</u>	<u>(37,504)</u>	<u>730,850</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 98,082
Physical health and social services	5,366
Mental health	1,516
County environment and education	9,938
Roads and transportation	2,609,751
Governmental services to residents	25,047
Administration	40,277
Total depreciation expense - governmental activities	<u>\$ 2,789,977</u>
Business type activities:	
Landfill	<u>\$ 100,246</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 is as follows:

Fund	Description	Amount
General	Services	\$ 44,852
Special Revenue:		
Mental Health	Services	187,195
Secondary Roads	Services	631
		<u>187,826</u>
Total for governmental funds		<u>\$ 232,678</u>
Agency:		
County Offices	Collections	\$ 1,464
Agricultural Extension Education		71,708
County Assessor		455,944
Schools		9,863,756
Community Colleges		613,452
Corporations		3,274,521
Townships		287,627
County Hospital		285,788
Special Assessments		59,525
Auto License and Use Tax		367,391
Drainage Districts		53,903
All other		83,134
Total for agency funds		<u>\$ 15,418,213</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

Governmental Activities:	Local Option	General	Compen-	Drainage	Purchase	Total
	Sales Tax Revenue Bonds	Obligation Bonds	sated Absences	Warrants	Agreement	
Balance beginning of year	\$ 768,555	4,741,882	269,251	247,104	-	6,026,792
Increases	-	3,124	184,504	211,855	107,906	399,483
Decreases	536,645	440,000	180,063	188,125	-	1,344,833
Balance end of year	<u>\$ 231,910</u>	<u>4,305,006 (a)</u>	<u>273,692</u>	<u>270,834</u>	<u>107,906</u>	<u>5,189,348</u>
Due within one year	<u>\$ 231,910</u>	<u>460,000</u>	<u>209,781</u>	<u>270,834</u>	<u>107,906</u>	<u>1,280,431</u>

(a) Net of unamortized bond discount of \$24,994.

Business type Activities:	Landfill			Total
	Closure and Postclosure Care	Compensated Absences	Purchase Agreement	
Balance beginning of year	\$ 550,835	12,374	76,245	639,454
Increases	31,026	9,035	-	40,061
Decreases	-	8,264	33,042	41,306
Balance end of year	\$ 581,861	13,145	43,203	638,209
Due within one year	\$ -	10,393	34,389	44,782

Local Option Sales Tax Revenue Bonds

A summary of the County's June 30, 2005 revenue bond indebtedness is as follows:

Year ending June 30,	Local Option Sales Tax Revenue Bonds			
	Issued Sep 30, 2001			
	Interest Rates	Principal	Interest	Total
2006	5.40%	\$ 231,910	6,608	238,518

During the year ended June 30, 2005, the County retired \$536,645 of revenue bonds. The remaining balance of the bonds is scheduled to be paid in February 2006.

The local option sales tax revenue bonds were issued for the purpose of defraying a portion of the costs of the construction of a law enforcement center. The bonds are payable solely from the proceeds of the local option sales tax revenues received by the County in accordance with Chapter 422B.12(3) of the Code of Iowa. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County.

The resolution providing for the issuance of the local option sales tax revenue bonds includes the following provisions.

- (a) The bonds will only be redeemed from future local option sales tax revenues and the bond holders hold a lien on the future local option tax sales revenues.
- (b) Eighty percent of the local option sales tax revenues received by the County annually shall be deposited to the Special Revenue, Local Option Sales Tax Revenue Bond Fund for the repayment of principal and interest on the bonds.

The amounts credited to the Local Option Sales Tax Revenue Bond Fund during the fiscal year were sufficient to comply with the revenue bond resolution.

General Obligation Bonds

A summary of the County's June 30, 2005 general obligation bond indebtedness is as follows:

Year ending June 30,	General Obligation Economic Development Bonds			
	Issued Dec 1, 2002			
	Interest Rates	Principal	Interest	Total
2006	3.50%	\$ 460,000	187,852	647,852
2007	3.50	480,000	171,752	651,752
2008	3.90	505,000	154,952	659,952
2009	4.20	525,000	135,258	660,258
2010	4.50	550,000	113,208	663,208
2011-2013	4.75-5.00	1,810,000	181,104	1,991,104
Total		\$ 4,330,000	944,126	5,274,126

During the year ended June 30, 2005, the County retired \$440,000 of the bonds.

On December 1, 2002, the County issued \$5,080,000 of general obligation economic development bonds for the purpose of providing funds to make an economic development loan to Midwest Grain Processors Corporation (MGPC) to construct an ethanol plant. Upon closing, the County remitted \$5,000,000 to MGPC and retained the remaining bond proceeds to pay expenses incurred to issue the bonds. The County also received a \$100,000 railroad grant from the Iowa Department of Transportation which was remitted to MGPC pursuant to the grant agreement.

The County received a note for \$5,080,000 from MGPC. The County will use the principal and interest received from MGPC to make the principal and interest payments on the general obligation economic development bonds as they come due. The note receivable from MGPC bears interest at 6.506% per annum and requires quarterly payments in the following amounts:

August 1, 2004 through May 1, 2005	\$ 187,586
August 1, 2005 through May 1, 2006	185,429
August 1, 2006 through May 1, 2007	182,947
August 1, 2007 and November 1, 2007	181,390

The remaining principal of the note, plus accrued interest, is due in full on December 31, 2007. During the year ended June 30 2005, the County received \$638,659 of principal and interest on the note.

The note receivable from MGPC is secured through a mortgage between MGPC and the County. The mortgage provides the County with a security interest in the land, buildings, personal property and revenues of MGPC. The County has also entered into a subordination agreement with MGPC and the Iowa Department of Economic Development (IDED) which makes certain debt owed to IDED from MGPC subordinate to the County's note receivable.

Drainage Warrants

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

Closure and Postclosure Care Costs

To comply with federal and state regulations, the County is required to complete a monitoring system plan, a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology or applicable laws or regulations.

The total costs for Kossuth County have been estimated at \$141,525 for closure and \$750,900 for postclosure care, for a total of \$892,425 as of June 30, 2005, and the portion of the liability that has been recognized is \$581,861. This liability represents the cumulative amount reported to date based on the use of approximately 65 percent of the capacity of the landfill with a remaining life of sixteen years. A provision for the above liability has been made on the County's Enterprise Fund Statement of Net Assets as of June 30, 2005.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The County has begun to accumulate resources to fund these costs and, at June 30, 2005, deposits of \$617,545 are held for these purposes, of which \$150,000 has been reserved for closure and \$467,545 for postclosure care. They are reported as restricted assets on the Statement of Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure costs are not fully funded, the County is required to demonstrate financial assurance for the unfunded costs. The County has adopted the local government financial test mechanism. Under this mechanism, the County must certify the following to the Iowa Department of Natural Resources:

- A ratio of cash and investments to total expenditures of greater than or equal to .05 for the previous two fiscal years.
- A ratio of annual debt service to total expenditures less than or equal to .20 for the previous two fiscal years.
- The County's financial statements are prepared in accordance with U.S. generally accepted accounting principles.

- The County is not in default on any outstanding general obligation bonds.
- The County has no outstanding general obligation bonds rated lower than Baa.
- The County did not operate at a deficit equal to 5 percent or more of total annual revenue in each of the past two fiscal years.
- The County did not receive an adverse opinion or disclaimer of opinion on its financial statements in each of the past two fiscal years.

The County has demonstrated compliance with the above requirements, except for fiscal years ended June 30, 2004 and June 30, 2003 the deficit of revenues under expenditures was greater than 5 percent. The Iowa Department of Natural Resources has formally accepted this variance as acceptable.

Purchase Agreements

Governmental Activities

In December 2004, the County entered into an unconditional purchase agreement with the Iowa Natural Heritage Foundation to acquire 79.97 acres of land. The County made a \$25,590 downpayment and the remaining purchase price of \$107,906 was paid by the Iowa Natural Heritage Foundation. The agreement calls for the County to repay the Iowa Natural Heritage Foundation within one year. If not repaid by February 7, 2006, the County will enter into a real estate contract with the Iowa Natural Heritage Foundation, the balance of which will be payable in four annual installments, including interest, beginning December 31, 2006. The interest rate shall not exceed the local prime rate as published by Banker's Trust of Des Moines on the date of closing and the annual anniversary dates thereafter. The balance owed on the purchase agreement at June 30, 2005 was \$107,906.

Business Type Activities

On September 1, 2003, the County entered into an agreement with Ziegler, Inc. to purchase a compactor for the landfill. Beginning October 1, 2003, the County was required to make monthly payments of \$2,958, including interest at 4% per annum. A summary of the payments due at June 30, 2005 is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2006	4.00%	\$ 34,389	1,102	35,491
2007	4.00	8,814	59	8,873
Total		\$ 43,203	1,161	44,364

Payments under the agreement for the year ended June 30, 2005 totaled \$35,490.

(8) Economic Development Loan

During the year ended June 30, 2004, the County sold the County Care Facility to Rabiner Treatment Center for \$90,000. Under the Agreement, \$40,000 was paid to the County with the balance of \$50,000 considered an interest-free economic development loan from the County to Rabiner Treatment Center. The loan is payable to the County November 1, 2006. However, the balance due shall be reduced by \$1,000 for each staff position created by Rabiner Treatment Center at the facility. Because the amount to be paid to the County is not known, a receivable has not been included in the County's financial statements at June 30, 2005.

(9) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the county contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$254,450, \$242,483 and \$234,164, respectively, equal to the required contributions for each year.

(10) Risk Management

Kossuth County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2005 were \$221,424.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile

physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with employee blanket bond and workers compensation in the amount of \$20,000 (\$50,000 for certain employees) and \$1,000,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting 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, Self Insurance Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Under a separate co-insurance plan, the County reimburses employees for a portion of the deductible. The amount of the deductibles for employees and the County are as follows:

	<u>Single</u>	<u>Family</u>
Employee	\$ 100	\$ 200
County	<u>400</u>	<u>800</u>
	<u>\$ 500</u>	<u>\$ 1,000</u>

Monthly payments of service fees and plan contributions to the Self Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of services fees and claims processed are paid to Wellmark from the Self Insurance Fund. The County's contribution to the fund for the year ended June 30, 2005 was \$1,316,859.

Amounts payable from the Self Insurance Fund at June 30, 2005 total \$107,891, 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 \$826,403 and is reported as a designation of the Self Insurance Fund net assets. A liability has been established based on 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 stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2004	\$ 2,246
Incurred claims (including claims incurred but not reported at June 30, 2005)	718,640
Payments	<u>612,995</u>
Unpaid claims at June 30, 2005	<u><u>\$ 107,891</u></u>

(12) Pending Litigation

The County is a defendant in certain lawsuits seeking unspecified damages. The probability of loss, if any, is indeterminable.

(13) Subsequent Events

The Kossuth County Sanitary Landfill plans to comply with minimum liner standards established by the Environmental Protection Agency and adopted by the Iowa Department of Natural Resources through ground water modeling. The Landfill plans to use existing resources to finance these activities.

On August 9, 2005, the County Board of Supervisors approved an offer from Midwest Grain Processors Corporation (MGPC) to prepay its obligations under the loan agreement discussed in Note 7 on page 42. On September 1, 2005, the outstanding General Obligation Economic Development Bonds were legally defeased. Funds received from MGPC to fulfill its obligation under the note receivable were used to purchase U.S. Treasury obligations of \$4,405,327 to be placed in an escrow account for the purpose of paying the scheduled debt service payments on the defeased bonds through June 1, 2007, the date the bonds will become callable. The bonds are schedule to be redeemed on June 1, 2007.

In December 2005, the Conservation Board received a Wildlife Habitat Stamp Fund grant of \$95,964 from the Iowa Department of Natural Resources. This amount, combined with other grants and donations, was used to pay the balance due on the purchase agreement with the Iowa Natural Heritage Foundation in January 2006.

Kossuth County

Required Supplementary Information

Kossuth 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, 2005

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 7,798,169	-	7,798,169
Interest and penalty on property tax	44,513	-	44,513
Intergovernmental	6,111,486	-	6,111,486
Licenses and permits	5,380	-	5,380
Charges for service	586,292	-	586,292
Use of money and property	893,245	-	893,245
Miscellaneous	456,817	305,004	151,813
Total receipts	<u>15,895,902</u>	<u>305,004</u>	<u>15,590,898</u>
Disbursements:			
Public safety and legal services	2,368,039	-	2,368,039
Physical health and social services	321,907	-	321,907
Mental health	1,912,201	-	1,912,201
County environment and education	665,891	-	665,891
Roads and transportation	5,148,007	-	5,148,007
Governmental services to residents	577,056	-	577,056
Administration	1,350,732	-	1,350,732
Non-program	61,849	-	61,849
Debt service	1,435,788	226,702	1,209,086
Capital projects	1,584,131	339,742	1,244,389
Total disbursements	<u>15,425,601</u>	<u>566,444</u>	<u>14,859,157</u>
Excess (deficiency) of receipts over (under) disbursements	470,301	(261,440)	731,741
Other financing sources, net	265,236	211,855	53,381
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	735,537	(49,585)	785,122
Balance beginning of year	5,497,463	212,612	5,284,851
Balance end of year	<u>\$ 6,233,000</u>	<u>163,027</u>	<u>6,069,973</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
7,702,772	7,755,845	42,324
20,400	20,400	24,113
5,865,819	5,963,654	147,832
3,550	3,550	1,830
460,730	482,730	103,562
965,344	965,344	(72,099)
56,435	65,435	86,378
<u>15,075,050</u>	<u>15,256,958</u>	<u>333,940</u>
2,612,375	2,618,283	250,244
407,262	412,262	90,355
2,176,838	2,176,838	264,637
623,442	671,442	5,551
5,263,000	5,263,000	114,993
573,819	617,819	40,763
1,531,258	1,543,758	193,026
62,036	62,036	187
1,051,952	1,208,952	(134)
1,237,500	1,265,665	21,276
<u>15,539,482</u>	<u>15,840,055</u>	<u>980,898</u>
(464,432)	(583,097)	1,314,838
100	100	53,281
(464,332)	(582,997)	1,368,119
3,833,890	5,284,852	(1)
<u>3,369,558</u>	<u>4,701,855</u>	<u>1,368,118</u>

Kossuth County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 15,895,902	(60,665)	15,956,567
Expenditures	15,425,601	(756,803)	16,182,404
Net	470,301	696,138	(225,837)
Other financing sources, net	265,236	(107,906)	373,142
Beginning fund balances	5,497,463	(139,009)	5,636,472
Ending fund balances	\$ 6,233,000	449,223	5,783,777

See accompanying independent auditor's report.

Kossuth County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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, Proprietary 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 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds 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 \$300,573. 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, 2005, disbursements exceeded the amount budgeted in the debt service function.

Kossuth County

Other Supplementary Information

Kossuth County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2005

	County Recorder's Records Management	Resource Enhancement and Protection	Drainage Districts	Local Option Sales Tax Revenue Bond
Assets				
Cash and pooled investments	\$ 23,288	59,603	163,027	85,032
Receivables:				
Drainage assessments:				
Current	-	-	76,683	-
Future	-	-	205,202	-
Due from other governments	1,020	-	-	84,989
Total assets	\$ 24,308	59,603	444,912	170,021
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	31,676	-
Deferred revenue - other	-	-	281,885	-
Total liabilities	-	-	313,561	-
Fund equity:				
Fund balances:				
Reserved for:				
Drainage warrants	-	-	12,848	-
Debt service	-	-	-	170,021
Unreserved reported in:				
Special revenue funds	24,308	59,603	118,503	-
Capital projects fund	-	-	-	-
Total fund equity	24,308	59,603	131,351	170,021
Total liabilities and fund equity	\$ 24,308	59,603	444,912	170,021

See accompanying independent auditor's report.

Special Revenue					Capital	
County					Projects	
Recorder's	Special	DARE	Drug	Conservation	Nature	
Electronic	Response	Program	Forfeiture	Land	Center	
Transaction Fee	Team			Acquisition	Project	Total
14,173	359	2,632	4,841	52,370	37,517	442,842
-	-	-	-	-	-	76,683
-	-	-	-	-	-	205,202
-	50	-	-	-	-	86,059
14,173	409	2,632	4,841	52,370	37,517	810,786
4,824	-	-	-	5,827	-	42,327
-	-	-	-	-	-	281,885
4,824	-	-	-	5,827	-	324,212
-	-	-	-	-	-	12,848
-	-	-	-	-	-	170,021
9,349	409	2,632	4,841	46,543	-	266,188
-	-	-	-	-	37,517	37,517
9,349	409	2,632	4,841	46,543	37,517	486,574
14,173	409	2,632	4,841	52,370	37,517	810,786

Kossuth County

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

Year ended June 30, 2005

	County Recorder Records Management	Resource Enhancement and Protection	Drainage Districts	Local Option Sales Tax Revenue Bond
Revenues:				
Local option sales tax	\$ -	-	-	542,894
Intergovernmental	-	10,857	-	-
Charges for service	3,939	-	-	-
Use of money and property	49	80	-	-
Miscellaneous	-	-	305,004	-
Total revenues	3,988	10,937	305,004	542,894
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Governmental services to residents	8,000	-	-	-
Debt service	-	-	226,702	565,534
Capital projects	-	81	368,693	-
Total expenditures	8,000	81	595,395	565,534
Excess (deficiency) of revenues over (under) expenditures	(4,012)	10,856	(290,391)	(22,640)
Other financing sources:				
Operating transfers in	-	-	-	-
Purchase agreement	-	-	-	-
Drainage warrants issued	-	-	211,855	-
Total other financing sources	-	-	211,855	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(4,012)	10,856	(78,536)	(22,640)
Fund balances beginning of year	28,320	48,747	209,887	192,661
Fund balances end of year	\$ 24,308	59,603	131,351	170,021

See accompanying independent auditor's report.

Special Revenue						Capital Projects	
County Recorder Electronic Transaction Fee	Special Response Team	DARE Program	Drug Forfeiture	Conservation Land Acquisition	Nature Center Project		Total
-	-	-	-	-	-	-	542,894
-	4,973	-	-	-	-	-	15,830
21,231	-	-	-	-	-	-	25,170
-	-	-	-	-	-	-	129
-	1,601	5,563	5,841	51,396	37,517	-	406,922
21,231	6,574	5,563	5,841	51,396	37,517	-	990,945
-	6,165	2,931	1,000	-	-	-	10,096
27,535	-	-	-	-	-	-	35,535
-	-	-	-	-	-	-	792,236
-	-	-	-	167,413	-	-	536,187
27,535	6,165	2,931	1,000	167,413	-	-	1,374,054
(6,304)	409	2,632	4,841	(116,017)	37,517	-	(383,109)
-	-	-	-	10,000	-	-	10,000
-	-	-	-	107,906	-	-	107,906
-	-	-	-	-	-	-	211,855
-	-	-	-	117,906	-	-	329,761
(6,304)	409	2,632	4,841	1,889	37,517	-	(53,348)
15,653	-	-	-	44,654	-	-	539,922
9,349	409	2,632	4,841	46,543	37,517	-	486,574

Schedule 3

Kossuth County

Combining Schedule of Net Assets
Internal Service Funds

June 30, 2005

	Self Insurance	Employee Flexible Benefit Plan	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 931,909	5,388	937,297
Accrued interest receivable	2,385	-	2,385
Total assets	934,294	5,388	939,682
Liabilities			
Current liabilities:			
Accounts payable	107,891	-	107,891
Net Assets			
Unrestricted	\$ 826,403	5,388	831,791

See accompanying independent auditor's report.

Kossuth County

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

Year ended June 30, 2005

	Self Insurance	Employee Flexible Benefit Plan	Total
Operating revenues:			
Reimbursements form operating funds	\$ 1,316,859	-	1,316,859
Reimbursements from employees and others	22,422	59,590	82,012
Total operating revenues	1,339,281	59,590	1,398,871
Operating expenses:			
Governmental activities:			
Medical claims	612,995	54,545	667,540
Administration and network access fees	51,739	-	51,739
Stop-loss premium	149,925	-	149,925
Other	21,027	-	21,027
Total operating expenses	835,686	54,545	890,231
Operating income	503,595	5,045	508,640
Non-operating revenues:			
Interest income	6,172	-	6,172
Net income	509,767	5,045	514,812
Net assets beginning of year	316,636	343	316,979
Net assets end of year	\$ 826,403	5,388	831,791

See accompanying independent auditor's report.

Schedule 5

Kossuth County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2005

	Self Insurance	Employee Flexible Benefit Plan	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ 1,316,859	-	1,316,859
Cash received from employees and others	22,422	59,590	82,012
Cash paid to suppliers for services	(730,041)	(54,545)	(784,586)
Net cash provided by operating activities	609,240	5,045	614,285
Cash flows from investing activities:			
Interest on investments	4,851	-	4,851
Net increase in cash and cash equivalents	614,091	5,045	619,136
Cash and cash equivalents at beginning of year	317,818	343	318,161
Cash and cash equivalents at end of year	\$ 931,909	5,388	937,297
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 503,595	5,045	508,640
Adjustment to reconcile operating income to net cash provided by operating activities:			
Changes in assets and liabilities:			
Increase in accounts payable	105,645	-	105,645
Net cash provided by operating activities	\$ 609,240	5,045	614,285

See accompanying independent auditor's report.

Kossuth County

Kossuth County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,522	250,353	211,571	11,850
Other county officials	7,714	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	186	584	25,185	1,602
Succeeding year	-	70,000	220,000	9,627,000	600,000
Accounts	679	-	7	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Drainage assessments:					
Current	-	-	-	-	-
Future	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 8,393	71,708	470,944	9,863,756	613,452
Liabilities					
Accounts payable	\$ -	-	3,059	-	-
Drainage warrants payable	-	-	-	-	-
Salaries and benefits payable	-	-	-	-	-
Due to other governments	1,464	71,708	455,944	9,863,756	613,452
Trusts payable	6,929	-	-	-	-
Compensated absences	-	-	11,941	-	-
Total liabilities	\$ 8,393	71,708	470,944	9,863,756	613,452

See accompanying independent auditor's report.

Corpor- ations	Townships	County Hospital	Special Assessments	Auto License and Use Tax	Drainage Districts	Other	Total
48,936	6,165	6,048	4,093	367,391	55,673	58,007	1,021,609
-	-	-	-	-	-	797	8,511
16,585	462	740	-	-	-	8	45,352
3,209,000	281,000	279,000	-	-	-	3,000	14,289,000
-	-	-	-	-	-	24,920	25,606
-	-	-	-	-	-	158	158
-	-	-	55,432	-	-	-	55,432
-	-	-	-	-	1,192	-	1,192
-	-	-	-	-	918,548	-	918,548
-	-	-	-	-	-	4,268	4,268
3,274,521	287,627	285,788	59,525	367,391	975,413	91,158	16,369,676
-	-	-	-	-	1,161	2,879	7,099
-	-	-	-	-	920,349	-	920,349
-	-	-	-	-	-	1,195	1,195
3,274,521	287,627	285,788	59,525	367,391	53,903	83,134	15,418,213
-	-	-	-	-	-	797	7,726
-	-	-	-	-	-	3,153	15,094
3,274,521	287,627	285,788	59,525	367,391	975,413	91,158	16,369,676

Kossuth County
Combining Schedule Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 14,431	72,715	444,768	9,910,814	564,088
Additions:					
Property and other county tax	-	69,604	219,895	9,633,491	601,251
E911 surcharge	-	-	-	-	-
State tax credits	-	4,736	18,379	654,472	36,897
Drivers license fees	-	-	-	-	-
Office fees and collections	409,221	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	126,845	-	-	-	-
Miscellaneous	-	80	97	10,580	628
Total additions	536,066	74,420	238,371	10,298,543	638,776
Deductions:					
Agency remittances:					
To other funds	257,792	-	-	-	-
To other governments	150,056	75,427	212,195	10,345,601	589,412
Trusts paid out	134,256	-	-	-	-
Total deductions	542,104	75,427	212,195	10,345,601	589,412
Balances end of year	\$ 8,393	71,708	470,944	9,863,756	613,452

See accompanying independent auditor's report.

Corpora- tions	Townships	County Hospital	Special Assessments	Driver's License Tust	Auto License and Use Tax	Drainage Districts	Other	Total
3,162,104	278,743	286,814	59,299	-	332,882	72,026	97,131	15,295,815
3,135,287	283,251	279,522	-	-	-	-	3,076	14,225,377
-	-	-	-	-	-	-	82,841	82,841
219,143	17,660	18,818	-	-	-	-	1,723	971,828
-	-	-	-	94,776	-	-	-	94,776
-	-	-	-	-	-	-	-	409,221
-	-	-	-	-	-	-	3,595	3,595
-	-	-	-	-	4,110,272	-	155	4,110,427
-	-	-	8,050	-	-	34,297	-	42,347
-	-	-	-	-	-	-	237,988	364,833
847	428	317	-	-	-	22,389	36,314	71,680
3,355,277	301,339	298,657	8,050	94,776	4,110,272	56,686	365,692	20,376,925
-	-	-	-	-	166,996	-	-	424,788
3,242,860	292,455	299,683	7,824	94,776	3,908,767	73,648	133,699	19,426,403
-	-	-	-	-	-	-	237,966	372,222
3,242,860	292,455	299,683	7,824	94,776	4,075,763	73,648	371,665	20,223,413
3,274,521	287,627	285,788	59,525	-	367,391	55,064	91,158	15,449,327

Kossuth County

Kossuth County
 Schedule of Revenues By Source and Expenditures By Function -
 All Governmental Funds
 For the Last Six Years

	Modified Accrual Basis					
	2005	2004	2003	2002	2001	2000
Revenues:						
Property and other county tax	\$ 7,803,670	7,103,839	6,547,021	6,570,974	5,877,975	5,233,031
Interest and penalty on property tax	44,482	57,781	40,346	40,949	29,282	34,125
Intergovernmental	6,142,002	6,113,661	6,434,824	5,928,369	5,980,505	5,964,054
Licenses and permits	5,380	5,475	8,695	3,740	3,815	4,203
Charges for service	604,716	574,205	540,219	631,946	523,891	533,118
Use of money and property	900,243	806,282	384,202	179,658	304,967	317,043
Miscellaneous	456,074	381,174	520,849	372,802	459,245	525,306
Total	\$ 15,956,567	15,042,417	14,476,156	13,728,438	13,179,680	12,610,880
Expenditures:						
Operating:						
Public safety and legal services	\$ 2,362,163	2,339,538	2,217,988	1,822,640	1,449,978	1,198,177
Physical health and social services	331,501	371,569	455,870	483,383	496,697	539,622
Mental health	1,936,360	1,981,917	1,972,111	2,288,015	2,440,131	2,191,322
County environment and education	614,154	680,678	5,667,513	507,544	543,782	426,373
Roads and transportation	5,200,058	5,192,082	5,024,615	5,030,718	4,662,050	4,473,660
Governmental services to residents	702,475	483,952	397,752	421,578	408,030	375,259
Administration	1,349,743	1,287,253	1,255,880	1,182,054	1,095,437	1,080,501
Non-program	61,364	59,039	56,464	53,494	42,731	32,930
Debt service	1,435,788	1,267,555	824,949	2,502,379	-	133,300
Capital projects	2,188,798	1,379,788	1,148,667	1,895,981	4,300,031	2,793,211
Total	\$ 16,182,404	15,043,371	19,021,809	16,187,786	15,438,867	13,244,355

See accompanying independent auditor's report.

Schedule 9

Kossuth County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		\$ 8,652
U.S. Department of Justice:			
Iowa Department of Public Safety:			
Federal Marijuana Eradication	16.000		3,373
Iowa Department of Justice:			
Crime Victim's Assistance Division:			
Crime Victim Assistance	16.575		11,000
Violence Against Women Formula Grants	16.588		25,238
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
Safety Incentive Grants for Use of Seatbelts	20.604		4,712
U.S. General Services Administration:			
Iowa Secretary of State:			
Election Reform Payments	39.011		120,395
U. S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5885NB15	16,599
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5885WW09	21,396
			<u>37,995</u>

Kossuth County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		11,469
Refugee and Entrant Assistance-State Administered Programs	93.566		14
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,246
Foster Care - Title IV-E	93.658		6,044
Adoption Assistance	93.659		1,410
Medical Assistance Program	93.778		12,396
Social Services Block Grant	93.667		7,622
Social Services Block Grant	93.667		83,644
			91,266
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
State Domestic Preparedness Equipment Support Program	97.004		146,940
Public Assistance Grants	97.036	FEMA DR-1518-IA	38,028
Homeland Security Grant Program	97.067		8,541
Total			\$ 529,719

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

See accompanying independent auditor's report.

Kossuth County

**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**

Kossuth County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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

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

To the Officials of Kossuth County:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Kossuth County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated December 15, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kossuth County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Kossuth County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items II-A-05 and II-F-05 are material weaknesses.

Compliance and Other Matters

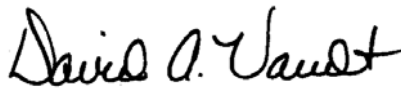
As part of obtaining reasonable assurance about whether Kossuth County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and,

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

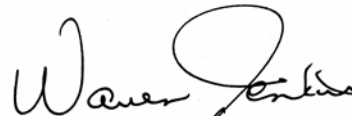
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Kossuth County and other parties to whom Kossuth County may report, including federal awarding agencies and pass-through entities. 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 Kossuth 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

December 15, 2005



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance
In Accordance with OMB Circular A-133

To the Officials of Kossuth County:

Compliance

We have audited the compliance of Kossuth County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Kossuth County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Kossuth County's management. Our responsibility is to express an opinion on Kossuth County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kossuth County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Kossuth County's compliance with those requirements.

In our opinion, Kossuth County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

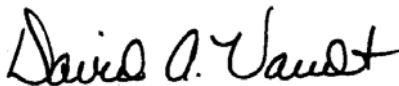
Internal Control Over Compliance

The management of Kossuth County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Kossuth County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with

applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Kossuth County and other parties to whom Kossuth County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 15, 2005

Kossuth County
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) Unqualified opinions were issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were:
 - CFDA Number 39.011 – Election Reform Payments
 - CFDA Number 97.004 – State Domestic Preparedness Equipment Support Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Kossuth County did not qualify as a low-risk auditee.

Kossuth County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05 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. An initial listing of cash and checks received is not prepared. Receipt collecting, recording and depositing duties are not segregated.	Treasurer and Sheriff
(2) Payroll warrants are not signed by an individual who does not otherwise participate in the preparation of the warrants. After signing, the warrants are not mailed or distributed without allowing them to return to individuals who prepared the warrants or approved vouchers for payment.	Auditor
(3) Bank accounts are not reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.	Treasurer, Sheriff and Central Point of Coordination
(4) Detailed investment records are not maintained by a person who is not the custodian of the investments.	Treasurer

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

County Auditor Response – We will see that another person signs off and reviews checks or warrants.

County Treasurer Response – An effort will be made to do a spot check on checks and cash received in mail.

Kossuth County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Bank reconciliations will be reviewed and signed off by someone who does not reconcile them.

Investment records will be reviewed and signed off by someone who does not work with investments.

County Sheriff Response – Lack of staff would make this difficult.

Central Point of Coordination (CPC) Response – Starting July 2005 CPC support staff has been reconciling bank statements of payee accounts in addition to the CPC. This report period does not reflect this practice since it started after date reviewed.

Conclusion –

County Auditor - Response accepted.

County Treasurer - Response accepted.

County Sheriff - Response acknowledged. The County Sheriff should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Central Point of Coordination - Response accepted.

II-B-05 Information Systems – During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- password privacy and confidentiality.
- frequency of changing passwords, prohibiting reuse of passwords and required length of passwords.
- ensuring software not licensed to the County is not installed.

Also, the County does not have a written disaster recovery plan.

Recommendation – The County should develop written policies addressing the above items to improve control over computer based systems.

Response – County will develop policy. This is in progress.

Conclusion – Response accepted.

Kossuth County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

- II-C-05 Warrants Held – Warrants totaling \$42,300 were issued in June 2005 to purchase two vehicles for the Sheriff's department. The warrants were held until late July 2005 when the vehicles were delivered to the Sheriff.

Recommendation – The County adjusted the fiscal 2005 financial statements to exclude the disbursements and the issue was resolved for audit purposes. However, warrants should not be written and held prior to receiving goods and services since this can weaken the control the Board has over disbursements.

Response – These warrants will have to be included in the 2006 budget. We will watch closely so this will not happen again.

Conclusion – Response accepted.

- II-D-05 Timesheets – Department head timesheets are not signed by the employee's supervisor.

Recommendation – Department head timesheets should be reviewed and signed by the employee's immediate supervisor to document approval.

Response – Will follow recommendation.

Conclusion – Response accepted.

- II-E-05 Capital Asset Disposals – The County does not have a written policy regarding the disposal of capital assets, including a formalized process for approving asset disposals. Deletions were not recorded timely in the capital asset records.

Recommendation – The Board of Supervisors should adopt written policies and procedures for the disposition of all capital assets, whether by trade, sale or other method. The policy should require written and timely approval of all disposals, identify the individuals with the authority to approve disposals and outline the procedures to be followed in disposing of capital assets. The capital asset record should be updated in a timely manner.

Response – We now have a policy in place.

Conclusion – Response accepted.

- II-F-05 County Treasurer – Receipts were not deposited intact. Bank reconciliations were not performed in a timely manner and variances were not adequately resolved. At June 30, 2005, the book balance was \$896 greater than the bank balance.

Recommendation – All receipts should be deposited intact. Bank reconciliations should be performed monthly and variances should be investigated and resolved timely.

Response – We will make an extra effort to make deposits intact. We will make an effort to reconcile bank accounts sooner and continue to work on resolving variances.

Conclusion – Response accepted.

Kossuth County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

II-G-05 County Recorder – Receipts are not deposited intact.

Recommendation – Receipts should be deposited intact.

Response – We will balance all cash in the drawer and checks to that day's business, depositing any excess cash and leaving a set balance in the drawer.

Conclusion – Response accepted.

II-H-05 County Sheriff Jail Commissary Account, Reserve Officers Account and Special Response Team Fund – Jail commissary profits have been accumulating in the bank account and have not been remitted to the County Treasurer.

A separate bank account is maintained for activity related to the County Sheriff Reserve Officers. The revenues and expenditures of this account are not reflected in the County's accounting system and have not been included in the County's annual budget or financial reports.

The Special Response Team Fund included expenditures to deputies for work related to marijuana eradication. The payments to deputies did not include withholdings for federal and state income taxes, social security and IPERS. In addition, the compensation was not reported on Internal Revenue Service Form W-2.

Recommendation – Commissary profits and Reserve Officers revenues should be remitted to the County Treasurer for deposit into a Special Revenue Fund to ensure the revenue and related expenditures are properly budgeted and reflected in the County's accounting system.

The County should pay all compensation through the County's payroll process in order to comply with all withholding and reporting requirements.

Response – A report of commissary profits and expenditures will be included in the quarterly reports. I will discuss the situation on the marijuana eradication money with payroll in the County Auditor's office. The Board of Supervisors will follow the recommendation regarding the Sheriff's Reserve Officer activity.

Conclusion – Response acknowledged. However, commissary profits should be remitted to the County Treasurer and all compensation should be paid through the County's payroll process.

II-I-05 Inmate Money – Cash received from inmates is not deposited in the bank. The funds are placed in a commissary cash envelope if designated for the commissary by the inmate. Otherwise, the cash remains in the inmate's booking envelope.

Recommendation – All cash received from inmates should be deposited in the commissary bank account. Cash spent by inmates on commissary items should continue to be recorded on sales reports and would remain in the account until the profits are remitted to the County. Refunds due inmates upon their release should be made by check.

Response – The handling of prisoners' money would be very difficult as a lot of people who get placed in jail are released in less than 12 hours.

Kossuth County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Conclusion – Response acknowledged. However, all cash received should be deposited in the commissary bank account and refunds to inmates should be made by check.

- II-J-05 Sheriff's Office Vacation – The Sheriff's Office union agreement states employees are not allowed to carry over vacation to the next year unless approved in writing by the Sheriff. The Sheriff's Office allows union employees to carry over five days of vacation without the written approval of the Sheriff.

Recommendation – The Sheriff's Department should comply with union agreement provisions for vacation carryover.

Response – In the past I have given verbal permission. From now on I will give written permission.

Conclusion – Response accepted.

- II-K-05 Sheriff's Evidence Room – A logbook is not maintained for property located in the evidence room.

Recommendation – To properly account for all property received, a logbook should be maintained for items placed in the evidence room.

Response – A copy of the evidence is maintained in each case file. As time allows, I will file a copy of each case in a three ringed binder.

Conclusion – Response accepted.

- II-L-05 Inmate Room and Board Fees – The Sheriff's Office does not maintain a ledger of the amounts due from inmates for room and board fees. The County does not have written policies or procedures for billing and collecting room and board fees.

Recommendation – A ledger should be maintained for each inmate detailing billings, collections and balances. The County should develop policies and procedures for billing and collecting room and board fees.

Response – We will try to get together with the County Attorney to develop a policy. Again short staffing makes this a difficult task.

Conclusion – Response accepted.

- II-M-05 Vehicle Usage – The County adopted a written policy for the use of County vehicles, including the identification of certain County employees who are allowed to use County vehicles for commuting. However, the policy does not address the possible taxable income to the employees under Internal Revenue Service (IRS) regulations since some vehicles may not meet the IRS definition of a qualified personal use vehicle.

Recommendation – The County should ensure compliance with Internal Revenue Service regulations regarding taxability of vehicles used for commuting.

Response – The County will ensure compliance.

Conclusion – Response accepted.

Kossuth County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

- II-N-05 Treasurer's Miscellaneous Receipts – Void miscellaneous receipts are not reviewed by an independent person for propriety.

Recommendation – Void receipts should be reviewed by an independent person.

Response – Voided receipts are being reviewed by an independent person. A copy of the voided receipt is being kept in a file with a written explanation why it was voided.

Conclusion – Response accepted.

- II-O-05 Secondary Roads Budget – The budgeted amount for several revenue line items is zero in the Secondary Roads Fund. The actual revenue for the line items totaled \$138,136 for the year ended June 30, 2005.

Recommendation – The County should include budget amounts for all anticipated revenue line items in order to more accurately project County revenue and ending balances.

Response – We will comply.

Conclusion – Response accepted.

- II-P-05 County Extension Office 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 Extension Office's financial records. Generally, one individual in the County Extension Office may have control over receipt collecting, recording, depositing and bank reconciling for which no compensating controls exist. In addition, incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.

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

Response – Extension office process will be reviewed to be certain all checks from the mail or walk-ins are listed with check numbers in the receipt book. The duty of opening incoming mail will be rotated among staff as much as possible. Bank accounts will be reconciled by staff who do not sign checks.

Conclusion – Response accepted.

Kossuth County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

Kossuth County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-05 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the debt service function.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – In the future, we will follow the recommendation and amend the budget properly.

Conclusion – Response accepted.

IV-C-05 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-D-05 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-05 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Description	Amount
Norma Ruhnke, Auditor’s Office, sons are owners of Ruhnke Brothers	Fuel and repairs	\$ 5,337

In accordance with Chapter 331.342(4) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since the Auditor’s Office employee’s remuneration of employment is not directly affected as a result of the contract and the duties of employment do not directly involve procurement or preparation of any part of the contract.

IV-F-05 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to insure the coverage is adequate for current operations.

IV-G-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-05 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.

Kossuth County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

IV-I-05 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).

IV-J-05 Solid Waste Fees Retained – During the year ended June 30, 2005, the County used or retained the solid waste fees in accordance with Chapters 455B.310(3) and (4) of the Code of Iowa.

IV-K-05 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa requires the County to retain images of both the front and back of cancelled checks. The County Recorder does not retain cancelled checks or the images of checks.

Recommendation – The County Recorder should receive copies of cancelled checks with the bank statements or images of front and back as required.

Response – We called the bank and started the copies of images effective December 6, 2005.

Conclusion – Response accepted.

IV-L-05 Outstanding Warrants – The County Auditor did not cancel warrants outstanding more than one year as required by Chapter 331.554(7) of the Code of Iowa.

Recommendation – County warrants outstanding more than one year should be canceled as required.

Response – We will follow the recommendation.

Conclusion – Response accepted.

IV-M-05 Purchase Agreement – During the year, the County entered into an agreement to purchase land from the Iowa Natural Heritage Foundation. A public hearing was not held prior to the authorization of the agreement as required by Chapter 331.479 of the Code of Iowa.

Recommendation - In the future, the County should hold a public hearing prior to the authorization of a purchase agreement as required by the Code of Iowa.

Board of Supervisors Response – In the future, we will hold a public hearing as required by the Code.

Conclusion – Responses accepted.

IV-N-05 County Contribution to Extension Office – During the year ended June 30, 2005, the County contributed \$25,000 to the County Extension Office. This contribution appears to violate the Extension Council's levy limitation of \$75,000 per year as established by Chapter 176A.10(1)(a) of the Code of Iowa.

Recommendation – The County should consult legal counsel to determine the disposition of this matter, including whether the County Extension Office should repay the General Fund for current and prior year payments.

Kossuth County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Response – Levy is in place so that the \$75,000 limitation is not exceeded. During budget time the Board gives the County Extension \$25,000 to support research-based programs for development of our county youth life skills in leadership and communications skills to help youth better understand that Kossuth County is a wonderful place to grow, be educated and develop into a productive quality adult.

Conclusion – Response acknowledged. However, the County should consult legal counsel to determine the propriety of the contribution and whether the County Extension Office should repay the General Fund for current and prior year payments.

IV-O-05 Financial Assurance – The Kossuth County Landfill has demonstrated financial assurance for closure and postclosure care costs through the local government financial test mechanism as provided in Chapter 111.6(6) of the Iowa Administrative Code. The Landfill has adequately demonstrated proof of financial assurance compliance.

IV-P-05 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.

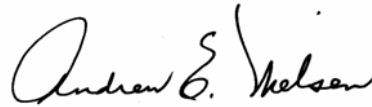
Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

Kossuth County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Tammy L. Mason, CPA, Senior Auditor
James L. Blekfeld, CPA, Senior Auditor
Jennifer R. Edgar, CPA, Staff Auditor
Trevor L. Theulen, Staff Auditor
Philip J. Cloos, Assistant Auditor
Marta M. Sobieszkoda, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State