



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

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NEWS RELEASE

FOR RELEASE March 3, 2003

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

The County had local tax revenue of \$15,457,985 for the year ended June 30, 2002, which included \$1,079,395 in tax credits from the state. The County forwarded \$11,368,952 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,089,033 of the local tax revenue to finance County operations, a 2 percent increase from the prior year. Other revenues included \$3,040,557 from the state, including indirect federal funding, \$114,342 from direct federal grants and entitlements, local option sales tax of \$334,358 and \$162,909 in interest on investments.

Expenditures for County operations totaled \$9,237,232, an 8 percent increase from the prior year. Expenditures included \$2,606,244 for roads and transportation, \$1,689,297 for public safety and \$1,511,855 for mental health.

The significant increase in expenditures is due primarily to the increase in secondary roads expenditures for roadway construction projects and an increase in housing rehabilitation and development expenditures.

A copy of the audit report is available for review in the office of the Auditor of State and the County Auditor's office.

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O'BRIEN COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2002

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O'Brien County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Carl Struve	Board of Supervisors	Jan 2003
Jacob Moermond	Board of Supervisors	Jan 2003
Rudolph Riessen	Board of Supervisors	Jan 2005
Ronald Drenkow	Board of Supervisors	Jan 2005
Dan Struve, Jr.	Board of Supervisors	Jan 2005
Barbara Rohwer	County Auditor	Jan 2005
Sylvia Nikles	County Treasurer	Jan 2003
Kurt Brown	County Recorder	Jan 2003
Michael J. Anderson	County Sheriff	Jan 2005
Bruce A. Green	County Attorney	Jan 2005
Lowell L. Dykstra	County Assessor	Jan 2004

O'Brien County



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Independent Auditor's Report

To the Officials of O'Brien County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of O'Brien County, Iowa, as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of O'Brien County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with U.S. generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effects on the financial statements of the omission of the general fixed assets account group, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of O'Brien County at June 30, 2002, and the results of its operations and cash flows of its internal service funds for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and expendable trust fund of O'Brien County for the year ended June 30, 2002.

In accordance with Government Auditing Standards, we have also issued our reports dated October 22, 2002 on our consideration of O'Brien County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the

three years ended June 30, 2001 (none of which are presented herein) and expressed qualified opinions on those financial statements for the effects of the omission of the general fixed assets account group and the omission of materials and supplies inventory pertaining primarily to Special Revenue Funds. The supplemental information included in Schedules 1 through 13, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 22, 2002

Financial Statements

O'Brien County
 Combined Balance Sheet
 All Fund Types and Account Group
 June 30, 2002

	Governmental Fund	
	General	Special Revenue
Assets and Other Debits		
Cash and pooled investments:		
County Treasurer	\$ 1,714,108	1,899,302
Other County officials	-	-
Receivables:		
Property tax:		
Delinquent	1,587	677
Succeeding year	1,816,000	1,748,000
Interest and penalty on property tax	6,166	-
Accounts	11,104	10,531
Revolving fund loan	-	-
Accrued interest	10,803	89
Special assessments	-	-
Due from other funds (note 3)	67,615	268
Due from other governments	107,612	198,657
Inventories	-	1,004,260
Prepaid expenditures	37,792	21,240
Amount available in Debt Service Fund	-	-
Amount to be provided for retirement of general long-term debt	-	-
Total assets and other debits	\$ 3,772,787	4,883,024

Types		Proprietary Fund Type	Fiduciary Fund Type	Account Group	Total
Debt Service	Capital Projects	Internal Service	Trust and Agency	General Long-Term Debt	(Memorandum Only)
11,383	3,915	341,450	1,044,106	-	5,014,264
-	-	-	65,691	-	65,691
246	-	-	11,695	-	14,205
284,000	-	-	10,576,000	-	14,424,000
-	-	-	-	-	6,166
-	-	-	26,013	-	47,648
-	-	-	73,674	-	73,674
-	42	-	567	-	11,501
-	-	-	523,656	-	523,656
-	-	-	-	-	67,883
-	119	-	3,864	-	310,252
-	-	-	-	-	1,004,260
-	-	-	-	-	59,032
-	-	-	-	11,423	11,423
-	-	-	-	3,532,093	3,532,093
295,629	4,076	341,450	12,325,266	3,543,516	25,165,748

O'Brien County
 Combined Balance Sheet
 All Fund Types and Account Group
 June 30, 2002

	Governmental Fund	
	General	Special Revenue
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	\$ 33,330	454,802
Salaries and benefits payable	11,515	20,772
Due to other funds (note 3)	-	743
Due to other governments (note 4)	1,262	138,101
Trusts payable	-	-
Deferred revenue:		
Succeeding year property tax	1,816,000	1,748,000
Other	8,527	17,082
Bonds payable (note 5)	-	-
Compensated absences	17,120	12,101
Total liabilities	1,887,754	2,391,601
Fund equity:		
Unreserved retained earnings	-	-
Fund balances:		
Reserved for:		
Inventories	-	1,004,260
Prepaid expenditures	37,792	21,240
Debt service	-	-
Unreserved:		
Undesignated	1,847,241	1,465,923
Total fund equity	1,885,033	2,491,423
Total liabilities and fund equity	\$ 3,772,787	4,883,024

See notes to financial statements.

Types		Proprietary Fund Type	Fiduciary Fund Type	Account Group		Total (Memorandum Only)
Debt Service	Capital Projects	Internal Service	Trust and Agency	General Long-Term Debt		
-	-	40,657	236	-	-	529,025
-	-	-	302	-	-	32,589
-	-	-	67,140	-	-	67,883
-	-	-	12,231,020	-	-	12,370,383
-	-	-	11,299	-	-	11,299
284,000	-	-	-	-	-	3,848,000
206	-	-	-	-	-	25,815
-	-	-	-	3,430,000	-	3,430,000
-	-	-	-	113,516	-	142,737
284,206	-	40,657	12,309,997	3,543,516	-	20,457,731
-	-	300,793	-	-	-	300,793
-	-	-	-	-	-	1,004,260
-	-	-	-	-	-	59,032
11,423	-	-	-	-	-	11,423
-	4,076	-	15,269	-	-	3,332,509
11,423	4,076	300,793	15,269	-	-	4,708,017
295,629	4,076	341,450	12,325,266	3,543,516	-	25,165,748

O'Brien County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances – All Governmental Fund Types
and Expendable Trust Fund

Year ended June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Revenues:			
Property and other County tax	\$ 1,829,723	2,017,077	284,125
Interest and penalty on property tax	27,495	-	-
Intergovernmental	1,101,295	2,920,538	22,218
Licenses and permits	1,888	765	-
Charges for service	307,917	9,417	-
Use of money and property	207,305	7,317	-
Fines, forfeitures and defaults	-	19,220	-
Miscellaneous	7,127	72,281	-
Total revenues	3,482,750	5,046,615	306,343
Expenditures:			
Operating:			
Public safety	1,376,549	312,748	-
Court services	45,918	-	-
Physical health and education	277,635	39,000	-
Mental health	-	1,511,855	-
Social services	196,264	-	-
County environment	512,413	155,360	-
Roads and transportation	-	2,606,244	-
State and local government services	313,213	6,844	-
Interprogram services	706,773	-	-
Non-program	8,063	-	-
Debt service	-	-	307,104
Capital projects	-	732,218	-
Total expenditures	3,436,828	5,364,269	307,104
Excess (deficiency) of revenues over (under) expenditures	45,922	(317,654)	(761)
Other financing sources (uses):			
Sale of general fixed assets	3,633	-	-
Operating transfers in	746	1,241,675	-
Operating transfers out	-	(1,242,421)	-
Total other financing sources (uses)	4,379	(746)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	50,301	(318,400)	(761)
Fund balances beginning of year	1,815,460	1,798,280	12,184
Increase in reserve for:			
Inventories	-	1,004,260	-
Prepaid expenditures	19,272	7,283	-
Fund balances end of year	\$ 1,885,033	2,491,423	11,423

See notes to financial statements.

Capital Projects	Fiduciary Fund Type Expendable Trust	Total (Memorandum Only)
-	-	4,130,925
-	-	27,495
119	-	4,044,170
-	-	2,653
-	-	317,334
2,045	345	217,012
-	-	19,220
-	298	79,706
2,164	643	8,838,515
-	-	1,689,297
-	-	45,918
-	-	316,635
-	-	1,511,855
-	-	196,264
-	-	667,773
-	-	2,606,244
-	-	320,057
-	-	706,773
-	-	8,063
-	-	307,104
129,031	-	861,249
129,031	-	9,237,232
(126,867)	643	(398,717)
-	-	3,633
-	-	1,242,421
-	-	(1,242,421)
-	-	3,633
(126,867)	643	(395,084)
130,943	14,626	3,771,493
-	-	1,004,260
-	-	26,555
4,076	15,269	4,407,224

O'Brien County

Comparison of Receipts, Disbursements and
Changes in Balances - Actual to Budget (Cash Basis)
All Governmental Fund Types and Expendable Trust Fund

Year ended June 30, 2002

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other County tax	\$ 4,162,896	-
Interest and penalty on property tax	27,495	-
Intergovernmental	3,962,591	-
Licenses and permits	2,673	-
Charges for service	316,287	-
Use of money and property	225,766	1,633
Fines, forfeitures and defaults	19,220	-
Miscellaneous	81,648	-
Total receipts	<u>8,798,576</u>	<u>1,633</u>
Disbursements:		
Public safety	1,691,623	-
Court services	44,778	-
Physical health and education	321,444	-
Mental health	1,503,706	-
Social services	197,794	-
County environment	673,105	-
Roads and transportation	2,731,434	-
State and local government services	320,151	-
Interprogram services	707,733	-
Non-program	8,063	-
Debt service	307,104	-
Capital projects	500,910	-
Total disbursements	<u>9,007,845</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(209,269)	1,633
Other financing sources, net	<u>4,067</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(205,202)	1,633
Balance beginning of year	<u>3,849,179</u>	<u>51,846</u>
Balance end of year	<u>\$ 3,643,977</u>	<u>53,479</u>

See notes to financial statements.

Net	Amended Budget	Variance - Favorable (Unfavorable)	Net as % of Amended Budget
4,162,896	4,162,820	76	100%
27,495	11,662	15,833	236%
3,962,591	3,683,187	279,404	108%
2,673	2,425	248	110%
316,287	458,522	(142,235)	69%
224,133	199,468	24,665	112%
19,220	14,670	4,550	100%
81,648	92,780	(11,132)	88%
<u>8,796,943</u>	<u>8,625,534</u>	<u>171,409</u>	<u>102%</u>
1,691,623	1,799,144	107,521	94%
44,778	50,466	5,688	89%
321,444	325,725	4,281	99%
1,503,706	1,536,760	33,054	98%
197,794	225,977	28,183	88%
673,105	770,070	96,965	87%
2,731,434	2,755,400	23,966	99%
320,151	329,494	9,343	97%
707,733	727,403	19,670	97%
8,063	9,546	1,483	84%
307,104	307,104	-	100%
500,910	602,596	101,686	83%
<u>9,007,845</u>	<u>9,439,685</u>	<u>431,840</u>	<u>95%</u>
(210,902)	(814,151)		
<u>4,067</u>	<u>2,935</u>		
(206,835)	(811,216)		
<u>3,797,333</u>	<u>3,733,164</u>		
<u>3,590,498</u>	<u>2,921,948</u>		

Exhibit D

O'Brien County

Combined Statement of Revenues, Expenses and Changes in Retained Earnings

Internal Service Funds

Year ended June 30, 2002

Operating revenues:		
Reimbursement from operating funds		\$ 495,595
Reimbursement from others		<u>24,386</u>
Total operating revenues		<u>519,981</u>
Operating expenses:		
Health claims and administrative services	\$ 360,325	
Flex plan benefits	13,829	
Miscellaneous	<u>14,224</u>	<u>388,378</u>
Operating income		<u>131,603</u>
Non-operating revenues:		
Interest on investments		<u>7,912</u>
Net income		<u>139,515</u>
Retained earnings beginning of the year		<u>161,278</u>
Retained earnings end of year		<u><u>\$ 300,793</u></u>

See notes to financial statements.

O'Brien County
 Combined Statement of Cash Flows
 Internal Service Funds
 Year ended June 30, 2002

Cash flows from operating activities:	
Cash received from operating funds	\$ 495,595
Cash received from others	24,986
Cash paid for health claims and to administrative provider	(362,884)
Cash paid for flex plan benefits	(13,829)
Cash paid for miscellaneous	(14,224)
Net cash provided by operating activities	<u>129,644</u>
Cash flows from investing activities:	
Interest on investments	<u>7,912</u>
Net increase in cash and cash equivalents	137,556
Cash and cash equivalents beginning of year	<u>203,894</u>
Cash and cash equivalents end of year	<u><u>\$ 341,450</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 131,603
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	600
(Decrease) in accounts payable	<u>(2,559)</u>
Net cash provided by operating activities	<u><u>\$ 129,644</u></u>

See notes to financial statements.

O'Brien County

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

These financial statements present O'Brien County (the primary government) and 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.

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

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: O'Brien County Assessor's Conference Board, the O'Brien County Emergency Management Services Commission, the Joint E-911 Service Board and the O'Brien County Economic Development Corporation. 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 an Agency Fund of the County.

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

B. Fund Accounting

The accounts of the County are organized on the basis of funds and account group, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures or expenses. The various funds and account group and their designated purposes are as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are 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 expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds - The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

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

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

Proprietary Funds

Internal Service Funds - The 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

Trust Fund - The Trust Fund is used to account for assets held by the County in a trustee capacity. This includes the expendable trust fund which is accounted for in essentially the same manner as Governmental Funds.

Agency Funds - The 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. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Account Group

General Long-Term Debt - This account group is established to account for long-term debt of the County. Long-term liabilities expected to be financed from Governmental Funds are accounted for in this account group, not in the Governmental Funds.

C. Measurement Focus

Governmental Funds and the Expendable Trust Fund are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources." Governmental Fund and Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Proprietary Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is reported as retained earnings. Proprietary Fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

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

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and the Expendable Trust Fund are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and 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. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.

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.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined 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, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes 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 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, 2000 assessed property valuations; is for the tax accrual period July 1, 2001 through June 30, 2002 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2001.

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

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2002, balances of interfund amounts receivable or payable have been recorded.

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. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

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 represent 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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivables and other receivables not collected within sixty days after year end.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The cost of vacation payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund Types. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2002.

Unreserved Retained Earnings - The unreserved retained earnings of the Medical Insurance Trust Fund are designated for anticipated future catastrophic losses of the County.

F. Budgets and Budgetary Accounting

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, internal service 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 12 major classes of expenditures known as service areas, not by fund or fund type. These 12 service areas are: public safety, court services, physical health and education, mental health, social services, County environment, roads and transportation, state and local government services, interprogram services, non-program, debt service and capital projects. Service area disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects fund and expendable trust fund. Although the budget document presents service area disbursements by fund, the legal level of control is at the aggregated service area level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

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 Emergency Management Services by the County Emergency Management Commission and for the E911 System by the Joint E911 Service Board.

Exhibit C is a comparison of cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by service area, not fund type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 3,422,204	60,546	3,482,750	5,066,976	(20,361)	5,046,615
Expenditures	3,451,746	(14,918)	3,436,828	5,119,964	244,305	5,364,269
Net	(29,542)	75,464	45,922	(52,988)	(264,666)	(317,654)
Other financing sources	4,070	309	4,379	(3)	(743)	(746)
Beginning fund balances	1,739,580	75,880	1,815,460	1,952,293	(154,013)	1,798,280
Increase in reserve for:						
Inventories	-	-	-	-	1,004,260	1,004,260
Prepaid expenditures	-	19,272	19,272	-	7,283	7,283
Ending fund balances	\$ 1,714,108	170,925	1,885,033	1,899,302	592,121	2,491,423

	Governmental Fund Types					
	Debt Service			Capital Projects		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 306,331	12	306,343	2,422	(258)	2,164
Expenditures	307,104	-	307,104	129,031	-	129,031
Net	(773)	12	(761)	(126,609)	(258)	(126,867)
Other financing sources	-	-	-	-	-	-
Beginning fund balances	12,156	28	12,184	130,524	419	130,943
Increase in reserve for:						
Inventories	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	-
Ending fund balances	\$ 11,383	40	11,423	3,915	161	4,076

	Fiduciary Fund Type					
	Expendable Trust			Total		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 643	-	643	8,798,576	39,939	8,838,515
Expenditures	-	-	-	9,007,845	229,387	9,237,232
Net	643	-	643	(209,269)	(189,448)	(398,717)
Other financing sources	-	-	-	4,067	(434)	3,633
Beginning fund balances	14,626	-	14,626	3,849,179	(77,686)	3,771,493
Increase in reserve for:						
Inventories	-	-	-	-	1,004,260	1,004,260
Prepaid expenditures	-	-	-	-	26,555	26,555
Ending fund balances	\$ 15,269	-	15,269	3,643,977	763,247	4,407,224

G. Total (Memorandum Only)

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2002 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's investments are categorized to give an indication of the level of risk assumed by the County at year end. The County's investments are all Category 1 which means that the investments are insured or registered or the securities are held by the County or its agent in the County's name.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The County's investments at June 30, 2002 are as follows:

Type	Fair Value
U.S. government securities	<u>\$ 157,482</u>

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$957,336 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2002 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Title XIX - Set Aside 10%	\$ 743
General	Trust and Agency: County Recorder County Sheriff Auto License and Use Tax Organ Transplant	19,960 38,408 8,503 1
Special Revenue: County Recorder's Records Management	Trust and Agency: County Recorder	 268
Total		<u>\$ 67,883</u>

(4) 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. The Agency Fund collections also include accruals of property tax for the succeeding year. The tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 1,262</u>
Special Revenue:		
Secondary Roads	Services	239
Mental Health		<u>137,862</u>
		<u>138,101</u>
Trust and Agency:		
County Assessor	Collections	238,579
Schools		6,578,649
Community Colleges		313,670
Corporations		3,404,374
Auto License and Use Tax		272,131
Emergency Management Agency		55,292
Economic Development		290,587
E911 Surcharges		290,524
All other		<u>787,214</u>
		<u>12,231,020</u>
Total		<u>\$ 12,370,383</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2002 is as follows:

	<u>General Obligation Bonds</u>	<u>Compen- sated Absences</u>	<u>Total</u>
Balance beginning of year	\$ 3,570,000	108,398	3,678,398
Additions	-	5,118	5,118
Reductions	<u>140,000</u>	-	<u>140,000</u>
Balance end of year	<u>\$ 3,430,000</u>	<u>113,516</u>	<u>3,543,516</u>

Bonds Payable

A summary of the County's June 30, 2002 general obligation bonded indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2003	5.300%	\$ 145,000	159,384	304,384
2004	5.300	150,000	151,698	301,698
2005	5.300	160,000	143,748	303,748
2006	5.300	170,000	135,271	305,271
2007	4.300	175,000	126,258	301,258
2008	4.350	185,000	118,734	303,734
2009	4.375	195,000	110,686	305,686
2010	4.400	205,000	102,204	307,204
2011	4.400	215,000	93,236	308,236
2012	4.450	225,000	83,776	308,776
2013	4.500	235,000	73,762	308,762
2014	4.550	250,000	63,188	313,188
2015	4.600	260,000	51,812	311,812
2016	4.600	275,000	39,852	314,852
2017	4.650	285,000	27,202	312,202
2018	4.650	300,000	13,950	313,950
Total		\$ 3,430,000	1,494,761	4,924,761

During the year ended June 30, 1999, the County issued \$3,700,000 in general obligation bonds to build, furnish and equip a new law enforcement center and to demolish existing buildings. During the year ended June 30, 2002, the County retired \$140,000 of the bonds.

(6) 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 IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$172,603, \$166,956 and \$152,491, respectively, equal to the required contributions for each year.

(7) Employee Health Insurance Plan

The O'Brien County Medical Insurance Trust 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 \$20,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the O'Brien County Medical Insurance Trust Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the O'Brien County Medical Insurance Trust Fund. The County records the plan assets and related liabilities of the O'Brien County Medical Insurance Trust Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2002 was \$495,595.

Amounts payable from the Medical Insurance Trust Fund at June 30, 2002 total \$40,657, 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 \$273,648 at June 30, 2002 and is reported as a designation of the Medical Insurance Trust Fund retained earnings. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2001	\$ 43,216
Incurred claims (including claims incurred but not reported at of June 30, 2002)	357,766
Payment on claims during the fiscal year	<u>360,325</u>
Unpaid claims at June 30, 2002	<u><u>\$ 40,657</u></u>

(8) Cafeteria Plan

The County self-administers an employee flexible benefits plan adopted and administered in accordance with Sections 105, 125, and 129 of the Internal Revenue Code. The cafeteria plan was effective August 11, 1998. Amounts withheld from employees are remitted to the Flex Plan Fund maintained by the County Treasurer. Payments for reimbursement of plan benefits are made from the Internal Service Fund.

(9) Risk Management

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

(10) Disbursements in Excess of Appropriation

Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by Service Area or amounts appropriated by department. During the year ended June 30, 2002, disbursements in one department exceeded the amount appropriated prior to the appropriation amendment.

O'Brien County

Supplemental Information

Schedule 1

O'Brien County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

Revenues:

Property and other County tax

Property tax	\$ 1,777,505	
Utility tax replacement excise tax	50,586	
Other	1,632	\$ 1,829,723

Interest and penalty on property tax

27,495

Intergovernmental:

State shared revenues:

Franchise tax	31,779	
Other	2,184	
	<u>33,963</u>	

State grants and reimbursements including indirect federal funding:

Home care aide grant	55,403	
Public health nursing grant	42,451	
Human services administrative reimbursements	27,215	
Community development block grant	204,449	
Other	33,991	
	<u>363,509</u>	

State tax replacements:

State tax credits	<u>146,693</u>	
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Direct federal grants and entitlements:

Medicare and medicaid	<u>51,429</u>	
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Contributions and reimbursements from other governmental units:

Contract law enforcement	121,681	
Prisoner room and board	311,295	
Elections	22,191	
Other	50,534	
	<u>505,701</u>	1,101,295

Licenses and permits

1,888

Charges for service:

Office fees and collections	119,124	
Auto license, use tax and postage	103,835	
Camping fees	65,423	
Nursing services	18,502	
Other	1,033	307,917

O'Brien County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

Revenues (continued):			
Use of money and property:			
Interest on investments	145,290		
Net increase in the fair value of investments	11,777		
Land and equipment rent	45,350		
Commissions	4,888		207,305
			<hr/>
Miscellaneous:			
Other			7,127
Total revenues			<hr/> <u>3,482,750</u>
Expenditures:			
Operating:			
Public safety			1,376,549
Court services			45,918
Physical health and education			277,635
Social services			196,264
County environment			512,413
State and local government services			313,213
Interprogram services			706,773
Non-program			8,063
Total expenditures			<hr/> <u>3,436,828</u>
Excess of revenues over expenditures			45,922
Other financing sources:			
Sale of general fixed assets			3,633
Operating transfers in			
Special Revenue:			
Law Enforcement Block Grant	3		
Title XIX Set Aside - 10%	743		746
Total other financing sources			<hr/> <u>4,379</u>
Excess of revenues and other financing sources over expenditures			50,301
Fund balance beginning of year			1,815,460
Increase in reserve for prepaid expenditures			<hr/> <u>19,272</u>
Fund balance end of year			<hr/> <u><u>\$ 1,885,033</u></u>

See accompanying independent auditor's report.

Schedule 2

O'Brien County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Public Safety Service Area:

Law enforcement:

Investigations	\$ 17,828	
Contract law enforcement	104,498	
Law enforcement communication	228,324	
Adult correction services	551,377	
Administration	235,466	
	<u>1,137,493</u>	

Legal services:

Criminal prosecution	147,564	
Medical examinations	8,956	
	<u>156,520</u>	

Emergency services:

Ambulance services	38,364	
Disaster services	44,172	
	<u>82,536</u>	\$ 1,376,549

Court Services Service Area:

Assistance to judges and magistrates:

Office operations	756	
Research assistance	7,361	
	<u>8,117</u>	

Court proceedings:

Detention services	244	
Court costs	1,874	
	<u>2,118</u>	

Juvenile justice administration:

Juvenile probation and restitution	32,842	
Court-appointed attorneys for juveniles	2,841	
	<u>35,683</u>	45,918

Physical Health and Education Service Area:

Physical health services:

Personal and family health services	1,635	
Sanitation	13,815	
Health administration	231,160	
	<u>246,610</u>	

Educational services:

Fair and 4-H clubs	31,025	277,635
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O'Brien County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Social Services Service Area:		
Services to the indigent:		
Administration	39,777	
General welfare services	55,660	
Care in County Care Facility	40,299	
	<u>135,736</u>	
Services to military veterans:		
Administration	23,102	
General services to veterans	15,307	
	<u>38,409</u>	
Services to other adults:		
Services to the elderly	9,322	
	<u>9,322</u>	
Persons with chemical dependency:		
Preventive services	12,797	196,264
	<u>12,797</u>	
County Environment Service Area:		
Environmental quality:		
Natural resources conservation	4,346	
	<u>4,346</u>	
Conservation and recreation services:		
Administration	178,878	
Maintenance and operations	74,495	
Recreation and environmental education	7,223	
	<u>260,596</u>	
Animal control:		
Animal shelter	825	
Animal bounties and domestic animal losses	140	
	<u>965</u>	
County Development		
Housing rehabilitation and development	246,506	512,413
	<u>246,506</u>	
State and Local Government Services Service Area:		
Representation services:		
Elections administration	56,567	
Local elections	19,757	
	<u>76,324</u>	

Schedule 2

O'Brien County

General Fund

Statement of Expenditures

Year ended June 30, 2002

State and Local Government Services Service Area (continued):

State administrative services:

Motor vehicle registrations and licensing	98,251	
Recording of public documents	<u>138,638</u>	
	<u>236,889</u>	313,213

Interprogram Services Service Area:

Policy and administration:

General County management	145,002	
Administrative management services	95,301	
Treasury management services	100,413	
Other policy and administration	<u>21,370</u>	
	<u>362,086</u>	

Central services:

General services	90,466	
Data processing services	<u>63,764</u>	
	<u>154,230</u>	

Risk management services:

Tort liability	40,355	
Safety of workplace	133,846	
Fidelity of public officials	10,875	
Unemployment compensation	<u>5,381</u>	
	<u>190,457</u>	706,773

Non-program Service Area:

County farm operations		<u>8,063</u>
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Total		<u><u>\$ 3,436,828</u></u>
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See accompanying independent auditor's report.

O'Brien County

O'Brien County
Special Revenue Funds
Combining Balance Sheet
June 30, 2002

	Rural Services	Secondary Roads	Mental Health	Resource Enhancement and Protection
Assets				
Cash and pooled investments	\$ 238,415	1,031,470	362,310	82,830
Receivables:				
Property tax:				
Delinquent	220	-	457	-
Succeeding year	1,213,000	-	535,000	-
Accounts	-	567	9,964	-
Accrued Interest	-	-	-	89
Due from other funds	-	-	-	-
Due from other governments	39,826	158,831	-	-
Inventories	-	1,004,260	-	-
Prepaid expenditures	3,600	17,640	-	-
Total assets	\$ 1,495,061	2,212,768	907,731	82,919
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 4,248	381,538	69,016	-
Salaries and benefits payable	247	20,525	-	-
Due to other funds	-	-	-	-
Due to other governments	-	239	137,862	-
Deferred revenue				
Succeeding year property tax	1,213,000	-	535,000	-
Other	187	16,518	377	-
Compensated absences	4,366	7,735	-	-
Total liabilities	1,222,048	426,555	742,255	-
Fund equity:				
Fund balance:				
Reserved for:				
Inventories	-	1,004,260	-	-
Prepaid expenditures	3,600	17,640	-	-
Unreserved	269,413	764,313	165,476	82,919
Total fund equity	273,013	1,786,213	165,476	82,919
Total liabilities and fund equity	\$ 1,495,061	2,212,768	907,731	82,919

See accompanying independent auditor's report.

County Recorder's Records Management	Federal Drug Reimbursement	Ambulance Replacement	Title XIX Set Aside - 10%	Special Environmental	Drainage Districts	Total
18,590	4,354	76,128	4,600	27,126	53,479	1,899,302
-	-	-	-	-	-	677
-	-	-	-	-	-	1,748,000
-	-	-	-	-	-	10,531
-	-	-	-	-	-	89
268	-	-	-	-	-	268
-	-	-	-	-	-	198,657
-	-	-	-	-	-	1,004,260
-	-	-	-	-	-	21,240
18,858	4,354	76,128	4,600	27,126	53,479	4,883,024
-	-	-	-	-	-	454,802
-	-	-	-	-	-	20,772
-	-	-	743	-	-	743
-	-	-	-	-	-	138,101
-	-	-	-	-	-	1,748,000
-	-	-	-	-	-	17,082
-	-	-	-	-	-	12,101
-	-	-	743	-	-	2,391,601
-	-	-	-	-	-	1,004,260
-	-	-	-	-	-	21,240
18,858	4,354	76,128	3,857	27,126	53,479	1,465,923
18,858	4,354	76,128	3,857	27,126	53,479	2,491,423
18,858	4,354	76,128	4,600	27,126	53,479	4,883,024

O'Brien County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	Mental Health	Resource Enhancement and Protection
Revenues:				
Property and other County tax:				
Property tax	\$ 1,122,562	-	512,113	-
Local option sales tax	334,358	-	-	-
Utility tax replacement excise tax	32,985	-	14,574	-
Other	15	-	470	-
	<u>1,489,920</u>	<u>-</u>	<u>527,157</u>	<u>-</u>
Intergovernmental:				
State shared revenues:				
Road use tax	-	1,689,778	-	-
State grants and reimbursements including indirect federal funding:				
Highway planning and construction grant	-	65,825	-	-
Social services block grant	-	-	59,382	-
MH/DD community service funds	-	-	155,525	-
Resource enhancement and protection program	-	-	-	9,769
Gas and sales tax refunds	-	13,103	-	-
Other	-	1,038	-	-
	<u>-</u>	<u>79,966</u>	<u>214,907</u>	<u>9,769</u>
State tax replacements:				
State tax credits	81,293	-	42,262	-
State allocation	82,269	-	-	-
Mental health property tax relief	-	-	495,020	-
MH/DD allowed growth factor adjustment	-	-	17,613	-
Per capita equalization	-	-	53,572	-
	<u>163,562</u>	<u>-</u>	<u>608,467</u>	<u>-</u>
Direct federal grants and entitlements:				
Medicaid case management	-	-	61,659	-
Medicare and medicaid	-	-	-	-
	<u>-</u>	<u>-</u>	<u>61,659</u>	<u>-</u>
Contributions and reimbursements from other governmental units:				
County contribution	-	-	-	-
Contract law enforcement	36,599	-	-	-
Other	-	37,005	-	-
	<u>36,599</u>	<u>37,005</u>	<u>-</u>	<u>-</u>
	<u>200,161</u>	<u>1,806,749</u>	<u>885,033</u>	<u>9,769</u>

County Recorder's Records Management	Federal Drug Reimbursement	Ambulance Replacement	Law Enforcement Block Grant	Title XIX Set Aside - 10%	Special Environmental	Drainage Districts	Total
-	-	-	-	-	-	-	1,634,675
-	-	-	-	-	-	-	334,358
-	-	-	-	-	-	-	47,559
-	-	-	-	-	-	-	485
-	-	-	-	-	-	-	2,017,077
-	-	-	-	-	-	-	1,689,778
-	-	-	-	-	-	-	65,825
-	-	-	-	-	-	-	59,382
-	-	-	-	-	-	-	155,525
-	-	-	-	-	-	-	9,769
-	-	-	-	-	-	-	13,103
-	72	-	-	-	-	-	1,110
-	72	-	-	-	-	-	304,714
-	-	-	-	-	-	-	123,555
-	-	-	-	-	-	-	82,269
-	-	-	-	-	-	-	495,020
-	-	-	-	-	-	-	17,613
-	-	-	-	-	-	-	53,572
-	-	-	-	-	-	-	772,029
-	-	-	-	-	-	-	61,659
-	-	-	-	1,254	-	-	1,254
-	-	-	-	1,254	-	-	62,913
-	-	17,500	-	-	-	-	17,500
-	-	-	-	-	-	-	36,599
-	-	-	-	-	-	-	37,005
-	-	17,500	-	-	-	-	91,104
-	72	17,500	-	1,254	-	-	2,920,538

O'Brien County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	Mental Health	Resource Enhancement and Protection
Revenues (continued):				
Licenses and permits	-	765	-	-
Charges for service:				
Document management fee	-	-	-	-
Other	-	-	5,680	-
	-	-	5,680	-
Use of money and property:				
Interest on investments	-	-	-	2,686
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	8	72,273	-	-
Total revenues	1,690,089	1,879,787	1,417,870	12,455
Expenditures:				
Operating:				
Public Safety Service Area:				
Law enforcement:				
Uniform patrol services	312,608	-	-	-
Physical Health and Education Service Area:				
Educational services:				
Libraries	39,000	-	-	-
Mental Health Service Area:				
Persons with mental health problems -				
Mental illness:				
Information and education	-	-	107,740	-
Treatment services	-	-	14,155	-
Institutional, hospital, and commitment services	-	-	7,716	-
	-	-	129,611	-

County Recorder's Records Management	Federal Drug Reimbursement	Ambulance Replacement	Law Enforcement Block Grant	Title XIX Set Aside - 10%	Special Environmental	Drainage Districts	Total
-	-	-	-	-	-	-	765
3,737	-	-	-	-	-	-	3,737
-	-	-	-	-	-	-	5,680
3,737	-	-	-	-	-	-	9,417
479	-	2,120	2	-	397	1,633	7,317
-	-	-	-	-	19,220	-	19,220
-	-	-	-	-	-	-	72,281
4,216	72	19,620	2	1,254	19,617	1,633	5,046,615
-	-	-	140	-	-	-	312,748
-	-	-	-	-	-	-	39,000
-	-	-	-	-	-	-	107,740
-	-	-	-	-	-	-	14,155
-	-	-	-	-	-	-	7,716
-	-	-	-	-	-	-	129,611

O'Brien County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	Mental Health	Resource Enhancement and Protection
Expenditures (continued):				
Operating:				
Mental Health Service Area:				
Persons with chronic mental illness:				
Information and education services	-	-	1,805	-
Coordination services	-	-	16,963	-
Personal and environmental support	-	-	3,234	-
Treatment services	-	-	5,589	-
Vocational and day services	-	-	39,178	-
Licensed or certified living arrangements	-	-	129,020	-
Institutional, hospital, and commitment services	-	-	6,418	-
	-	-	202,207	-
Persons with mental retardation:				
Coordination services	-	-	52,687	-
Personal and environment support	-	-	1,774	-
Vocational and day services	-	-	302,252	-
Licensed or certified living arrangements	-	-	594,030	-
Institutional, hospital, and commitment services	-	-	205,098	-
	-	-	1,155,841	-
Persons with other developmental disabilities:				
Coordination services	-	-	(656)	-
Vocational and day services	-	-	9,106	-
Licensed or certified living arrangements	-	-	15,746	-
	-	-	24,196	-
	-	-	1,511,855	-
County Environment Service Area:				
Environmental quality:				
Weed eradication	860	-	-	-
Conservation and recreation services:				
Maintenance and operations	-	-	-	54,500
County development:				
Economic development	100,000	-	-	-
	100,860	-	-	54,500

County Recorder's Management	Federal Drug Reimbursement	Ambulance Replacement	Law Enforcement Block Grant	Title XIX Set Aside - 10%	Special Environmental	Drainage Districts	Total
-	-	-	-	-	-	-	1,805
-	-	-	-	-	-	-	16,963
-	-	-	-	-	-	-	3,234
-	-	-	-	-	-	-	5,589
-	-	-	-	-	-	-	39,178
-	-	-	-	-	-	-	129,020
-	-	-	-	-	-	-	6,418
-	-	-	-	-	-	-	202,207
-	-	-	-	-	-	-	52,687
-	-	-	-	-	-	-	1,774
-	-	-	-	-	-	-	302,252
-	-	-	-	-	-	-	594,030
-	-	-	-	-	-	-	205,098
-	-	-	-	-	-	-	1,155,841
-	-	-	-	-	-	-	(656)
-	-	-	-	-	-	-	9,106
-	-	-	-	-	-	-	15,746
-	-	-	-	-	-	-	24,196
-	-	-	-	-	-	-	1,511,855
-	-	-	-	-	-	-	860
-	-	-	-	-	-	-	54,500
-	-	-	-	-	-	-	100,000
-	-	-	-	-	-	-	155,360

O'Brien County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	Mental Health	Resource Enhancement and Protection
Expenditures (continued):				
Operating:				
Roads and Transportation Service Area:				
Secondary roads administration and engineering:				
Administration	-	101,263	-	-
Engineering	-	189,745	-	-
	-	291,008	-	-
Roadway maintenance:				
Bridges and culverts	-	58,215	-	-
Roads	-	1,135,327	-	-
Snow and ice control	-	96,076	-	-
Traffic controls	-	84,998	-	-
Road clearing	-	69,749	-	-
	-	1,444,365	-	-
General roadway:				
Equipment	-	269,228	-	-
Equipment operations	-	530,945	-	-
Tools, materials, and supplies	-	50,295	-	-
Real estate and buildings	-	20,403	-	-
	-	870,871	-	-
	-	2,606,244	-	-
State and Local Government Services Service Area:				
Representative services:				
Township officials	1,844	-	-	-
State administrative services:				
Recording of public documents	-	-	-	-
	1,844	-	-	-
Capital Projects Service Area:				
Roadway construction	-	732,218	-	-
Total expenditures	454,312	3,338,462	1,511,855	54,500
Excess (deficiency) of revenues over (under) expenditures	1,235,777	(1,458,675)	(93,985)	(42,045)

County Recorder's Management	Federal Drug Reimbursement	Ambulance Replacement	Law Enforcement Block Grant	Title XIX Set Aside - 10%	Special Environmental	Drainage Districts	Total
-	-	-	-	-	-	-	101,263
-	-	-	-	-	-	-	189,745
-	-	-	-	-	-	-	291,008
-	-	-	-	-	-	-	58,215
-	-	-	-	-	-	-	1,135,327
-	-	-	-	-	-	-	96,076
-	-	-	-	-	-	-	84,998
-	-	-	-	-	-	-	69,749
-	-	-	-	-	-	-	1,444,365
-	-	-	-	-	-	-	269,228
-	-	-	-	-	-	-	530,945
-	-	-	-	-	-	-	50,295
-	-	-	-	-	-	-	20,403
-	-	-	-	-	-	-	870,871
-	-	-	-	-	-	-	2,606,244
-	-	-	-	-	-	-	1,844
5,000	-	-	-	-	-	-	5,000
5,000	-	-	-	-	-	-	6,844
-	-	-	-	-	-	-	732,218
5,000	-	-	140	-	-	-	5,364,269
(784)	72	19,620	(138)	1,254	19,617	1,633	(317,654)

O'Brien County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Mental Health</u>	<u>Resource Enhancement and Protection</u>
Other financing sources (uses):				
Operating transfers in (out):				
General	-	-	-	-
Special Revenue:				
Rural Services	-	1,241,675	-	-
Secondary Roads	(1,241,675)	-	-	-
Total other financing sources (uses)	<u>(1,241,675)</u>	<u>1,241,675</u>	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(5,898)	(217,000)	(93,985)	(42,045)
Fund balances beginning of year	277,689	992,892	259,461	124,964
Increase in reserve for:				
Prepaid expenditures	1,222	6,061	-	-
Inventories	-	1,004,260	-	-
Fund balances end of year	<u>\$ 273,013</u>	<u>1,786,213</u>	<u>165,476</u>	<u>82,919</u>

See accompanying independent auditor's report.

County Recorder's Records Management	Federal Drug Reimbursement	Ambulance Replacement	Law Enforcement Block Grant	Title XIX Set Aside - 10%	Special Environmental	Drainage Districts	Total
-	-	-	(3)	(743)	-	-	(746)
-	-	-	-	-	-	-	1,241,675
-	-	-	-	-	-	-	(1,241,675)
-	-	-	(3)	(743)	-	-	(746)
(784)	72	19,620	(141)	511	19,617	1,633	(318,400)
19,642	4,282	56,508	141	3,346	7,509	51,846	1,798,280
-	-	-	-	-	-	-	7,283
-	-	-	-	-	-	-	1,004,260
18,858	4,354	76,128	-	3,857	27,126	53,479	2,491,423

Schedule 5

O'Brien County

Debt Service Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2002

Revenues:

Property tax and other County tax:

Property tax	\$ 276,462	
Utility tax replacement excise tax	7,423	
Other	<u>240</u>	\$ 284,125

Intergovernmental:

State tax replacements:

State tax credits		<u>22,218</u>
Total revenues		<u>306,343</u>

Expenditures:

Debt Service Service Area:

Principal	140,000	
Interest paid	166,804	
Bond registrar fees	<u>300</u>	<u>307,104</u>

Deficiency of revenues under expenditures (761)

Fund balance beginning of year 12,184

Fund balance end of year \$ 11,423

See accompanying independent auditor's report.

O'Brien County

Capital Projects Fund

Statement of Revenues, Expenditures
and Changes in Fund Balance

Year ended June 30, 2002

Revenues:

Intergovernmental

State grants and reimbursements including
indirect federal funding:

Sales tax refunds \$ 119

Use of money and property:

Interest on investments

2,045

Total revenues

2,164

Expenditures:

Capital Projects Service Area:

Other capital projects:

Law enforcement center construction

129,031

Deficiency of revenues under expenditures

(126,867)

Fund balance beginning of year

130,943

Fund balance end of year

\$ 4,076

See accompanying independent auditor's report.

Schedule 7

O'Brien County
Internal Service Funds
Combining Balance Sheet
June 30, 2002

	<u>Medical Insurance Trust</u>	<u>Self Insurance</u>	<u>Flex Plan</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 314,305	26,249	896	341,450
Total assets	\$ 314,305	26,249	896	341,450
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 40,657	-	-	40,657
Fund equity:				
Unreserved retained earnings	273,648	26,249	896	300,793
Total liabilities and fund equity	\$ 314,305	26,249	896	341,450

See accompanying independent auditor's report.

O'Brien County

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Retained Earnings

Year ended June 30, 2002

	Medical Insurance Trust	Self Insurance	Flex Plan	Total
Operating revenues:				
Reimbursement from operating funds	\$ 495,595	-	-	495,595
Reimbursement from others	15,614	-	8,772	24,386
Total operating revenues	511,209	-	8,772	519,981
Operating expenses:				
Health claims and administrative services	360,325	-	-	360,325
Flex plan benefits	-	-	13,829	13,829
Miscellaneous	13,673	551	-	14,224
Total operating expenses	373,998	551	13,829	388,378
Operating income (loss)	137,211	(551)	(5,057)	131,603
Non-operating revenues:				
Interest on investments	7,912	-	-	7,912
Net income (loss)	145,123	(551)	(5,057)	139,515
Retained earnings beginning of the year	128,525	26,800	5,953	161,278
Retained earnings end of year	\$ 273,648	26,249	896	300,793

See accompanying independent auditor's report.

Schedule 9

O'Brien County

Internal Service Funds

Combining Statement of Cash Flows

Year ended June 30, 2002

	<u>Medical Insurance Trust</u>	<u>Self Insurance</u>	<u>Flex Plan</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from operating funds	\$ 495,595	-	-	495,595
Cash received from others	16,214	-	8,772	24,986
Cash paid for health claims and to administrative provider	(362,884)	-	-	(362,884)
Cash paid for flex plan benefits	-	-	(13,829)	(13,829)
Cash paid for miscellaneous	(13,673)	(551)	-	(14,224)
Net cash provided by (used for) operating activities	<u>135,252</u>	<u>(551)</u>	<u>(5,057)</u>	<u>129,644</u>
Cash flows from investing activities:				
Interest on investments	<u>7,912</u>	-	-	<u>7,912</u>
Net increase (decrease) in cash and cash equivalents	143,164	(551)	(5,057)	137,556
Cash and cash equivalents beginning of year	<u>171,141</u>	<u>26,800</u>	<u>5,953</u>	<u>203,894</u>
Cash and cash equivalents end of year	<u>\$ 314,305</u>	<u>26,249</u>	<u>896</u>	<u>341,450</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 137,211	(551)	(5,057)	131,603
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Decrease in accounts receivable	600	-	-	600
(Increase) in accounts payable	(2,559)	-	-	(2,559)
Net cash provided by (used for) operating activities	<u>\$ 135,252</u>	<u>(551)</u>	<u>(5,057)</u>	<u>129,644</u>

See accompanying independent auditor's report.

O'Brien County

O'Brien County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2002

	Expendable Trust Fund			
	Conservation Land Acquisition Trust	County Offices		
		County Auditor	County Recorder	County Sheriff
Assets				
Cash and pooled investments:				
County Treasurer	\$ 15,269	-	-	-
Other County officials	-	106	25,527	40,058
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	859	-
Revolving fund loans	-	-	-	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 15,269	106	26,386	40,058
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other funds	-	-	20,228	38,408
Due to other governments	-	-	6,158	775
Trusts payable	-	106	-	875
Total liabilities	-	106	26,386	40,058
Fund equity:				
Unreserved fund balance	15,269	-	-	-
Total liabilities and fund equity	\$ 15,269	106	26,386	40,058

Agency Funds

Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assessments
2,035	62,285	92,456	4,427	29,389	1,769	7,006
-	-	-	-	-	-	-
112	141	5,193	243	5,985	18	-
131,000	176,000	6,481,000	309,000	3,369,000	108,000	-
-	153	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	523,656
-	-	-	-	-	-	-
133,147	238,579	6,578,649	313,670	3,404,374	109,787	530,662
-	-	-	-	-	-	-
-	-	-	-	-	-	-
133,147	238,579	6,578,649	313,670	3,404,374	109,787	530,662
-	-	-	-	-	-	-
133,147	238,579	6,578,649	313,670	3,404,374	109,787	530,662
-	-	-	-	-	-	-
133,147	238,579	6,578,649	313,670	3,404,374	109,787	530,662

O'Brien County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2002

	Auto License and Use Tax	Organ Transplant	Emergency Management Commission	Economic Development Corporation
Assets				
Cash and pooled investments:				
County Treasurer	280,634	20	51,610	216,753
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	500
Revolving fund loans	-	-	-	73,674
Accrued interest	-	-	-	16
Special assessments	-	-	-	-
Due from other governments	-	-	3,864	-
Total assets	280,634	20	55,474	290,943
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	-	-	182	54
Salaries and benefits payable	-	-	-	302
Due to other funds	8,503	1	-	-
Due to other governments	272,131	19	55,292	290,587
Trusts payable	-	-	-	-
Total liabilities	280,634	20	55,474	290,943
Fund equity:				
Unreserved fund balance	-	-	-	-
Total liabilities and fund equity	280,634	20	55,474	290,943

See accompanying independent auditor's report.

Agency Funds					
Advance Tax	Brucellosis and Tuberculosis Eradication	E911 Surcharges	E911 Services	Tax Sale Redemption	Total
1,095	136	265,472	4,527	9,223	1,044,106
-	-	-	-	-	65,691
-	3	-	-	-	11,695
-	2,000	-	-	-	10,576,000
-	-	24,501	-	-	26,013
-	-	-	-	-	73,674
-	-	551	-	-	567
-	-	-	-	-	523,656
-	-	-	-	-	3,864
1,095	2,139	290,524	4,527	9,223	12,325,266
-	-	-	-	-	236
-	-	-	-	-	302
-	-	-	-	-	67,140
-	2,139	290,524	4,527	-	12,231,020
1,095	-	-	-	9,223	11,299
1,095	2,139	290,524	4,527	9,223	12,309,997
-	-	-	-	-	15,269
1,095	2,139	290,524	4,527	9,223	12,325,266

O'Brien County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
Assets and Liabilities				
Balance beginning of year	\$ 108	28,488	9,718	131,479
Additions:				
Property and other County tax	-	-	-	131,372
E911 surcharge	-	-	-	-
State tax credits	-	-	-	10,371
State allocation	-	-	-	-
Office fees and collections	-	167,856	329,825	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	5	-	13,490	-
Miscellaneous	-	-	-	-
Total additions	5	167,856	343,315	141,743
Deductions:				
Agency Remittances:				
To other funds	-	91,506	299,322	-
To other governments	-	78,452	530	140,075
Trusts paid out	7	-	13,123	-
Total deductions	7	169,958	312,975	140,075
Balance end of year	\$ 106	26,386	40,058	133,147

County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax
216,647	6,066,002	293,319	3,092,961	93,949	522,970	277,382
176,837	6,482,674	309,042	3,371,900	108,578	-	-
-	-	-	-	-	-	-
13,053	473,198	22,501	260,668	6,804	124	-
1,957	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	3,319,711
-	-	-	-	-	150,233	-
-	-	-	-	-	-	-
3,094	-	-	-	-	-	-
194,941	6,955,872	331,543	3,632,568	115,382	150,357	3,319,711
-	-	-	-	-	-	95,478
173,009	6,443,225	311,192	3,321,155	99,544	142,665	3,220,981
-	-	-	-	-	-	-
173,009	6,443,225	311,192	3,321,155	99,544	142,665	3,316,459
238,579	6,578,649	313,670	3,404,374	109,787	530,662	280,634

O'Brien County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	Organ Transplant	Emergency Management Commission	Economic Development Corporation	Advance Tax
Assets and Liabilities				
Balance beginning of year	-	56,170	241,898	8,543
Additions:				
Property and other County tax	-	-	-	-
E911 surcharge	-	-	-	-
State tax credits	-	-	-	-
State allocation	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	20	67,295	174,734	-
Total additions	20	67,295	174,734	-
Deductions:				
Agency Remittances:				
To other funds	-	-	-	-
To other governments	-	67,991	125,689	7,448
Trusts paid out	-	-	-	-
Total deductions	-	67,991	125,689	7,448
Balance end of year	20	55,474	290,943	1,095

See accompanying independent auditor's report.

Brucellosis and Tuberculosis Eradication	E911 Surcharges	E911 Services	Tax Sale Redemption	Total
3,067	242,094	4,437	8,926	11,298,158
1,620	-	-	-	10,582,023
-	138,427	-	-	138,427
210	-	-	-	786,929
-	-	-	-	1,957
-	-	-	-	497,681
-	-	-	-	3,319,711
-	-	-	-	150,233
-	-	-	297	13,792
-	9,096	90	-	254,329
1,830	147,523	90	297	15,745,082
-	-	-	-	486,306
2,758	99,093	-	-	14,233,807
-	-	-	-	13,130
2,758	99,093	-	-	14,733,243
2,139	290,524	4,527	9,223	12,309,997

Schedule 12

O'Brien County

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2002	2001	2000	1999
Taxes:				
Property tax	\$ 3,688,642	3,574,599	3,245,518	2,852,638
Local option sales tax	334,358	366,157	378,509	344,713
Utility tax replacement excise tax	105,568	109,046	-	-
Other	2,357	2,761	3,243	2,558
	<u>4,130,925</u>	<u>4,052,563</u>	<u>3,627,270</u>	<u>3,199,909</u>
Intergovernmental:				
State shared revenues:				
Franchise tax	31,779	29,492	10,962	25,027
Road use tax	1,689,778	1,620,342	1,643,900	1,608,178
Other	2,184	2,366	1,876	1,486
State grants and reimbursements including indirect federal funding:				
Human services administrative reimbursements	27,215	31,704	25,529	27,279
Public health nursing grant	42,451	31,791	20,835	13,266
Home care aide grant	55,403	42,864	56,683	58,050
Community development block grant	204,449	103,097	147,501	105,185
Highway planning and construction grant	65,825	-	-	109,989
Social services block grant	59,382	62,586	65,380	69,190
MH/DD community service funds	155,525	108,752	97,943	97,943
Resource enhancement and protection program	9,769	7,772	10,514	9,088
Gas and sales tax refunds	13,222	16,532	95,448	4,935
Other	35,101	46,185	65,470	56,101
State tax replacements:				
State tax credits	292,466	325,526	311,059	294,270
State allocation	82,269	88,336	88,590	88,486
Mental health property tax relief	495,020	495,020	495,020	495,020
MH/DD allowed growth factor adjustment	17,613	61,146	98,165	66,942
Other	53,572	86,476	172,718	-
Direct federal grants and entitlements:				
Medicare and medicaid	114,342	114,728	113,205	153,210
Contributions and reimbursements from other governmental units:				
Contract law enforcement	158,280	151,064	143,689	130,798
Other	438,525	113,356	141,340	161,740
	<u>4,044,170</u>	<u>3,539,135</u>	<u>3,805,827</u>	<u>3,576,183</u>
Total	\$ 8,175,095	7,591,698	7,433,097	6,776,092

See accompanying independent auditor's report.

O'Brien County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Grantor/Program	CFDA Number	Agency or Pass-through Number	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		\$ <u>4,457</u>
U.S. Department of Housing and Urban Development: Iowa Department of Economic Development: Community Development Block Grants/ State's Program	14.228	98-HBG-059	<u>198,726</u>
U.S. Department of Justice: Governor's Alliance on Substance Abuse: Iowa Great Lakes Drug Task Force: Byrne Formula Grant Program	16.579		<u>8,098</u>
Federal Emergency Management Agency: Iowa Department of Public Defense: Emergency Management Performance Grants	83.552		<u>18,519</u>
U.S. Department of Health and Human Services: Iowa Department of Human Services: Human Services Administrative Reimbursements: Temporary Assistance for Needy Families	93.558		<u>6,994</u>
Refugee and Entrant Assistance - State Administered Programs	93.566		<u>32</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>907</u>
Foster Care - Title IV-E	93.658		<u>2,338</u>
Adoption Assistance	93.659		<u>792</u>
Medical Assistance Program	93.778		<u>7,097</u>
Social Services Block Grant	93.667		<u>4,598</u>
Social Services Block Grant	93.667		<u>59,382</u>
			<u>63,980</u>

Schedule 13

O'Brien County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Grantor/Program	CFDA Number	Agency or Pass-through Number	Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Buena Vista County Public Health:			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	5882TB10	213
Immunization Grants	93.268	5881I426	2,002
Immunization Grants	93.268	5882I426	802
			2,804
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283		656
Upper Des Moines Opportunity, Inc.:			
Maternal and Child Health Services			
Block Grant to the States	93.994		850
Unknown Title	93.000	588V071	340
Total			\$ 316,803

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of O'Brien 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 general purpose financial statements.



**OFFICE OF AUDITOR OF STATE
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**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

To the Officials of O'Brien County:

We have audited the general purpose financial statements of O'Brien County, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated October 22, 2002. Our report expressed a qualified opinion on the financial statements due to the omission of the general assets account group, which should be included in order to conform with U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether O'Brien County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in 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, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose 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. Prior year statutory comments have been resolved except for item IV-B-02.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered O'Brien County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 O'Brien 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 the accompanying Schedule of Findings and Questioned Costs.

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 misstatements 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-02 and II-C-02 are material weaknesses. Prior year reportable conditions have been resolved except for items II-A-02 and II-B-02.

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

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

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 22, 2002

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance**

O'Brien County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance

To the Officials of O'Brien County:

Compliance

We have audited the compliance of O'Brien 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 its major federal program for the year ended June 30, 2002. O'Brien County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of O'Brien County's management. Our responsibility is to express an opinion O'Brien County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, 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 provisions 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 O'Brien County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on O'Brien County's compliance with those requirements.

In our opinion, O'Brien County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of O'Brien County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered O'Brien 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 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 operation 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 O'Brien County and other parties to whom O'Brien 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.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 22, 2002

O'Brien County
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

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

- (a) A qualified opinion was 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 identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program is as follows:
 - CFDA Number 14.228 - Community Development Block Grants/State's Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) O'Brien County did not qualify as a low-risk auditee.

O'Brien County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-02 Segregation of Duties - During our review of internal control, existing procedures are evaluated in order to determine that 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) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Recorder and Sheriff
(2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting of cash.	Recorder
(3) Bank reconciliations should be reviewed periodically by an independent person for propriety.	Recorder
(4) Responsibilities for receiving, issuing, accounting, recording, handling and storing of inventories is not properly segregated.	Engineer

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. 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.

O'Brien County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Response -

Recorder - I will attempt to comply with the limited staff and resources available to me.

Sheriff - We will attempt to comply to the extent possible.

Engineer - Shipments of inventory items are now logged on a new "Inventory Maintenance" form by the foreman, then checked by the office manager and/or engineer against order or quote. These forms are submitted to the office monthly.

All use of inventory items is now logged on a new maintenance form and submitted for review monthly by the office, or logged on a new construction accounting form and submitted by the project foreman at the end of the project for review by engineer.

Major inventory items e.g. timber plank, piling, and sign posts have been relocated to a more easily organized and managed site.

Conclusion -

Recorder - Response accepted.

Sheriff - Response accepted.

Engineer - Response acknowledged. We will evaluate the newly established procedures during the subsequent audit to determine the appropriateness of control procedures.

II-B-02 Electronic Data Processing Systems - During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine that 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.
- requiring password changes because software does not require the user to change log-ins/passwords periodically.
- ensuring that only software licensed to the County is installed on computers.

O'Brien County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

- requiring user profiles to help limit access to programs to those who have a legitimate need.
- personal use of computer equipment and software.
- requiring personnel who share the same computer terminal to log-on and log-off prior to other personnel entering transactions on the same terminal.

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

Recommendation - The County should develop written policies addressing the above items in order to improve the County's control over computer based systems. In addition, a written disaster recovery plan should be developed.

Response - We are in the process of establishing passwords and more security on our system. We have had no success with our software vendor to get these things in place. They assure me that we will be in compliance next year. At that time we will also implement the policies to reflect our security.

Conclusion - Response acknowledged. In addition, the County should prepare a disaster recovery plan.

II-C-02 County Recorder - Although monthly bank reconciliations were performed, variances between the book balances and the bank balances were not investigated and resolved.

Recommendation - To improve financial accountability and control, a monthly reconciliation between the cashbook and bank accounts should be timely prepared and variances properly investigated and resolved.

Response - I will attempt to comply.

Conclusion - Response accepted.

II-D-02 Public Health Nurse Receivables - Accounts receivable listings were not retained at the end of each month. Also, amounts billed for medicare, medicaid and other reimbursements were not reconciled to collections and accounts receivable. Bad debts written off during the year were not approved by the Local Board of Health.

Recommendation - Accounts receivable listings should be retained and a reconciliation of billings, collections and accounts receivable should be prepared monthly. The Local Board of Health should review and approve all write-offs of uncollectable accounts.

Response - We will attempt to comply in the future.

Conclusion - Response accepted.

O'Brien County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

II-E-02 County Sheriff Receivables - Accounts receivable listings were not retained at the end of each month. Also, amounts billed to other agencies for the cost of prisoner care were not reconciled to collections and accounts receivable.

Recommendation - Accounts receivable listings should be retained and a reconciliation of billings, collections and accounts receivable should be prepared monthly.

Response - We will attempt to provide a method for the summary of monthly reconciliation of billings, collections, and accounts receivable for care of prisoners for other agencies.

Conclusion - Response accepted.

O'Brien County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

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

O'Brien County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-02 Official Depositories - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year.

IV-B-02 Certified Budget - Disbursements during the year ended June 30, 2002 did not exceed the amounts budgeted.

Disbursements in one department exceeded the appropriation before an amendment to the appropriation was made.

Recommendation - Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response - We will attempt to comply in the future.

Conclusion - Response accepted.

IV-C-02 Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as define in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-02 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-02 Business Transactions - The following business transactions between the County and County officials were noted:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jim Norton, Conservation Board Member, owner of Hartley Farm and Home Center, Inc.	Supplies and parts	\$ 2,760

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

IV-F-02 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

O'Brien County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

- IV-G-02 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-02 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- IV-I-02 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-K-02 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, 2002 for the County Extension Office did not exceed the amount budgeted.

O'Brien County

Staff

This audit was performed by:

Suzanne R. Hanft, CPA, Manager
James L. Blekfeld, CPA, Senior Auditor
Nicholas A. Freymann, CGFM, Senior Auditor
Travis J. Bovy, Assistant Auditor

Andrew E. Nielsen, CPA
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