

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

**JUNE 30, 2016**



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## Osceola County

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires/Expired</u>
Philip Bootsma	Board of Supervisors	December 31, 2016
Merlin Sandersfeld	Board of Supervisors	December 31, 2016
Jayson Vande Hoef	Board of Supervisors	December 31, 2016
LeRoy DeBoer	Board of Supervisors	December 31, 2018
Michael Schulte	Board of Supervisors	December 31, 2018
Barbara Echter	County Auditor	December 31, 2016
Douglas Weber	County Sheriff	December 31, 2016
Robert Hansen	County Attorney	December 31, 2018
Deb Van Beest	County Recorder	December 31, 2018
Becky Marco	County Treasurer	December 31, 2018
Charles Bechtold	County Engineer	June 3, 2016
Nicholas Schmalen	County Conservation Director	Indefinite
Sharon Wolter	County Assessor	Indefinite
Dan Bechler	County Emergency Management	Indefinite
Philip Bootsma	Public Safety Commission Board	December 31, 2016
LeRoy DeBoer	Public Safety Commission Board	December 31, 2016
Patrick DeVries	Public Safety Commission Board	December 31, 2016
Rebecca Heitritter	Public Safety Commission Board	December 31, 2016
Jan Henningsen	Public Safety Commission Board	December 31, 2016
Jerry Johnson	Public Safety Commission Board	December 31, 2016
Arlyn Pedley	Public Safety Commission Board	December 31, 2016
Greg Spaethe	Public Safety Commission Board	December 31, 2016



# De Noble, Austin & Company PC

CERTIFIED PUBLIC ACCOUNTANTS



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## Independent Auditor's Report

To the Officials of Osceola County:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Osceola County, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *MEMBERS*

American Institute - Certified Public Accountants | Private Companies Practice Section | Iowa Society - Certified Public Accountants

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Osceola County as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Proportionate Share of the Net Pension Liability, the Schedule of Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 16 and 62 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Osceola County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine fiscal years ended June 30, 2015, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 23, 2017, on our consideration of Osceola County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Osceola County's internal control over financial reporting and compliance.

*De Noble, Austin & Company PC*

De Noble & Company PC  
d/b/a De Noble, Austin & Company PC  
Certified Public Accountants

June 23, 2017



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## Management Discussion and Analysis

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Osceola County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the County's financial statements and financial information on the Public Safety Commission, which follow.

### **County's Fiscal Year 2016 Financial Highlights**

- The County's governmental funds revenues/sale of capital assets for fiscal year 2016 were \$8,422,025, compared to \$8,138,694 in fiscal year 2015, an increase of \$283,331, or 3.48%. Intergovernmental revenues increased by \$160,963, or 5.24%; tax increment financing revenues increased by \$72,060, or 13.08%; miscellaneous revenues increased by \$54,339, or 26.84%; sale of capital assets decreased by \$(105,773), or (79.15%); and all other revenue classifications netted to an increase of \$101,742, or 2.43%.
- The County's governmental funds expenditures for fiscal year 2016 were \$7,987,308 compared to \$7,810,657 in fiscal year 2015, an increase of \$176,651, or 2.26%. The county environment and education function decreased by \$(417,523), or (33.13%); the public safety and legal services function increased by \$198,177, or 15.53%; the roads and transportation function increased by \$161,840, or 5.20%; the capital projects function increased by \$111,532, or 140.02%; and all other expenditure functions increased by \$122,625 or 5.89%.
- The County's governmental funds fund balances for fiscal year ended 2016 were \$5,855,346 compared to \$5,420,629 for fiscal year ended 2015, an increase of \$434,717, or 8.02%. The County Tax Increment Financing Projects (Amended Ethanol TIF Areas) Fund decreased by \$(267,324), or (34.23%); the Secondary Road Fund increased by \$457,147, or 15.32%; the Debt Service (Amended Ethanol TIF Areas P&I) Fund increased by \$116,496, or 500.00%; the Rural Services Fund increased by \$67,213, or 61.85%; the Mental Health (County Services) Fund decreased by \$(66,065), or (93.03%); and all other governmental funds increased by a net amount of \$127,250, or 8.79%.
- The County's governmental activities revenues for fiscal year 2016 were \$10,701,462, compared to \$8,095,342 in fiscal year 2015, an increase of \$2,606,120, or 32.19%. The County's portion of governmental activities costs financed by users (charges for service) decreased by \$(1,784), or (0.34)%. Operating grants, contributions and restricted interest increased by \$27,202, or 0.97%. Capital grants, contributions and restricted interest increased by \$2,253,606, the prior fiscal year amount was \$0. General revenues increased by \$327,096, or 6.86%.
- The County's governmental activities expenses for fiscal year 2016 were \$7,672,923, compared to \$7,580,824 in fiscal year 2015, an increase of \$92,101 or 1.21%. The public safety and legal services function increased by \$128,803, or 9.99%; the roads and transportation function increased by \$307,776, or 9.50%; the capital projects function increased by \$111,532, or 140.02%; the administration function increased by \$98,389, or 12.36%; the county environment and education function decreased by \$(597,923), or (45.60%); and all other expense areas increased by \$43,524, or 5.04%.
- The County's government-wide net position for fiscal year 2016 was \$17,553,239, compared to \$14,524,700 in fiscal year 2015, an increase of \$3,028,539 or 20.85%. This compares to an increase of \$514,518 or 3.67%, from fiscal year 2014 to fiscal year 2015.

## **Using this Annual Report**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Osceola County as a whole and present an overall view of the County's finances, including data on the County's discretely presented component unit, the Public Safety Commission.
- The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Osceola County's operations in more detail than the governmental-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Osceola County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County and Public Safety Commission's budget for the year, the County and Commission's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan for the County and the Commission.
- Supplementary Information provides detailed information about the nonmajor governmental Special Revenue Funds and the individual Agency Funds. In addition, detailed financial information is presented for the Public Safety Commission.

## **Reporting the County's Financial Activities**

### *Government-Wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program current, interest on long-term debt and minor capital projects. Property tax, tax increment financing and state and federal grants fund most of these activities. The County has no business type activities.

The government-wide financial statements include not only the County itself (reported as the *primary government* in these financial statements), but also the legally separate Public Safety Commission for which the County is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

### *Fund Financial Statements*

The County has two kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows in and out of these funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Rural Services, Secondary Roads and County Tax Increment Financing (Amended Ethanol TIF Areas) and 3) the Debt Service (Amended Ethanol TIF Areas P&I) Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for the County Offices, E911, Emergency Management Services, the County Assessor and all the tax funds necessary to collect and distribute property taxes to schools, cities and all other taxing authorities, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the County's government-wide (government activities) financial statements and the County's fund financial statements follow the fund financial statements. Similar reconciliations for the County's discretely presented component unit - Public Safety Commission can be found in the "Supplementary Information" section.

## *Component Unit*

As discussed earlier, the Public Safety Commission is a discretely presented component unit of the County. The Public Safety Commission does not issue separate financial statements, so basic financial statement information is included in the County's "Supplementary Information" (schedules) section. This information is reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The information provides a detailed, short-term view of the governmental operations and the basic services it provides. This information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the Public Safety Commission's programs. The Public Safety Commission adopts its budget on a cash basis.

Some of the financial highlights for fiscal year 2016 for the Public Safety Commission include:

- The discretely presented component unit – Public Safety Commission's government-wide net position for fiscal year 2016 was \$269,273, compared to \$137,559 in fiscal year 2015, an increase of \$131,714, or 95.75%. The Public Safety Commission's governmental activities revenues for fiscal year 2016 were \$1,240,067, compared to \$1,147,026 in fiscal year 2015, an increase of \$93,041, or 8.11%. The Public Safety Commission's governmental activities expenses for fiscal year 2016 were \$1,108,353, compared to \$1,115,208 in fiscal year 2015, a decrease of \$(6,855), or (0.61)%. Revenues increased due to higher contributions from the County and cities, more unified tax levy collections from the County and more received in state grant funding and reimbursements. Expenses remained consistent from fiscal year 2015 to fiscal year 2016.
- The Public Safety Commission's fund financial statements had modified accrual basis revenues for fiscal year 2016 of \$1,240,167 compared to \$1,145,826 in fiscal year 2015, an increase of \$94,341, or 8.23%. Modified accrual basis revenues essentially increased for the same reasons as the full accrual basis revenues.
- The Public Safety Commission's fund financial statements had modified accrual basis expenditures for fiscal 2016 of \$1,153,115, compared to \$1,252,286 in fiscal year 2015, a decrease of \$(99,171), or (7.92)%. Expenditures decreased in the central services – information tech services area, which had a decrease of \$(55,049), or (69.82)%; due primarily to fiscal year 2015 equipment updates in the law enforcement - uniformed patrol services area, which had a decrease of \$(25,794), or (3.88)%; and in the risk management services - tort liability and safety of the workplace service area, which had a decrease of \$(13,750), or (64.94)%.
- The Public Safety Commission's fund balance for fiscal year ended 2016 was \$253,162, compared to \$166,110 at the end of fiscal year 2015, an increase of \$87,052, or 52.41%. This compares to a decrease of \$(62,470), or (27.33)%, from the end of fiscal year 2014 to the end of fiscal year 2015.
- The Public Safety Commission did not exceed its final budgeted disbursements for fiscal year 2016. During fiscal year 2016, the Public Safety Commission did not have any budget amendments. The Public Safety Commission's actual cash basis receipts of \$1,241,256 came in \$19,162 over the budget; the Commission's actual cash basis disbursements of \$1,174,439 came in \$54,561 under budget; and the Commission's ending cash basis fund balance of \$192,948 came in \$104,506 above the budgeted amount.

## Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the overall financial position. The analysis that follows focuses on the changes in the net position for governmental activities and the component unit from a year ago.

	<b>Net Position</b>			
	<b>Governmental Activities</b>		<b>Public Safety Commission</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current and Other Assets	\$ 11,133,713	\$ 10,292,363	\$ 261,638	\$ 181,028
Capital Assets	15,377,073	13,256,336	217,206	224,418
Total Assets	<u>26,510,786</u>	<u>23,548,699</u>	<u>478,844</u>	<u>405,446</u>
Deferred Outflows of Resources	<u>468,313</u>	<u>252,785</u>	<u>171,590</u>	<u>55,048</u>
Other Liabilities	247,441	226,263	8,442	14,784
Long-Term Liabilities	4,053,273	4,169,835	180,928	67,000
Total Liabilities	<u>4,300,714</u>	<u>4,396,098</u>	<u>189,370</u>	<u>81,784</u>
Deferred Inflows of Resources	<u>5,125,146</u>	<u>4,880,686</u>	<u>191,791</u>	<u>241,151</u>
Net Position:				
Net Investment in Capital Assets	13,871,453	10,342,131	190,811	184,827
Restricted	4,331,631	4,810,488	0	0
Unrestricted	<u>( 649,845)</u>	<u>( 627,919)</u>	<u>78,462</u>	<u>( 47,268)</u>
Total Net Position	<u>\$ 17,553,239</u>	<u>\$ 14,524,700</u>	<u>\$ 269,273</u>	<u>\$ 137,559</u>

The increase in “current and other assets” was mainly due to larger increases in cash and pooled investments and succeeding year property tax and tax increment financing receivables, while there was a smaller increase in accounts receivable. “Other liabilities” increased primarily as a result of accounts payable and salaries and benefits payable at fiscal year end. “Long-term liabilities” decreased due to principal payments on general obligation bonds and loans. Also, “deferred outflows of resources” increased as a result of pension related calculations and “deferred inflows of resources” increased due to larger amounts of unavailable property tax revenue and unavailable tax increment financing revenue.

The largest portion of Osceola County’s net position, making up 79.02% of the total, is net investment in capital assets (e.g., land, infrastructure, buildings and improvements, and vehicles/equipment/machinery) – book value of capital assets less related debt. Restricted net position, which makes up 24.68% of the total, represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, a negative (3.70)% of the total net position, is the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. Of the total net position for the County’s governmental activities during fiscal year 2016, net investment in capital assets increased by \$3,529,322, or 34.13%, restricted net position decreased by \$(478,857), or (9.95)%, and unrestricted net position decreased by \$(21,926), or (3.51)%.

## Changes in Net Position

	<u>Governmental Activities</u>		<u>Public Safety Commission</u>	
	<u>Year Ended</u>		<u>Year Ended</u>	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Revenues:				
Program Revenues:				
Charges for Service	\$ 519,603	\$ 521,387	\$ 1,215,342	\$ 1,142,431
Operating Grants, Contributions and Restricted Interest	2,829,890	2,802,688	20,296	3,395
Capital Grants, Contributions and Restricted Interest	2,253,606	0	0	0
General Revenues:				
Property Tax Levied for:				
General Purposes	3,351,882	3,336,531	0	0
Unified Law	460,071	417,615	0	0
Tax Increment Financing	622,971	550,912	0	0
Penalty and Interest on Property Tax	18,874	16,799	0	0
State Tax Credits	260,155	247,914	0	0
Grants and Contributions Not Restricted to Specific Purposes	132,290	34,885	0	0
Unrestricted Investment Earnings	17,247	13,635	0	0
Rents	19,244	32,610	0	0
Drainage Assessments	156,422	46,398	0	0
Gain on Disposal of Capital Assets	30,417	41,060	0	1,200
Miscellaneous/Workers Comp.	28,790	32,908	4,429	0
Total Revenues	<u>10,701,462</u>	<u>8,095,342</u>	<u>1,240,067</u>	<u>1,147,026</u>
Program Expenses:				
Public Safety and Legal Services	1,417,827	1,289,024	0	0
Physical Health and Social Services	208,517	213,976	0	0
Mental Health	281,263	226,726	0	0
County Environment and Education	713,300	1,311,223	0	0
Roads and Transportation	3,547,171	3,239,395	0	0
Governmental Services to Residents	283,069	297,389	0	0
Administration	894,136	795,747	0	0
Non-program Current	78,772	61,027	0	0
Interest on Long-Term Debt	57,681	66,662	0	0
Capital Projects	191,187	79,655	0	0
Public Safety Commission	0	0	1,108,353	1,115,208
Total Expenses	<u>7,672,923</u>	<u>7,580,824</u>	<u>1,108,353</u>	<u>1,115,208</u>
Increase (Decrease) in Net Position	3,028,539	514,518	131,714	31,818
Net Position Beginning of Year	<u>14,524,700</u>	<u>14,010,182</u>	<u>137,559</u>	<u>105,741</u>
Net Position End of Year	<u>\$ 17,553,239</u>	<u>\$ 14,524,700</u>	<u>\$ 269,273</u>	<u>\$ 137,559</u>

The County's portion of governmental activities costs financed by users (charges for service) decreased by \$(1,784), or (0.34)% (remaining consistent with the prior fiscal year). Operating grants, contributions and restricted interest increased by \$27,202, or 0.97% (also consistent with the prior fiscal year). Capital grants, contributions and restricted interest increased by \$2,253,606, the prior fiscal year amount was \$0 (capital assets of \$2,249,406 were contributed by the Iowa Department of Transportation in fiscal year 2016). General revenues increased by \$327,096, or 6.86% (primarily due to a large increase in drainage assessments and the amount received for "other state tax replacements"). Function expenses for governmental activities this fiscal year increased in total by \$92,101, or 1.21%. As noted in the "County's Fiscal Year 2016 Financial Highlights" section, while the total expenses of the County's governmental activities essentially remained consistent to the prior fiscal year, there were some larger changes in totals between the different functions.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

### **Governmental Major Fund Highlights**

Osceola County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

As Osceola County completed fiscal year 2016, its governmental funds reported a combined fund balance of \$5,855,346. This is in comparison to fiscal year ended 2015, when the combined fund balance was \$5,420,629. This is a \$434,717, or 15.32% increase from last year. The County's governmental funds revenues/sale of capital assets and expenditures for fiscal year 2016, when compared to fiscal year 2015, increased by \$283,331, or 3.48% and \$176,651, or 2.26%, respectively. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior fiscal year.

**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. The general operating expenses of the County are paid from this fund. The County's General Fund also accounts for the County's land acquisition and trust transactions and running fund balance. The fiscal year 2016 General Fund ending fund balance was \$1,680,946. This is in comparison to last fiscal year when the fund balance was \$1,640,346. This is a \$40,600 increase from last year, or 2.48%. Of the June 30, 2016 fund balance, \$40,028 is nonspendable, \$611,488 is restricted for specific purposes and \$1,029,430 is unassigned. Total revenues for fiscal year 2016 decreased from fiscal year 2015 by \$(33,247), or (1.16)%. Expenditures increased by \$199,852, or 7.68%. The increase in the 2016 fiscal year expenditures were mainly in the public safety and legal services function (increased by \$149,742, due primarily to costs related to ambulance services and unified law enforcement) and the administration function (increased by \$79,554, due primarily to general services costs in the central services program). During fiscal year 2016, the General Fund also had \$13,680 in other financing sources (sales of capital assets) compared to \$66,350 in other financing sources in fiscal year 2015, a decrease of \$(52,670), or (79.38)%.

**RURAL SERVICES FUND:** The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas, including secondary road and sanitarian services, but excluding services financed by other statutory funds. The fiscal year 2016 Rural Services ending fund balance was \$175,884. This is in comparison to last fiscal year when the fund balance was \$108,671. This is a \$67,213 increase from last year, or 61.85%. Total revenues increased by \$80,614, or 7.32% (due primarily to an increase of \$42,605 in property and other county tax collections and other state tax replacements and grants increasing by \$20,713). Total expenditures increased by \$14,592, or 8.91%,

compared to last fiscal year. During fiscal year 2016, the Rural Services Fund also had net other financing uses of \$(935,714), compared to fiscal year 2015 net financing uses of \$(888,558) (the outflows increased by \$47,156, due primarily to transfers out made to the Secondary Road Fund).

**SECONDARY ROADS FUND:** The Secondary Roads Fund is used to account for secondary roads construction and maintenance. The fiscal year 2016 Secondary Roads ending fund balance was \$3,440,662. This is in comparison to last fiscal year when the fund balance was \$2,983,515. This is a \$457,147 increase from last year, or 15.32%. Total revenues increased by \$243,566, or 9.47% (mainly as a result of road use tax money received from the State of Iowa). Total expenditures increased by \$193,769, or 6.22%. The increase in the 2016 fiscal year expenditures were mainly in the roads and transportation function (increased by \$161,840, due primarily to costs related to snow and ice controls and traffic controls) and the capital projects function (increased by \$31,929, due to a road construction project). Total other financing sources decreased by \$(5,947), or (0.62)%. While the amount of operating transfers in from the Rural Services Fund increased, this increase was offset by a reduction in sales of capital assets.

**COUNTY TAX INCREMENT FINANCING (AMENDED ETHANOL TIF AREAS) FUND:** The County Tax Increment Financing (Amended Ethanol TIF Areas) Fund is currently being used to account for the collection of tax increment financing related to the Urban Renewal District 1 (Ethanol Plant) Amended Plan areas. The tax increment financing proceeds are predominantly being collected for the County's "General Obligation County Purpose and Refunding Bonds, Series 2013A" debt service requirements. The fund also collects tax increment financing proceeds for a couple of rebate agreements to businesses. For fiscal year 2016, this fund had total revenues of \$579,564, compared to \$496,208 in fiscal year 2015, an increase of \$83,356, or 16.80%. Total fiscal year 2016 expenditures amounted to \$17,253 (this was the first fiscal year for a rebate TIF to a private business); therefore, there were no expenditures in fiscal year 2015. Total net other financing uses in fiscal year 2016 amounted to \$(532,685), compared to \$(430,486) in fiscal year 2015. This increase in transfers out correlates with an increase in tax increment financing proceeds. Also, the County was able to eliminate the 2015 fiscal year ending fund balance of a deficit \$(29,626) to a 2016 fiscal year ending fund balance of \$0.

**DEBT SERVICE (AMENDED ETHANOL TIF AREAS P & I) FUND:** The Debt Service (Amended Ethanol TIF Areas P & I) Fund is utilized to account for interest earned by amounts in this fund and for operating transfers in of certain tax increment financing collections generated by the Urban Renewal District 1 (Ethanol Plant) Amended Plan areas. These proceeds are to be used for the payment of interest and principal on the County's "General Obligation County Purpose and Refunding Bonds, Series 2013A". For fiscal year 2016, this fund had total revenues (interest income) of \$4,533; operating transfers in of \$532,685 from the County Tax Increment Financing (Amended Ethanol TIF Areas) Fund; and expenditures for debt service of \$420,722 (principal of \$365,000 and interest/fees of \$55,722).

**OTHER SPECIAL REVENUE FUNDS:** The other nonmajor Special Revenue Funds, which include Case Management, Mental Health (County Services), Unified Law Levy, County Recorder's Records Management, Sheriff's Asset Forfeiture, Resource Enhancement and Protection, Drainage Districts, County Attorney Incentive, County Tax Increment Financing (Cenex Coop Project), County Tax Increment Financing (Windmills-Ocheyedan TIF Area), County Tax Increment Financing (Windmills-Harris TIF Area) and County Tax Increment Financing Projects (Amended Ethanol TIF Areas) are classified as nonmajor.



## Budgetary Highlights

In accordance with the Code of Iowa Section 331.434, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except blended component units (drainage districts) and Agency Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of fiscal year 2016, Osceola County amended its budget three times. The dates of the budget amendments, the amounts changed and the most significant reasoning for the changes are as follows:

<u>Budget Amendment Date</u>	<u>Amounts Changed</u>	<u>Reasoning for Changes</u>
August 11, 2015	Revenues = \$2,088  Expenditures = \$524,088	County Attorney Assisting Clay County  County Attorney Costs, Mental Health Tax Allocation, Storm Water Study, Enterprise Industrial Park Project Costs and PS/Courthouse Cement Work
October 13, 2015	Revenues = \$63,383  Other Financing Sources = \$13,680  Expenditures = \$283,163	EMS Grant, Home Health Grant, Land Grant, Drainage Assessments and Donations  Sale of Capital Assets  EMS/Home Health/Land Grant Costs, Window Framing/Phone/Elevator Upgrades, Dredge Willow Creek, Miscellaneous Equipment and Drainage Repairs
April 12, 2016	Revenues = \$14,000  Expenditures = \$129,825	Home Health grant  Wages/Medical Supplies/Training, Medical Examiner Fees, Home Health Grant, Regional Housing, Motor Vehicle Repairs, Shop Supplies, Solar Panels, Harris Project, Communication Center Remodeling, Courthouse Repairs, Health Insurance and Utilities

The County ended up collecting more than its amended budgeted revenues by \$694,398; coming in below its amended budgeted disbursements by \$797,231 and receiving other financing sources, net of \$14,177 more than its amended budget. The actual beginning cash basis balance was \$1,332,187 higher than budgeted and the ending cash basis balance was \$2,837,993 more than the amended budgeted amount.

## Capital Assets and Debt Administration

### Capital Assets

Osceola County concluded fiscal year 2016 with \$22,087,935 invested in a broad range of capital assets. The Public Safety Commission concluded fiscal year 2016 with \$511,056 invested in a broad range of capital assets. The capital assets include public safety/secondary roads/conservation/general County machinery/equipment, vehicles, buildings, land, roads and bridges and intangibles. See Note to the Financial Statements (5) for more information about the County's and Public Safety Commission's capital assets.

	<b>Capital Assets at Year End</b>			
	<b>Governmental Activities</b>		<b>Public Safety Commission</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Land	\$ 1,468,916	\$ 1,482,596	\$ 0	\$ 0
Buildings and Improvements	1,087,546	1,087,546		0
Machinery, Equipment and Vehicles	6,158,827	5,739,672	467,066	439,340
Infrastructure	13,372,646	10,884,613	0	0
Construction in Progress	0	20,633	0	0
Intangibles	0	0	43,990	43,990
<b>Total</b>	<b>\$22,087,935</b>	<b>\$19,215,060</b>	<b>\$ 511,056</b>	<b>\$ 483,330</b>

This fiscal year's major additions for the County's governmental activities included a Caterpillar 938K grader; 2017 Western Star truck; 2016 Ford pickup; 2016 truck/box; ambulance; road paving; and road resurfacing. The Public Safety Commission purchased a 2016 Ford Explorer.

The County's governmental activities had depreciation expense of \$907,208 in fiscal year 2016 and total accumulated depreciation of \$6,710,862 on June 30, 2016. The Public Safety Commission had depreciation/amortization expense of \$34,938 in fiscal year 2016 and total accumulated depreciation/amortization of \$293,850 on June 30, 2016.

### Long-Term Debt

During the fiscal year ended June 30, 2016, the County had the following long-term debt issuance transactions:

	<b>OCEDC General Obligation Loan</b>	<b>Osceola Electric Coop. General Obligation Loan</b>	<b>General Obligation County Purpose &amp; Refunding Bonds</b>
Balance Beginning of Year	\$ 93,505	110,700	2,710,000
Increases	0	0	0
Decreases	(17,651)	(36,900)	(365,000)
Balance End of Year	<b>\$ 75,854</b>	<b>73,800</b>	<b>2,345,000</b>

The loan with the Osceola County Economic Development Commission was used to purchase the real estate known as “Hawkeye Point”. The fiscal year 2016 principal and interest payments were paid by the Rural Services Fund.

The loan with the Osceola Electric Cooperative, Inc. (Rural Economic Development Loan and Grant Program) was used to assist in the purchase of 41 acres of land near Highways 9 and 60. This land was purchased for economic development purposes. The fiscal year 2016 principal payment was made through the Rural Services Fund.

The “General Obligation County Purpose and Refunding Bonds, Series 2013A” were issued to pay expenditures related to projects in the Amended Urban Renewal District 1 (Ethanol Plant) Plan areas, to refund the County’s “Urban Renewal Revenue Capital Loan Notes, Series 2014,” and to refund the County’s “General Obligation County Purpose Loan Agreement Anticipation Project Note, Series 2013”. The general obligation bonds are being redeemed through the Debt Service Fund.

The Constitution of the State of Iowa limits the amount of debt counties can issue to 5% of the assessed value of all taxable property within the County’s corporate limits (this figure is 100% valuation less military exemptions). Osceola County’s outstanding debt (even when considering TIF debt/rebate agreements of approximately \$1,130,000 toward the limitation) is just under \$3,700,000, which is significantly below its constitutional debt limit of approximately \$47,700,000.

As of June 30, 2016, the Public Safety Commission had a lease purchase payable to TAC 10, Inc. in the amount of \$26,395. Additional information about the County and Commission’s long-term debt plus additional long-term debt related to compensated absences, the net pension liability and the net OPEB liability is presented in Notes to the Financial Statements (7), (8) and (9).

**Economic Factors, Next Fiscal Year’s Budget, and Property Taxation**

Osceola County’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates and the fees to be charged for various County activities. Factors include the economy, state funding levels and property valuations. Unemployment as of December 2015 in Osceola County was 2.7% (this compares with the State of Iowa unemployment rate of 3.7% and the national rate of 5.0%).

This type of indicator was considered when adopting the County’s budget for fiscal year 2017. The fiscal year 2016 actual figures for funds required to be budgeted and the original adopted budget for fiscal year 2017 for receipts and disbursements are as follows:

	Fiscal Year 2016 Actual	Fiscal Year 2017 Original Adopted Budget
<b>Receipts:</b>		
Property and Other County Tax	\$ 4,425,728	\$ 4,827,384
Interest and Penalty on Property Tax	18,339	0
Intergovernmental	3,251,067	3,197,077
Licenses and Permits	32,185	21,950
Charges for Service	382,967	281,985
Use of Money and Property	62,722	60,623
Miscellaneous	102,617	40,950
<b>Total Receipts</b>	<b>\$ 8,275,625</b>	<b>\$ 8,429,969</b>

Disbursements:

Public Safety and Legal Services	\$ 1,467,675	\$ 1,451,280
Physical Health and Social Services	208,828	245,191
Mental Health	287,488	205,225
County Environment and Education	860,223	838,348
Roads and Transportation	3,007,558	3,484,765
Governmental Services to Residents	265,534	273,288
Administration	889,174	933,338
Nonprogram Current	94,523	240,574
Debt Service	477,832	462,223
Capital Projects	39,103	145,000
<b>Total Disbursements</b>	<b>\$ 7,597,938</b>	<b>\$ 8,279,232</b>

The property taxation by type, tax rates per \$1,000 taxable valuation, and valuation with gas and electric utilities for fiscal year 2016 and 2017 are as follows:

Property Taxation by Type

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2017</u>
Countywide Levies	\$ 2,381,522	2,478,944
Rural Only Levies	\$ 1,580,793	1,671,501
TIF Tax Revenues	\$ 639,344	810,986
Utility Replacement Excise Tax	\$ 76,460	85,435

Tax Rates per \$1,000 Taxable Valuation

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2017</u>
Countywide Areas	5.10010	5.08213
Rural Areas	9.24741	9.24825

Valuation with Gas and Electric Utilities

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2017</u>
Countywide Areas	\$ 475,883,426	497,675,375
Rural Only Areas	\$ 388,618,424	409,644,391

**Contacting the County’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Osceola County’s finances and to show the County’s accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Osceola County Auditor’s Office, 300 7<sup>th</sup> Street, Sibley, Iowa 51249 (phone number: 712-754-2241).

Sources: Unemployment: <http://www.iowaworkforcedevelopment.gov>

**Osceola County**  
**Basic Financial Statements**

**Osceola County**

**Statement of Net Position**

**June 30, 2016**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Public Safety Commission</b>
<b>Assets</b>		
Cash and Pooled Investments	\$ 5,452,436	\$ 192,948
Receivables:		
Property Tax:		
Delinquent	2,519	0
Succeeding Year	3,988,628	0
Tax Increment Financing:		
Succeeding Year	780,706	0
Interest and Penalty on Property Tax	11,553	0
Accounts	251,028	0
Accrued Interest	3,701	0
Drainage Assessment	62	0
Due from Primary Government (County)	0	7,414
Due from County's Agency Funds	22,991	9,219
Due from Other Governments	225,752	697
Inventories	324,567	0
Prepaid Expenses	69,770	51,360
Capital Assets (Net of Accumulated Depreciation)	15,377,073	217,206
<b>Total Assets</b>	<b>26,510,786</b>	<b>478,844</b>
<b>Deferred Outflows of Resources</b>		
Pension Related Deferred Outflows	468,313	171,590
<b>Liabilities</b>		
Accounts Payable	188,366	6,839
Salaries and Benefits Payable	41,531	1,603
Due to Component Unit (Public Safety)	7,414	0
Due to Other Governments	6,191	0
Accrued Interest Payable	3,939	0
Long-Term Liabilities:		
Portion Due or Payable Within One Year:		
Compensated Absences	129,076	88,088
General Obligation County Purpose and Refunding Bonds	370,000	0
OCEDC General Obligation Loan	5,079	0
Osceola Electric Coop. General Obligation Loan	36,900	0
Lease-Purchase Payable	0	13,197

## Statement of Net Position

June 30, 2016

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Public Safety Commission</u>
<b>Liabilities (Continued)</b>		
Long-Term Liabilities (Continued):		
Portion Due or Payable After One Year:		
General Obligation County Purpose and Refunding Bonds	1,975,000	0
OCEDC General Obligation Loan	70,775	0
Osceola Electric Coop. General Obligation Loan	36,900	0
Lease-Purchase Payable	0	13,198
Net Pension Liability	1,302,686	43,784
Net OPEB Liability	126,857	22,661
<b>Total Liabilities</b>	<u>4,300,714</u>	<u>189,370</u>
<b>Deferred Inflows of Resources</b>		
Unavailable Property Tax Revenue	3,988,628	0
Unavailable Tax Increment Financing Revenue	780,706	0
Unavailable Rental Income	7,902	0
Pension Related Deferred Inflows	347,910	191,791
<b>Total Deferred Inflows of Resources</b>	<u>5,125,146</u>	<u>191,791</u>
<b>Net Position</b>		
Net Investment in Capital Assets	13,871,453	190,811
Restricted for:		
Supplemental Levy Purposes	339,239	0
Conservation Land Acquisition Purposes	209,775	0
Jail Improvements/Courthouse Security Purposes	193,382	0
Rural Services Purposes	176,082	0
Secondary Roads Purposes	3,106,011	0
Debt Service Purposes	140,971	0
Other Purposes	166,171	0
Unrestricted	(649,845)	78,462
<b>Total Net Position</b>	<u>\$ 17,553,239</u>	<u>\$ 269,273</u>

See Notes to Financial Statements.

**Osceola County**

**Statement of Activities**

**Year Ended June 30, 2016**

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Service</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental Activities:				
Public Safety and Legal Services	\$ 1,417,827	288,886	11,618	0
Physical Health and Social Services	208,517	1,042	48,451	0
Mental Health	281,263	0	12,892	0
County Environment and Education	713,300	20,374	21,354	4,200
Roads and Transportation	3,547,171	64,058	2,731,024	2,249,406
Governmental Services to Residents Administration	283,069	139,147	17	0
Administration	894,136	6,096	0	0
Non-Program Current	78,772	0	0	0
Interest on Long-Term Debt	57,681	0	4,534	0
Capital Projects	191,187	0	0	0
<b>Total Primary Government</b>	<b>\$ 7,672,923</b>	<b>519,603</b>	<b>2,829,890</b>	<b>2,253,606</b>

**Component Unit:**

<b>Public Safety Commission</b>	<b>\$ 1,108,353</b>	<b>1,215,342</b>	<b>20,296</b>	<b>0</b>
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**General Revenues:**

- Property and Other County Tax Levied for:
  - General Purposes
  - Unified Law
- Tax Increment Financing
- Penalty and Interest on Property Tax
- State Tax Credits
- Grants and Contributions Not Restricted to Specific Purposes
- Unrestricted Investment Earnings
- Rents
- Drainage Assessments
- Gain on Disposal of Capital Assets
- Workers Compensation
- Miscellaneous

**Total General Revenues**

**Change in Net Position**

**Net Position Beginning of Year**

**Net Position End of Year**

See Notes to Financial Statements.



<b>Net (Expense) Revenue and Changes in Net Position</b>	
<b>Primary Government Governmental Activities</b>	<b>Component Unit Public Safety Commission</b>
(1,117,323)	0
(159,024)	0
(268,371)	0
(667,372)	0
1,497,317	0
(143,905)	0
(888,040)	0
(78,772)	0
(53,147)	0
(191,187)	0
<u>(2,069,824)</u>	<u>0</u>
 0	 127,285
 3,351,882	 0
460,071	0
622,971	0
18,874	0
260,155	0
132,290	0
17,247	0
19,244	0
156,422	0
30,417	0
27,822	0
968	4,429
<u>5,098,363</u>	<u>4,429</u>
 3,028,539	 131,714
<u>14,524,700</u>	<u>137,559</u>
<u>\$ 17,553,239</u>	<u>\$ 269,273</u>

**Balance Sheet  
Governmental Funds**

**June 30, 2016**

	<b>Special Revenue</b>						<b>Total</b>
	<b>General</b>	<b>Rural Services</b>	<b>Secondary Roads</b>	<b>County Tax Increment Financing (Amended Ethanol TIF Areas)</b>	<b>Debt Service (Amended Ethanol TIF Areas P &amp; I)</b>	<b>Nonmajor Special Revenue</b>	
<b>Assets</b>							
Cash and Pooled Investments	\$ 1,650,484	172,615	2,794,290	0	144,479	690,568	5,452,436
Receivables:							
Property Tax:							
Delinquent	2,054	204	0	0	0	261	2,519
Succeeding Year	2,186,007	1,127,513	0	0	0	675,108	3,988,628
Tax Increment Financing:							
Succeeding Year	0	0	0	537,819	0	242,887	780,706
Interest and Penalty on Property Tax Accounts	11,553	0	0	0	0	0	11,553
Accrued Interest	250,454	125	449	0	0	0	251,028
Drainage Assessment	3,249	0	0	0	431	21	3,701
Due from County's Governmental Funds	0	0	0	0	0	62	62
Due from Agency Funds	0	0	261,964	0	0	0	261,964
Due from Other Governments	22,886	0	0	0	0	105	22,991
Inventories	21,022	4,463	199,868	0	0	399	225,752
Prepaid Expenditures	0	0	324,567	0	0	0	324,567
	40,028	0	29,742	0	0	0	69,770
<b>Total Assets</b>	<b>\$4,187,737</b>	<b>1,304,920</b>	<b>3,610,880</b>	<b>537,819</b>	<b>144,910</b>	<b>1,609,411</b>	<b>11,395,677</b>

**Liabilities, Deferred Inflows of Resources  
and Fund Balances**

**Liabilities:**

Accounts Payable	\$ 41,803	1,325	136,461	0	0	8,777	188,366
Salaries and Benefits Payable	9,826	0	31,705	0	0	0	41,531
Due to County's Governmental Funds	0	0	0	0	0	261,964	261,964
Due to Component Unit (Public Safety)	0	0	0	0	0	7,414	7,414
Due to Other Governments	4,139	0	2,052	0	0	0	6,191
<b>Total Liabilities</b>	<b>55,768</b>	<b>1,325</b>	<b>170,218</b>	<b>0</b>	<b>0</b>	<b>278,155</b>	<b>505,466</b>

**Deferred Inflows of Resources:**

Unavailable Revenues:							
Succeeding Year Property Tax	2,186,007	1,127,513	0	0	0	675,108	3,988,628
Succeeding Year Tax Increment Financing	0	0	0	537,819	0	242,887	780,706
Other	265,016	198	0	0	0	317	265,531
<b>Total Deferred Inflows of Resources</b>	<b>2,451,023</b>	<b>1,127,711</b>	<b>0</b>	<b>537,819</b>	<b>0</b>	<b>918,312</b>	<b>5,034,865</b>

**Fund Balances:**

Nonspendable:							
Inventories	0	0	324,567	0	0	0	324,567
Prepaid Expenditures	40,028	0	29,742	0	0	0	69,770
Restricted for:							
Supplemental Levy Purposes	313,345	0	0	0	0	0	313,345
Jail Improvements/Courthouse Security	88,368	0	0	0	0	0	88,368
Conservation Land Acquisition Purposes	209,775	0	0	0	0	0	209,775
Rural Services Purposes	0	175,884	0	0	0	0	175,884
Secondary Roads Purposes	0	0	3,086,353	0	0	0	3,086,353
Debt Service	0	0	0	0	144,910	0	144,910
Other Purposes	0	0	0	0	0	674,908	674,908
Unassigned	1,029,430	0	0	0	0	(261,964)	767,466
<b>Total Fund Balances</b>	<b>1,680,946</b>	<b>175,884</b>	<b>3,440,662</b>	<b>0</b>	<b>144,910</b>	<b>412,944</b>	<b>5,855,346</b>

**Total Liabilities, Deferred Inflows  
of Resources and Fund Balances**

<b>\$4,187,737</b>	<b>1,304,920</b>	<b>3,610,880</b>	<b>537,819</b>	<b>144,910</b>	<b>1,609,411</b>	<b>11,395,677</b>
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See Notes to Financial Statements.



## Osceola County

**Reconciliation of the Balance Sheet –  
Governmental Funds to the Statement of Net Position –  
Governmental Activities**

**June 30, 2016**

**Total Governmental Fund Balances (Pages 22-23)** \$ 5,855,346

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$22,087,935 and the accumulated depreciation is \$6,710,862. 15,377,073

Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 257,629

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 468,313	
Deferred inflows of resources	<u>(347,910)</u>	120,403

Long-term liabilities, including accrued interest payable, compensated absences payable, general obligation loans and bonds, net pension liability, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (4,057,212)

**Net Position of Governmental Activities (Pages 18-19)** \$ 17,553,239

See Notes to Financial Statements.

Osceola County

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

Year Ended June 30, 2016

	Special Revenue			
	General	Rural Services	Secondary Roads	County Tax Increment Financing (Amended Ethanol TIF Areas)
<b>Revenues:</b>				
Property and Other County Tax	\$ 2,090,314	1,069,597	0	0
Tax Increment Financing	0	0	0	529,418
Interest and Penalty on Property Tax	18,392	0	0	0
Intergovernmental	269,488	94,583	2,731,023	50,146
Licenses and Permits	300	4,100	27,845	0
Charges for Service	372,129	0	304	0
Use of Money and Property	37,045	11,041	1,865	0
Miscellaneous	41,559	2,030	54,570	0
<b>Total Revenues</b>	<b>2,829,227</b>	<b>1,181,351</b>	<b>2,815,607</b>	<b>579,564</b>
<b>Expenditures:</b>				
Operating:				
Public Safety and Legal Services	978,272	0	0	0
Physical Health and Social Services	197,293	12,520	0	0
Mental Health	2,108	0	0	0
County Environment and Education	468,484	106,969	0	0
Roads and Transportation	0	0	3,276,422	0
Governmental Services to Residents	260,809	1,826	0	0
Administration	888,268	0	0	0
Non-Program Current	0	0	0	17,253
Debt Service	0	57,109	0	0
Capital Projects	7,073	0	31,929	0
<b>Total Expenditures</b>	<b>2,802,307</b>	<b>178,424</b>	<b>3,308,351</b>	<b>17,253</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>26,920</b>	<b>1,002,927</b>	<b>(492,744)</b>	<b>562,311</b>
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	13,680	0	14,177	0
Operating Transfers In	0	0	935,714	0
Operating Transfers Out	0	(935,714)	0	(532,685)
<b>Total Other Financing Sources (Uses)</b>	<b>13,680</b>	<b>(935,714)</b>	<b>949,891</b>	<b>(532,685)</b>
<b>Changes in Fund Balances</b>	<b>40,600</b>	<b>67,213</b>	<b>457,147</b>	<b>29,626</b>
<b>Fund Balances Beginning of Year</b>	<b>1,640,346</b>	<b>108,671</b>	<b>2,983,515</b>	<b>(29,626)</b>
<b>Fund Balances End of Year</b>	<b>\$ 1,680,946</b>	<b>175,884</b>	<b>3,440,662</b>	<b>0</b>

See Notes to Financial Statements.

<b>Debt Service (Amended Ethanol TIF Areas P &amp; I)</b>	<b>Nonmajor Special Revenue</b>	<b>Total</b>
0	642,889	3,802,800
0	93,554	622,972
0	0	18,392
0	87,061	3,232,301
0	0	32,245
0	1,495	373,928
4,533	236	54,720
0	158,651	256,810
4,533	983,886	8,394,168
0	495,767	1,474,039
0	0	209,813
0	279,155	281,263
0	267,324	842,777
0	0	3,276,422
0	4,301	266,936
0	0	888,268
0	61,519	78,772
420,722	0	477,831
0	152,185	191,187
420,722	1,260,251	7,987,308
(416,189)	(276,365)	406,860
0	0	27,857
532,685	0	1,468,399
0	0	(1,468,399)
532,685	0	27,857
116,496	(276,365)	434,717
28,414	689,309	5,420,629
144,910	412,944	5,855,346

Osceola County

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

Year Ended June 30, 2016

**Change in Fund Balances - Total Governmental Funds (pages 26-27)** \$ 434,717

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

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

Expenditures for capital assets	\$ 809,448	
Capital assets contributed by the Iowa Department of Transportation	2,249,406	
Depreciation expense	<u>(907,208)</u>	2,151,646

In the Statement of Activities, the gains and losses on the disposition of capital assets are reported, whereas the governmental funds report the proceeds from the disposition of capital assets as an increase in financial resources (the basis of the capital assets disposed does not affect the governmental funds). (30,909)

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

Property Tax	132	
Other	<u>27,336</u>	27,468

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. There were no current year debt issuances. Current year repayments were as follows:

Repaid long-term liabilities		419,551
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The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 184,650

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Interest on long-term debt	600	
Compensated absences	(34,499)	
Pension expense	(120,757)	
Other postemployment benefits	<u>(3,928)</u>	<u>(158,584)</u>

**Change in Net Position of Governmental Activities (pages 20-21)** \$3,028,539

See Notes to Financial Statements.



## Osceola County

Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2016

**Assets**

Cash and Pooled Investments:	
County Treasurer	\$ 857,070
Other County Officials	44,003
Receivables:	
Property Tax:	
Delinquent	13,166
Succeeding Year	7,888,207
Tax Increment Financing:	
Succeeding Year	238,621
Accounts	6,280
Accrued Interest	12
Special Assessments	933
Due from Other Agency Funds	105
Due from Other Governments	53,484
Prepaid Expenses	29,051
	<hr/>
<b>Total Assets</b>	<b>9,130,932</b>
	<hr/>

**Liabilities**

Accounts Payable	2,683
Due to Primary Government (County)	22,991
Due to Other Agency Fund	105
Due to Component Unit (Public Safety Commission)	9,219
Due to Other Governments	9,035,072
Trusts Payable	51,544
Compensated Absences	9,318
	<hr/>
<b>Total Liabilities</b>	<b>9,130,932</b>
	<hr/>
<b>Net Position</b>	<b>\$ 0</b>
	<hr/> <hr/>

See Notes to Financial Statements.



## Osceola County

### Notes to Financial Statements

June 30, 2016

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

Osceola 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. Appointed/hired officials that assist the Board of Supervisors include the Conservation Director and Engineer. Osceola County, the Board of Health and the Osceola Community Hospital, Inc. have established a Merged Osceola Community Health Services Program. The “Hospital” administers this Merged Program. The County provides numerous services to citizens, including law enforcement (in conjunction with the Public Safety Commission), health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

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

##### A. Reporting Entity

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

These financial statements present Osceola 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.

Fifty-one 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 Osceola 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 Osceola County Auditor's office.

Discretely Presented Component Unit – The Public Safety Commission is presented in a separate column to emphasize that it is legally separate from the County, but is financially accountable to the County, and its relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. The Public Safety Commission, a Chapter 28E Organization formed by Osceola County and each of the cities in Osceola County, is governed by representatives appointed by each of the members and is the sole provider of public (governmental) law enforcement for all of Osceola County. Osceola County approves the Public Safety Commission's tax rates and levies a unified law tax on behalf of the Commission. Osceola County collected and expended \$495,042 (\$494,621 on a cash basis) through the Unified Law Levy Fund to the Public Safety Commission for the unified law levy during the fiscal year ended June 30, 2016. Osceola County's expenditure for its contribution for contract law enforcement to the Public Safety Commission was \$224,171 from the General Basic Fund for the fiscal year ended June 30, 2016. In addition, the County provided the Public Safety Commission with bookkeeping and payroll services (which, in exchange for providing these services, the County gets to keep all investment income earned on Public Safety Commission funds). The financial statements for the Public Safety Commission, which are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board, are presented in this audit report as a discretely presented component unit and more detailed financial information is reported in the Required Supplementary Information and as other supplementary information in the schedules.

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: Osceola County Assessor's Conference Board, Osceola County Emergency Management Commission, Osceola County Joint E911 Service Board, the Northwest Iowa Area Solid Waste Agency, the Hazardous Material Response Commission (Region III), the Northwest Iowa Care Connections and the Northwest Iowa Regional Housing Authority. 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 for the Osceola County Assessor, Osceola County Emergency Management Commission and Osceola County Joint E911 and not reported for the Northwest Iowa Solid Waste Agency, the Hazardous Material Response Commission (Region III), the Northwest Iowa Care Connections and the Northwest Iowa Regional Housing Authority.

During the fiscal year ended June 30, 2016, the County did not receive any revenue from or contribute/pay any money to the County Assessor, E911, the Northwest Iowa Solid Waste Agency or the Hazardous Material Response Commission (Region III). Osceola County contributed \$30,000 through the General Fund toward support of the Emergency Management Services; made a \$8,118 contribution from the General Fund for operations to the Northwest Iowa Regional Housing Authority; and paid \$266,342 through the Mental Health Fund to the Northwest Iowa Care Connections for the County's share of regional mental health services. In addition, the County provided the County Assessor, Emergency Management and E911 with bookkeeping and payroll services (which, in exchange for providing these services, the County gets to keep all investment income earned on the County Assessor and Emergency Management Funds).

Joint Venture – The County is a participant with the cities in Osceola County in a joint venture to manage the Osceola County Economic Development Commission, a Chapter 28E Organization. The Commission is governed by a six-member board composed of one representative from each governmental entity. The purpose of the Commission is to develop new economic opportunities in Osceola County. The County has an ongoing financial responsibility to provide funding to the Commission for the Commission's continued existence. During the year ended June 30, 2016, the amount of money expended by the County for the Commission amounted to \$58,590 in support (\$17,577 from the General Fund and \$41,013 from the Rural Services Fund). Please see Note to the Financial Statements (7) for information on a general obligation loan that the County owes to the Osceola County Economic Development Commission. Financial information on the Commission is not included with the County's financial statements. Financial statements for the Commission may be obtained from the Commission's office in the Osceola County Courthouse in Sibley, Iowa.

B. Basis of Presentation

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

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional

provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

The County Tax Increment Financing (Amended Ethanol TIF Areas) Fund is used to account for the collection of tax increment financing related to the Urban Renewal District 1 (Ethanol Plant) Amended Plan areas. The tax increment financing proceeds are mainly being collected for the County's "General Obligation County Purpose and Refunding Bonds, Series 2013A" debt service requirements. The County also expends some of the tax increment financing collections in the form of rebate payments.

The Debt Service (Amended Ethanol TIF Areas P & I) Fund is utilized to account for interest earned by amounts in this fund and for operating transfers

in of tax increment financing collections generated by the Urban Renewal District 1 (Ethanol Plant) Amended Plan areas. These proceeds are to be used for the payment of interest and principal on the County's "General Obligation County Purpose and Refunding Bonds, Series 2013A".

Additionally, the County reports the following funds:

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

Separate financial information for the County's discretely presented component unit, the Public Safety Commission, is included in the Required Supplementary Information and as part of the supplementary information in the schedules.

### C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The separate financial statements for the County's discretely presented component unit, the Public Safety Commission, are also reported in the schedules using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. For this purpose, the County and Public Safety Commission consider revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), charges for services, interest and certain miscellaneous revenues associated with the current fiscal year are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County or the Public Safety Commission.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, any claims and judgments and compensated absences (for employees who haven't terminated employment) are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds and the Public Safety Commission. Proceeds of general long-term debt and any acquisitions under

capital leases/installment purchases are reported as other financing sources, as applicable.

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

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

The County, as well as the Public Safety Commission, maintains its financial records on the cash basis. The financial statements of the County, including the Public Safety Commission's financial information, are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash and Pooled Investments – The cash balances of most County and Public Safety Commission funds are pooled and invested. Interest earned on investments, including Public Safety Commission interest earnings per an agreement between the County and the Commission, is recorded in the General Fund, unless otherwise provided by law or agreement. Investments are stated at fair value, except for investments in the Iowa Public Agency Investment Trust, which are valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost, as the cost and fair market value are considered equal.

Property Tax and Tax Increment Financing Receivables – Property tax and tax increment financing in the County's governmental funds are accounted for using the modified accrual basis of accounting.

Property tax and tax increment financing receivables are recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivables represent 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 and tax increment financing receivables have been recorded, the related revenues are deferred in both



the government-wide and fund financial statements and will not be recognized as revenue until the year for which each is levied.

Property tax and tax increment financing revenues 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; are based on January 1, 2014, assessed property valuations; are for the tax accrual period July 1, 2015 through June 30, 2016; and reflect the tax asking contained in the budget certified by the County Board of Supervisors in March 2015.

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.

Accounts Receivable – Accounts receivable represents money owed to the County, mainly for services provided by the County, which was not paid as of June 30, 2016. The General Fund accounts receivable total includes \$175,025 in jail fees receivable and \$50,152 in ambulance charges receivable for which it is possible that a large portion of these jail fees and ambulance charges receivable may not be collected within one year.

Due from Primary Government (County), Due from County's Agency Funds, Due from County's Governmental Funds, Due from Other Agency Fund, Due to Component Unit (Public Safety), Due to County's Governmental Funds, Due to Primary Government (County), and Due to Other Agency Fund – During the course of its operations, the County has numerous transactions between the County's governmental funds, agency funds and the Public Safety Commission. To the extent that certain transactions between the County's governmental funds, agency funds and the Public Safety Commission had not been paid or received as of June 30, 2016, balances of interfund amounts receivable or payable have been recorded in the financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Secondary Roads Fund consist mainly of expendable supplies held for consumption and some supplies available for resale. Inventories of the Secondary Roads Fund are recorded as expenses/expenditures when consumed or sold rather than when purchased.

Prepaid Expenses/Expenditures – Prepaid expenses/expenditures represent insurance coverage and other expenses/expenditures which will benefit a future fiscal year. Prepayments are recorded as expenses/expenditures when utilized rather than when paid for.

Capital Assets – Capital assets, which include property; equipment, machinery and vehicles; intangibles; and infrastructure assets acquired after July 1, 2004 (e.g., roads, bridges, drainage systems and similar items which are immovable and of value only to the County), are reported in the governmental activities and component

unit – Public Safety Commission columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County and Public Safety Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Intangibles	25,000
Land, Buildings and Improvements	5,000
Machinery, Equipment and Vehicles	5,000

Capital assets of the County and the Public Safety Commission are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings and Building Improvements	25 – 50
Land Improvements	10 – 50
Infrastructure	10 – 65
Intangibles	3 – 40
Machinery and Equipment	3 – 20
Vehicles	5 – 15

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the County or Public Safety Commission after the measurement date but before the end of the County or Public Safety Commission’s reporting period.

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

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

Compensated Absences – County and Public Safety Commission employees accumulate a limited amount of earned but unused vacation hours and compensatory time for subsequent use or for payment upon termination, death, or retirement. Sick pay is also accumulated on a limited basis by employees for subsequent use, but is

not paid upon termination, death, or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for the cost of vacation and compensatory time termination accumulations is reported in governmental fund financial statements and the Public Safety Commission supplementary financial information only for employees that have resigned, retired or employment has terminated for any other reason. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities of the County will be paid primarily by the General and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and the County’s discretely presented component unit, the Public Safety Commission, Statement of Net Position.

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future year(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements and the financial information presented in the schedules for the County’s discretely presented component unit, the Public Safety Commission, represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable, tax increment financing receivable, and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which each tax is levied; rental income which has been received by the County but will not be recognized as revenue until the fiscal year the rent applies

to; and the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

Fund Equity – In the County's governmental funds financial statements and the Public Safety Commission financial information presented in the schedules, fund balances are classified as follows:

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

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

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

Assigned – Amounts the Board of Supervisors/Public Safety Commission Board intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The County's budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, disbursements for the County did not exceed the amount budgeted for any function or the amount appropriated for any department.

The Public Safety Commission's budgetary information is also reported as part of the Required Supplementary Information. During the year ended June 30, 2016, disbursements for the Commission did not exceed the total amount budgeted.

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

The County's deposits in banks at June 30, 2016 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 ensure there will be no loss of public funds.

The County is authorized by statute and its written investment policy 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.

At June 30, 2016, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$793,305 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The investments in the Iowa Public Agency Investment Trust are unrated.

The Public Safety Commission’s deposits and investments are commingled with County funds held by the County Treasurer and satisfy all the same requirements as the County’s deposits and investments.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Due from Primary Government (County), Due from County’s Agency Funds, Due from County’s Governmental Funds, Due from Other Agency Fund, Due to Component Unit (Public Safety), Due to County’s Governmental Funds, Due to Primary Government (County), and Due to Other Agency Fund**

The detail of the receivables and payables between the County’s governmental funds (primary government) and the discretely presented component unit – Public Safety Commission as of June 30, 2016, are as follows:

Receivable Fund	Payable Fund	Amount
Component Unit: Public Safety Commission	Special Revenue: Unified Law Levy	<u>\$ 7,414</u>

This balance results from the time lag between the dates the unified law levy proceeds are received by the County, the transactions are recorded in the accounting system and the resulting payments are made to the Public Safety Commission.

The detail of receivables and payables between the County’s different governmental funds, between agency funds and the County’s governmental funds, between different agency funds, and between agency funds and the Public Safety Commission for transactions at June 30, 2016, is as follows:

Receivable Fund	Payable Fund	Amount
General	Agency: County Offices (Recorder, Sheriff and Auditor) Auto License and Use Tax Other (Flex Spending)	\$ 17,455 5,396 35
Special Revenue: Secondary Roads	Special Revenue: County Tax Increment Financing (Cenex Coop TIF Area)	261,964

County Recorder's Records Management	Agency: County Offices (Recorder)	<u>105</u>
	Subtotal	284,955
Agency:		
Other (Co. Recorder's Electronic Fee)	County Offices (Recorder)	105
Component Unit:		
Public Safety Commission	County Offices (Sheriff)	<u>9,219</u>
	Total	<u>\$ 294,279</u>

Most of these balances result from the time lag between the dates interfund goods and services are provided, reimbursable expenditures occur and/or money is collected in an agency fund, the transactions/collections are recorded in the accounting system, and the resulting payments are made to the County's appropriate governmental or agency fund or the Public Safety Commission.

The balance owed to the Secondary Roads Fund by the County Tax Increment Financing (Cenex Coop TIF Area) Fund is the result of an interfund loan to help finance development projects within this designated urban renewal area. Repayments will be made on this interfund loan as tax increment financing proceeds are received from the Cenex Coop TIF Area. During the fiscal year ended June 30, 2016, the remaining balance of \$30,000 owed to the General Fund by the County Tax Increment Financing (Amended Ethanol TIF Areas) was repaid in full. Of the \$261,964 owed to the Secondary Roads Fund by the County Tax Increment Financing (Cenex Coop TIF Area) Fund, \$24,723 is expected to be repaid in fiscal year 2016/2017 and \$237,241 is not expected to be repaid until after fiscal year 2016/2017.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2016, is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 935,714
Debt Service (Amended Ethanol TIF Areas P & I)	County Tax Increment Financing (Amended Ethanol TIF Areas)	<u>532,685</u>
Total		<u>\$ 1,468,399</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer into the Secondary Roads Fund was done in accordance with the local effort provision (Iowa Code Section 312.2(5)) and the transfer into the Debt Service (Amended Ethanol TIF Areas P & I) Fund was to move certain TIF collections in accordance with bond requirements to the fund required to make debt service payments on the General Obligation County Purpose and Refunding Bonds, Series 2013A.

(5) **Capital Assets**

Capital assets activity for the County and the Public Safety Commission for the year ended June 30, 2016, was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>County Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,482,596	0	( 13,680)	1,468,916
Construction in Progress	20,633	0	( 20,633)	0
Total Capital Assets Not Being Depreciated	1,503,229	0	( 34,313)	1,468,916
Capital Assets Being Depreciated:				
Buildings and Improvements	1,087,546	0	0	1,087,546
Machinery, Equipment and Vehicles	5,739,672	591,454	( 172,299)	6,158,827
Infrastructure	10,884,613	2,488,033	0	13,372,646
Total Capital Assets Being Depreciated	17,711,831	3,079,487	( 172,299)	20,619,019
Less Accumulated Depreciation For:				
Buildings and Improvements	561,875	24,977	0	586,852
Machinery, Equipment and Vehicles	2,934,108	280,190	( 155,070)	3,059,228
Infrastructure	2,462,741	602,041	0	3,064,782
Total Accumulated Depreciation	5,958,724	907,208	( 155,070)	6,710,862
Total Capital Assets Being Depreciated, Net	11,753,107	2,172,279	( 17,229)	13,908,157
County Governmental Activities Capital Assets, Net	\$ 13,256,336	2,172,279	( 51,542)	15,377,073

The County does not have any “intangible” capital assets as of June 30, 2016.

Depreciation expense for the County was charged to the following functions:

Governmental Activities:	
Public Safety and Legal Services	\$ 24,592
County Environment and Education	87,380
Roads and Transportation	765,924
Governmental Services to Residents	14,870
Administration	14,442
Total Depreciation Expense – Governmental Activities	<u>\$ 907,208</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Discretely Presented Component Unit – Public Safety Commission:</b>				
Capital Assets Depreciated/Amortized:				
Machinery, Equipment and Vehicles	\$ 439,340	27,726	0	467,066
Intangibles	43,990	0	0	43,990
Total Capital Assets Being Depreciated/Amortized	483,330	27,726	0	511,056
Less Accumulated Depreciation/Amortization For:				
Machinery, Equipment and Vehicles	258,912	27,020	0	285,932
Intangibles	0	7,918	0	7,918
Total Accumulated Depreciation/Amortization	258,912	34,938	0	293,850
Public Safety Commission Capital Assets, Net	\$ 224,418	(7,212)	0	217,206

Intangibles costing \$43,990 were purchased under a capital lease purchase agreement.  
Accumulated amortization on these assets totaled \$7,918 at June 30, 2016.

**(6) Due to Other Governments**

The County purchases services and supplies 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 and other County tax (including TIF) for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2016, is as follows:

Fund	Description	Amount
General	Services/Utilities	\$ 4,139
Special Revenue:		
Secondary Roads	Supplies/Utilities	2,052
Total for Governmental Funds		<u>\$ 6,191</u>
Agency:		
County Offices	Collections	\$ 11,629
Agricultural Extension Education		142,846
County Assessor		415,278
Schools		5,790,090
Community Colleges		391,364
Corporations		1,554,595
Townships		161,648
Auto License and Use Tax		154,537
E911 Surcharge		343,690
Emergency Management Services		65,379
Other Funds		4,016
Total for Agency Funds		<u>\$ 9,035,072</u>



**(7) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the County and the Public Safety Commission for the year ended June 30, 2016, is as follows:

<u>County</u>	OCEDC General Obligation Loan	Osceola Electric Coop. General Obligation Loan	General Obligation County Purpose & Refunding Bonds				
Balance Beginning of Year	\$ 93,505	110,700	2,710,000				
Increases	0	0	0				
Decreases	(17,651)	(36,900)	(365,000)				
Balance End of Year	<u>\$ 75,854</u>	<u>73,800</u>	<u>2,345,000</u>				
Due Within One Year	<u>\$ 5,079</u>	<u>36,900</u>	<u>370,000</u>				
<u>County (Continued)</u>	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total			
Balance Beginning of Year	\$ 94,577	1,038,124	122,929	4,169,835			
Increases	150,429	264,562	3,928	418,919			
Decreases	(115,930)	0	0	(535,481)			
Balance End of Year	<u>\$ 129,076</u>	<u>1,302,686</u>	<u>126,857</u>	<u>4,053,273</u>			
Due Within One Year	<u>\$ 129,076</u>	<u>0</u>	<u>0</u>	<u>541,055</u>			
<u>Component Unit-Public Safety Commission</u>	TAC 10, Inc. Lease Purchase	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total		
Balance Beginning of Year	\$ 39,591	64,495	(53,328)	16,242	67,000		
Increases	0	56,461	97,112	6,419	159,992		
Decreases	(13,197)	(32,868)	0	0	(46,064)		
Balance End of Year	<u>\$ 26,394</u>	<u>88,088</u>	<u>43,784</u>	<u>22,661</u>	<u>180,928</u>		
Due Within One Year	<u>\$ 13,197</u>	<u>88,088</u>	<u>0</u>	<u>0</u>	<u>102,285</u>		

**Osceola County Economic Development Commission (OCEDC) General Obligation Loan**

On February 28, 2008, the County entered into a loan agreement with the Osceola County Economic Development Commission (OCEDC) for \$140,000. This loan was used to purchase real estate known as the “Highpoint of Iowa” or “Hawkeye Point”. The terms on this note payable included a 4.5% interest rate, monthly payments based on a 25 year amortization schedule and a balloon payment of the remaining balance due after 10 years. In August 2015, this note payable was refinanced by paying the principal balance

outstanding at that time down to \$80,000. The terms on this note payable were changed to a 3% interest rate with monthly payments based on a 10 year amortization schedule. The maturity date remained the same as in the original loan agreement (a balloon payment of the remaining outstanding balance due on February 28, 2018). Based on the refinanced terms, a summary of the County's June 30, 2016 OCEDC note payable indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2017	3.00%	\$ 5,079	2,206	7,285
2018	3.00%	70,775	1,395	72,170
Totals		\$ 75,854	3,601	79,455

During the year ended June 30, 2016, the County paid off principal of \$17,651 and interest of \$2,558 on this loan through the Rural Services Fund in the debt service function.

If default is made on any payment of this note, or if the OCEDC believes itself insecure, the entire principal and accrued interest may be declared due and payable by the OCEDC. The interest rate during the default period is 10%.

This note is secured by a real estate mortgage on the "Hawkeye Point" property. The "Hawkeye Point" property is recorded as a capital asset on the County's financial statements with a June 30, 2016, book value (capitalized cost of \$124,740 less accumulated depreciation of \$21,743) of \$102,997.

#### **Osceola Electric Cooperative, Inc. General Obligation Loan**

On September 14, 2007, the County entered into a loan agreement with the Osceola Electric Cooperative, Inc. for \$369,000 at a 0% interest rate through the Cooperative's revolving loan fund (Rural Economic Development Loan and Grant Program). The loan is payable in ten annual payments of \$36,900. The \$369,000 in loan proceeds was actually received in December 2008. The proceeds of the loan were used to purchase 41 acres of land near Highways 9 and 60 for economic development. Additionally, in September 2007, as a matching requirement for this 0% interest loan, the County made a \$69,000 contribution to the Osceola Electric Cooperative, Inc. out of the General Basic Fund. A summary of the County's June 30, 2016, Osceola Electric Cooperative, Inc. note payable indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal
2017	0%	\$ 36,900
2018	0%	36,900
Total		\$ 73,800

During the year ended June 30, 2016, the County paid off principal of \$36,900 on this note (no interest is being charged). This loan is being repaid through the Rural Services Fund in the debt service function. If any payment is made more than ten days after the due date, a late charge will be computed. If default is made in the payment of this note, the entire principal and a calculated accrued interest amount may be declared due and payable by the Cooperative.

### **General Obligation County Purpose and Refunding Bonds, Series 2013A**

A summary of the County's June 30, 2016 general obligation bonded indebtedness is as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	2.00%	\$ 370,000	47,923	417,923
2018	2.00%	380,000	40,522	420,522
2019	2.00%	385,000	32,923	417,923
2020	2.00%	395,000	25,222	420,222
2021	2.05%	405,000	17,323	422,323
2022	2.20%	410,000	9,020	419,020
Totals		<u>\$ 2,345,000</u>	<u>172,933</u>	<u>2, 517,933</u>

The "General Obligation County Purpose and Refunding Bonds, Series 2013A" in the original amount of \$3,430,000 and dated December 15, 2013, were issued to pay expenditures related to projects in the Amended Urban Renewal District 1 (Ethanol Plant) Plan areas, to refund the County's "Urban Renewal Revenue Capital Loan Notes, Series 2004," and to refund the County's "General Obligation County Purpose Loan Agreement Anticipation Project Note, Series 2013". The proceeds from these general obligation bonds are being accounted for in the County Tax Increment Financing Projects (Amended Ethanol TIF Areas) Fund. The fund balance for this Projects Fund was \$513,565 as of June 30, 2016. The anticipated urban renewal projects consisted of constructing water system extensions and improvements, road improvements, sanitary sewer system improvements and any other projects deemed to meet the public purpose of assisting in economic development resulting in job and wealth creation within the urban renewal areas.

The net interest cost for these bonds is 1.988%. The County reserves the right to optionally prepay part or all of the principal of the Bonds maturing in each of the years 2021 and 2022, inclusive, prior to and in any order of maturity on June 1, 2020, or on any date thereafter upon terms of par and accrued interest.

During the year ended June 30, 2016, the County retired \$365,000 of the general obligation bonds, paid \$55,222 in interest and \$500 in bond administration fees. These general obligation bonds are being redeemed through the Debt Service (Amended Ethanol TIF Areas P & I) Fund and reported as debt service function expenditures.

### **TAC 10, Inc. Capital Lease Purchase Agreement (Public Safety Commission)**

On November 25, 2014, the Public Safety Commission entered into a capital lease contract with Greyhawk Commercial Finance, L.L.C. to lease-to-own TAC 10, Inc. software and services at a 0% annual percentage interest rate. The total cost of this software and services was \$43,990. During fiscal year 2016, the Public Safety Commission paid \$13,196 toward this capital lease acquisition. The June 30, 2016 TAC 10, Inc. software and services capital lease payable indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal
2017	0%	\$ 13,197
2018	0%	13,198
Total		<u>\$ 26,395</u>

If a payment on this capital-lease is not paid timely, the contract stipulates an 18% interest rate from the due date on the amount not paid timely, an additional 7% penalty on the amount owed if not paid within 10 days of the due date and any costs incurred by Greyhawk Commercial Finance, L.L.C. due to untimely payment. This capital lease contract is secured by the TAC 10, Inc. software. The TAC 10, Inc. software is recorded as a capital asset on the Commission’s full accrual financial statements.

**(8) Pension and Retirement Benefits**

Plan Description - IPERS membership is mandatory for employees of the County and the Public Safety Commission, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member’s first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member’s highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age which is generally age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate sheriff’s, deputy’s or protection occupation member’s monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 but not more than 30 years of service.
- The member’s highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular Members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. The Sheriff, deputies and the County both contributed 9.88% of covered payroll, for a total rate of 19.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2016 were \$184,650 (this amount includes \$172,917 for County employees/officials and \$11,733 for Assessor and Emergency Management employees). The Public Safety Commission's contributions to IPERS for the year ended June 30, 2016 were \$71,058.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the County reported a liability of \$1,302,686 for its proportionate share of the net pension liability for each and the Public Safety Commission reported a liability of \$43,784 for its proportionate share of the net pension liability. The net pension liability for each was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County and Public Safety Commission's proportions of the net pension liability were based on each entity's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the

County's collective proportion was 0.026368%, which was an increase of 0.000192% from its proportion measured as of June 30, 2014. At June 30, 2015, the Public Safety Commission's collective proportion was 0.000886%, which was an increase of 0.002231% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$120,757. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description of Resource	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,068	\$ 4,904
Changes of assumptions	36,519	75
Net difference between projected and actual earnings on pension plan investments	220,987	342,931
Changes in proportion and differences between County contributions and proportionate share of contributions	6,089	0
County contributions subsequent to the measurement date	184,650	0
Total	\$ 468,313	\$ 347,910

\$184,650 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2017	\$ (42,032)
2018	(42,032)
2019	(42,032)
2020	61,400
2021	449
Total	\$ (64,247)

For the year ended June 30, 2016, the Public Safety Commission recognized a pension expense of \$2,362. At June 30, 2016, the Public Safety Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description of Resource	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 19,285
Changes of assumptions	0	17,975
Net difference between projected and actual earnings on pension plan investments	102,025	154,531
Changes in proportion and differences between Commission contributions and proportionate share of contributions	(1,493)	0
Commission contributions subsequent to the measurement date	71,058	0
Total	\$ 171,590	\$ 191,791

\$71,058 reported as deferred outflows of resources related to pensions resulting from the Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2016	\$ (38,264)
2017	(38,264)
2018	(38,264)
2019	23,038
2020	495
Total	\$ (91,259)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group
Long-term Investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24	6.29
International Equity	16	6.75
Private Equity/Debt	11	11.32
Real Estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County and Commission will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County and Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County and Commission's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability:	\$ 2,399,313	1,302,686	377,205
Public Safety Commission's proportionate share of the net pension liability:	\$ 512,662	43,784	( 350,148)



IPERS' Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on the IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS - All legally required County and Commission contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County and Commission to IPERS by June 30, 2016.

**(9) Other Postemployment Benefits (OPEB)**

Plan Description. The County, including the Public Safety Commission, operates a single employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 54 (42 County and 12 Commission) active members and 2 retired (1 County and 1 Commission) members participating in the County's plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured medical plan administered by Wellmark, Inc. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the County and the Commission's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the County and Commission's net OPEB obligation:

	County's Governmental Activities	Public Safety Commission
Annual Required Contribution	\$ 30,315	\$ 8,222
Interest on Net OPEB Obligation	4,363	1,183
Adjustment to Annual Required Contribution	( 4,334)	( 1,176)
Annual OPEB Cost	30,344	8,229
Contributions Made	( 26,416)	( 1,810)
Increase in Net OPEB Obligation	3,928	6,419
Net OPEB Obligation Beginning of Year	122,929	16,242
Net OPEB Obligation End of Year	\$ 126,857	\$ 22,661

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the County contributed \$26,416 and the Public Safety Commission contributed \$1,810 to the medical plan. Plan members eligible for benefits did not make any contributions.

The County's governmental activities annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2016 are summarized as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 36,801	19.4%	63,566
2014	\$ 36,845	19.4%	93,257
2015	\$ 36,826	19.4%	122,929
2016	\$ 30,344	87.1%	126,857

The Public Safety Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2016, are summarized as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 6,375	120.8%	18,972
2014	\$ 6,351	121.3%	17,619
2015	\$ 6,326	121.8%	16,242
2016	\$ 8,229	22.0%	22,661

Funded Status and Funding Progress. As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability of the County was \$292,584, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$292,584. The County's covered payroll (annual payroll of active employees covered by the plan) was \$1,753,920 and the ratio of the UAAL to covered payroll was 16.7%. The actuarial accrued liability of the Public Safety Commission was \$73,064, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$73,064. The Commission's covered payroll (annual payroll of active employees covered by the plan) was \$630,122 and the ratio of the UAAL to covered payroll was 11.6%. As of June 30, 2016, there were no trust fund assets for either the County or the Commission.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial

Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2015, actuarial valuation date, the projected unit credit with linear proration to decrement actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County and Public Safety Commission's funding policy. The projected annual medical trend rate is 9.0%. The ultimate medical trend rate is 5%. The projected medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RPH-2015 Total Dataset Mortality Table fully generational using scale MP-2015. Annual retirement rates projected at 100% for employees covered by IPERS-General and Protection at age 61 and IPERS-Special Services at age 58. Assumption is used to project annual terminations prior to meeting minimum retirement eligibility for retiree health coverage.

Projected claim costs of the medical plan are \$16,118 for retirees covered under Plan A (\$500 deductible) and \$15,511 for retirees covered under Plan B (\$750 deductible) annually for retirees. All coverage ceases when the retiree reaches age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **(10) Risk Management**

Osceola County and the Public Safety Commission are 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. The County and Public Safety Commission assume liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **(11) Intergovernmental Agreement**

The County has entered into an agreement with the Northwest Iowa Area Solid Waste Agency, a political subdivision created in accordance with Chapter 28E of the Code of Iowa, for disposal of solid waste produced or generated from within the County. The County did not have to make any payments under this agreement for the fiscal year ended June 30, 2016.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County by resolution has approved to act as a "Local Government Guarantee" in order to provide a financial assurance mechanism

instrument for the Agency. The closure and post closure costs to the Agency have been estimated at \$3,578,774 as of June 30, 2016 and the portion of the liability that has been recognized by the Agency as of June 30, 2016 is \$1,445,274. These amounts are based on what it would cost to perform all closure and post closure care during the year ended June 30, 2016. The estimated remaining life of the landfill is 62 years and the capacity used at June 30, 2016 is approximately 40%. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2016, assets of \$1,879,986 are restricted for these purposes.

As required by Chapter 567-113.14 of the Iowa Administrative Code, the Agency has fully demonstrated financial assurance for the unfunded portions of the closure and post closure care costs by adopting a dedicated fund financial assurance mechanism, obtaining local government guarantees and providing testing of local governments financials. For the fiscal year ended June 30, 2016, Osceola County has provided a \$306,000 local government financial assurance guarantee for a portion of the unfunded closure and post closure care costs of the Northwest Iowa Area Solid Waste Agency.

**(12) Osceola County Financial Information Included in the Northwest Iowa Care Connections Mental Health Region**

Northwest Iowa Care Connections, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective April 25, 2014, includes the following member counties: Clay County, Dickinson County, Lyon County, O'Brien County, Osceola County and Palo Alto County. The financial activity of Osceola County's Special Revenue, Mental Health (County Services) Fund is included in Northwest Iowa Care Connections for the year ended June 30, 2016, as follows:

Revenues:

Property and Other County Tax		\$	182,848
Intergovernmental Revenues:			
State Tax Credits	\$	13,029	
Other State Tax Replacements		4,297	
Other Intergovernmental Revenues		103	
Total Revenues			<u>17,429</u>
			<u>200,277</u>

Expenditures:

Distribution to Regional Fiscal Agent			<u>266,342</u>
Deficiency of Revenues Under Expenditures			( 66,065)
Fund Balance Beginning of the Year			<u>71,015</u>
Fund Balance End of the Year		\$	<u><u>4,950</u></u>

**(13) Deficit Fund Balances**

The Special Revenue Fund, County Tax Increment Financing (Cenex Coop TIF Area) had a deficit modified accrual fund balance at June 30, 2016 of (\$261,964). This deficit balance is the result of qualifying project costs within a County urban renewal area in excess of available urban renewal tax increment collections. The County is planning on this deficit fund balance being eliminated in future years upon collection of tax increment financing revenues within the urban renewal area.

#### **(14) Commitments**

The County has an agreement with the City of Sioux City, Iowa for the provision of hazardous materials response services. The agreement is in effect until June 30, 2017, unless terminated for cause earlier. The County is committed to pay or reimburse the City of Sioux City for all costs incurred by the City to staff and equip a HAZMAT team to respond to hazardous condition emergencies in the County. The County is also responsible for an annual base charge. In fiscal year ending June 30, 2017, the annual base charge will be adjusted to reflect the estimated U.S. Census Bureau population data for 2015. Assuming no revisions to the agreement for program costs or population base, the annual base charge for the fiscal year ending June 30, 2017 would be \$5,493. The payment for this charge is scheduled to be paid through the County's General Fund or the Osceola County Emergency Management Services. The County's General Fund paid \$5,493 during the fiscal year ended June 30, 2016.

In April 2015, the County entered into a \$126,600 construction contract for the "Willow Creek Pond Restoration" project to be paid from the General Fund using funds restricted for "Conservation and Land Acquisition" purposes. As of June 30, 2016, no expenditures had been incurred on this construction contract.

In February 2016, the County approved up to \$30,000 in funding to be paid by the General Fund to assist the City of Ashton in a project to update the City of Ashton's elevator. As of June 30, 2016, no assistance had been provided by the County toward this elevator project.

#### **(15) Contingency**

In November 2015, several Osceola County land owners filed a petition for a Writ of Certiorari and Declaratory Judgment against Osceola County and the City of Harris due to the adoption of an Urban Renewal Plan adopted by the City of Harris and consented to by the County. The plaintiffs allege that the Urban Renewal Plan fails to comply with Iowa Code Chapter 403; the actions of the County and City are arbitrary, unreasonable, capricious, or an abuse of discretion; the consent of the County to the City violates the Petitioners' right to equal protection under the Iowa Constitution, Article One, Section Six; the taxing scheme is an irrational classification; and the inclusion of wind energy conversion property located outside the City does not comply with the City or County comprehensive plan. It is the County's position that the County has complied satisfactorily with each of the aforementioned allegations. The plaintiffs are not seeking any monetary damages from the County, but are seeking to have the court order Osceola County to remove the Urban Renewal Plan.

On February 22, 2016, the Plaintiffs filed a Motion for Summary Judgment in Iowa District Court. On June 9, 2016, the Third Judicial District Court of Iowa overruled the Plaintiffs' Motion for Summary Judgment based on the district court being unable to determine if the Plaintiffs' petition was timely filed. Upon this ruling, the Plaintiffs filed a motion to amend their petition and the Defendants filed their own Motion for Summary Judgment in the Iowa District Court requesting the dismissal of the contentions in the amended petition. On September 2, 2016, the Third Judicial Court of Iowa ruled the Plaintiffs could amend their petition based on using specific dates and information. On September 16, 2016, upon consideration of the Plaintiff's amended petition and the Defendants Motion for Summary Judgment, the Third Judicial Court of Iowa ruled the court did not reach the merits of the

Plaintiffs' claims and dismissed the Plaintiffs' petition; thereby, granting the Defendants motion for summary judgment on the threshold issues on timeliness and standing.

The Plaintiffs appealed the decision of the Third Judicial Court of Iowa. On June 7, 2017, the Court of Appeals of Iowa affirmed the district court's conclusion that the Plaintiff's petition was not filed in a timely manner to contest the ordinance providing for TIF revenues to be generated by Osceola County Urban Renewal Area #7. However, the Court of Appeals did reverse and remand for further proceedings, the right of the Plaintiffs to refile their motion for summary judgment or a jury trial in regards to the legality of the urban renewal plan and projects for Osceola County Urban Renewal #7. The Court ruled the Plaintiff's petition to contest the creation of Urban Renewal Area #7 was filed within the 30 days requirement and the Plaintiff's properly alleged possible damages as a result of the higher property taxes caused by the diversion of property taxes to projects within Urban Renewal Area #7.

The County's insurance provider's legal counsel is handling the claim. Due to the nature and timing of this complaint, no amounts have been reflected in the County's financial statements in relation to this contingency.

#### **(16) Subsequent Events**

In July 2016, the County paid \$26,625 from the General Fund to the City of Ashton to provide financial assistance toward the City's elevator project as approved by the Board in February 2016.

In October 2016, the County approved an Urban Renewal Support Agreement between the County and the City of Ocheyedan. The City approved undertaking site clearance, infrastructure installation and the promotion of new residential housing construction for the redevelopment of certain property as part of the "Ocheyedan Support Program" in Urban Renewal Area #6. Per the Urban Renewal Support Agreement, the County agreed to provide future incremental tax increment financing revenues generated within Urban Renewal Area #6 in a total amount not to exceed \$650,000.

In January 2017, the County approved a Development Agreement between the County and a private company. Per the Development Agreement, the Company would undertake the construction and development of a new full-service vehicle maintenance and repair facility for use in the Company's business operations within the County's Amended Ethanol Urban Renewal Area. The County agreed to provide future incremental tax increment financing revenues generated by this Company's project as a rebate to this Company in a total amount not to exceed \$40,000.

In April 2017, the County approved authorizing an internal loan for \$150,000 from the General Fund to the County Tax Financing (CFE TIF Area) Fund in order to provide money for qualifying costs incurred within the County's 2017 CFE Urban Renewal Area. This interfund loan from the General Fund is to be repaid, without interest, out of future incremental tax increment financing revenues generated within the 2017 CFE Urban Renewal Area.

In April 2017, the County approved authorizing an internal loan for \$3,000 from the General Fund to the County Tax Financing (Ocheyedan Support Program TIF Area) Fund in order to provide money for qualifying costs incurred for the "Ocheyedan Support Program" within

Urban Renewal Area #6. This interfund loan from the General Fund is to be repaid, without interest, out of future incremental tax increment financing revenues generated within the Urban Renewal Area #6.

In May 2017, the County approved contracts for road resurfacing in the amount of \$1,680,848 and for a deck overlay on two bridges for \$177,350. The cost of these projects are to be paid from the Secondary Roads Fund.

**(17) Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**(18) New Accounting Pronouncement**

The County adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have any impact on amounts reported or disclosed in the financial statements.





**Osceola County**  
**Required Supplementary Information**

**Osceola County**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances–  
Budget and Actual (Cash Basis) – All Governmental Funds**

**Required Supplementary Information**

**Year Ended June 30, 2016**

	<b>All County Governmental Funds - Actual</b>	<b>Less Funds Not Required to be Budgeted</b>	<b>County Governmental Budgetary Funds - Net</b>	<b>Budgeted Amounts</b>		<b>Final to Net Variance</b>
				<b>Original</b>	<b>Final</b>	
<b>Receipts:</b>						
Property and Other County Tax	\$ 4,425,728	0	4,425,728	4,451,808	4,451,808	(26,080)
Interest and Penalty on Property Tax	18,339	0	18,339	0	0	18,339
Intergovernmental	3,251,067	0	3,251,067	2,642,624	2,719,595	531,472
Licenses and Permits	32,185	0	32,185	21,950	21,950	10,235
Charges for Service	382,967	0	382,967	279,684	279,684	103,283
Use of Money and Property	62,925	203	62,722	59,550	59,550	3,172
Miscellaneous	258,977	156,360	102,617	46,140	48,640	53,977
<b>Total Receipts</b>	<b>8,432,188</b>	<b>156,563</b>	<b>8,275,625</b>	<b>7,501,756</b>	<b>7,581,227</b>	<b>694,398</b>
<b>Disbursements:</b>						
Public Safety and Legal Services	1,467,675	0	1,467,675	1,460,080	1,484,765	17,090
Physical Health and Social Services	208,828	0	208,828	201,697	227,908	19,080
Mental Health	287,488	0	287,488	288,025	353,025	65,537
County Environment and Education	860,223	0	860,223	503,426	1,001,506	141,283
Roads and Transportation	3,007,558	0	3,007,558	3,079,213	3,192,213	184,655
Governmental Services to Residents	265,534	0	265,534	330,503	330,503	64,969
Administration	889,174	0	889,174	853,961	944,061	54,887
Non-Program Current	94,523	0	94,523	105,750	105,750	11,227
Debt Service	477,832	0	477,832	480,438	480,438	2,606
Capital Projects	196,901	157,798	39,103	155,000	275,000	235,897
<b>Total Disbursements</b>	<b>7,755,736</b>	<b>157,798</b>	<b>7,597,938</b>	<b>7,458,093</b>	<b>8,395,169</b>	<b>797,231</b>
<b>Excess (Deficiency) of Receipts Over (Under) Disbursements</b>	<b>676,452</b>	<b>(1,235)</b>	<b>677,687</b>	<b>43,663</b>	<b>(813,942)</b>	<b>1,491,629</b>
<b>Other Financing Sources, Net</b>	<b>27,857</b>	<b>0</b>	<b>27,857</b>	<b>0</b>	<b>13,680</b>	<b>14,177</b>
<b>Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</b>	<b>704,309</b>	<b>(1,235)</b>	<b>705,544</b>	<b>43,663</b>	<b>(800,262)</b>	<b>1,505,806</b>
<b>Balances Beginning of Year</b>	<b>4,748,127</b>	<b>64,196</b>	<b>4,683,931</b>	<b>3,351,744</b>	<b>3,351,744</b>	<b>1,332,187</b>
<b>Balances End of Year</b>	<b>\$ 5,452,436</b>	<b>62,961</b>	<b>5,389,475</b>	<b>3,395,407</b>	<b>2,551,482</b>	<b>2,837,993</b>

See Accompanying Independent Auditor's Report.

**Osceola County**

**Budgetary Comparison Schedule – Budget to GAAP Reconciliation**

**Required Supplementary Information**

**Year Ended June 30, 2016**

	<b>Governmental Funds</b>		
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Modified Accrual Basis</b>
<b>Revenues</b>	\$ 8,432,188	(38,020)	8,394,168
<b>Expenditures</b>	7,755,736	231,572	7,987,308
<b>Net</b>	676,452	(269,592)	406,860
<b>Other Financing Sources, Net</b>	27,857	0	27,857
<b>Beginning Fund Balances</b>	4,748,127	672,502	5,420,629
<b>Ending Fund Balances</b>	\$ 5,452,436	402,910	5,855,346

See Accompanying Independent Auditor's Report.

**Osceola County**

**Budgetary Comparison Schedule of Receipts, Disbursements  
and Changes in Balances—Budget and Actual (Cash Basis) & Budget to GAAP Reconciliation  
Component Unit – Public Safety Commission**

**Year Ended June 30, 2016**

<b><u>Budget to Actual Comparison:</u></b>	<b>Actual</b>	<b>Budgeted Amounts Original (Final)</b>	<b>Final to Actual Variance</b>
<b>Receipts:</b>			
County Contribution	\$ 224,171	224,171	0
City Contribution	462,748	463,195	(447)
Unified Law Levy	494,621	484,728	9,893
Other Governmental	12,524	10,000	2,524
Charges for Service	36,388	30,000	6,388
Miscellaneous	10,804	10,000	804
<b>Total Receipts</b>	<b>1,241,256</b>	<b>1,222,094</b>	<b>19,162</b>
<b>Disbursements:</b>			
Uniformed Patrol Services	657,420	697,200	39,780
Investigations	300	500	200
Law Enforcement Communications	226,834	249,900	23,066
Administration	242,602	251,900	9,298
Information Tech Services	27,257	4,500	(22,757)
Tort Liability and Safety of the Workplace	6,830	25,000	18,170
Debt Service	13,196	0	(13,196)
<b>Total Disbursements</b>	<b>1,174,439</b>	<b>1,229,000</b>	<b>54,561</b>
<b>Excess (Deficiency) of Receipts Over (Under) Disbursements</b>	<b>66,817</b>	<b>(6,906)</b>	<b>73,723</b>
<b>Balances Beginning of Year</b>	<b>126,131</b>	<b>95,348</b>	<b>30,783</b>
<b>Balances End of Year</b>	<b>\$ 192,948</b>	<b>88,442</b>	<b>104,506</b>

Note: Although the budget document presents disbursements by program, the legal level of control is at the aggregated total of all disbursements, not by program; therefore, actual disbursements did not exceed the original (final) budget total during the fiscal year ended June 30, 2016. There were no budget amendments during the fiscal year ended June 30, 2016.

<b><u>Reconciliation:</u></b>	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Modified Accrual Basis</b>
<b>Revenues</b>	\$ 1,241,256	(1,089)	1,240,167
<b>Expenditures</b>	1,174,439	(21,324)	1,153,115
<b>Net</b>	66,817	20,235	87,052
<b>Beginning Fund Balances</b>	126,131	39,979	166,110
<b>Ending Fund Balances</b>	<b>\$ 192,948</b>	<b>60,214</b>	<b>253,162</b>

See Accompanying Independent Auditor's Report.

## Osceola County

### Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2016

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units (drainage districts) 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 for the County is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program current, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund (when applicable). Although the budget document presents function disbursements by fund, the legal level of control for the County is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the fiscal year, three budget amendments for the County increased budgeted receipts by a total of \$79,471, increased budgeted disbursements by a total of \$937,076 and increased other financing sources, net by a total of \$13,680; resulting in a decrease of \$843,925 in the budgeted end of year balance. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board, for Emergency Management Services by the County Emergency Management Commission and for the Public Safety Commission by the Public Safety Commission Board. Please see page 64 or financial information on the Public Safety Commission budget. Each of these budgets may also be amended during the year utilizing similar statutorily prescribed procedures.

During the year ended June 30, 2016, the County's disbursements did not exceed the amount budgeted for any function or the amount appropriated for any department.

**Osceola County**

**Schedule of the County's Proportionate Share of the Net Pension Liability**

**Iowa Public Employees' Retirement System  
For the Last Two Fiscal Years\***

**Required Supplementary Information**

	<u>2016</u>	<u>2015</u>
<b>County's Proportion of the Net Pension Liability</b>	0.026368%	0.026176%
<b>County's Proportionate Share of the Net Pension Liability</b>	\$ 1,302,686	\$ 1,038,124
<b>County's Covered-Employee Payroll</b>	\$ 2,046,574	\$ 1,975,898
<b>County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</b>	63.65%	52.54%
<b>IPERS' Net Position as a Percentage of the Total Pension Liability</b>	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the proceeding fiscal year.

See Accompanying Independent Auditor's Report.

**Osceola County**

**Schedule of the Component Unit - Public Safety Commission's  
Proportionate Share of the Net Pension Liability**

**Iowa Public Employees' Retirement System  
For the Last Two Fiscal Years\***

**Year Ended June 30, 2016**

	<b>2016</b>	<b>2015</b>
<b>Commission's Proportion of the Net Pension Liability</b>	0.000886%	(0.001345)%
<b>Commission's Proportionate Share of the Net Pension Liability</b>	\$ 43,784	\$ (53,328)
<b>Commission's Covered-Employee Payroll</b>	\$ 676,498	\$ 641,450
<b>Commission's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</b>	(6.47)%	(8.31)%
<b>IPERS' Net Position as a Percentage of the Total Pension Liability</b>	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the proceeding fiscal year.

See Accompanying Independent Auditor's Report.

**Osceola County**

**Schedule of County Contributions**

**Iowa Public Employees' Retirement System  
Last 10 Fiscal Years**

**Required Supplementary Information**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Statutorily Required Contribution</b>	\$ 184,650	183,875	178,040	168,041	163,199	128,764	127,262	113,945	102,041	93,376
<b>Contributions in Relation to the Statutorily Required Contribution</b>	<u>(184,650)</u>	<u>(183,875)</u>	<u>(178,040)</u>	<u>(168,041)</u>	<u>(163,199)</u>	<u>(128,764)</u>	<u>(127,262)</u>	<u>(113,945)</u>	<u>(102,041)</u>	<u>(93,376)</u>
<b>Contribution Deficiency (Excess)</b>	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>County Covered Employee Payroll</b>	\$2,050,047	2,046,574	1,975,898	1,920,482	1,974,870	1,796,414	1,870,525	1,759,420	1,705,168	1,626,437
<b>Contributions as a Percentage of Covered Employee Payroll</b>	9.01%	8.98%	9.01%	8.75%	8.26%	7.17%	6.80%	6.48%	5.98%	5.74%

See Accompanying Independent Auditor's Report.



**Osceola County**

**Schedule of Component Unit – Public Safety Commission Contributions**

**Iowa Public Employee’s Retirement System  
Last 10 Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Statutorily Required Contribution</b>	\$ 71,058	\$ 67,193	62,565	64,174	61,321	55,151	45,454	42,888	42,021	38,200
<b>Contributions in Relation to the Statutorily Required Contribution</b>	<u>(71,058)</u>	<u>(67,193)</u>	<u>(62,565)</u>	<u>(64,174)</u>	<u>(61,321)</u>	<u>(55,151)</u>	<u>(45,454)</u>	<u>(42,888)</u>	<u>(42,021)</u>	<u>(38,200)</u>
<b>Contribution Deficiency (Excess)</b>	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Commission Covered Employee Payroll</b>	\$ 720,061	676,498	641,450	645,945	621,588	600,447	573,912	556,016	575,636	527,061
<b>Contributions as a Percentage of Covered Employee Payroll</b>	9.87%	9.93%	9.75%	9.93%	9.87%	9.18%	7.92%	7.71%	7.30%	7.25%

See Accompanying Independent Auditor’s Report.

## Osceola County

### Notes to Required Supplementary Information – Pension Liability

Year Ended June 30, 2016

#### *Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

#### *Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

**Osceola County**

**Schedule of Funding Progress for the Retiree Health Plan**

**Required Supplementary Information**

**Osceola County's Governmental Activities:**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$0	168,978	168,978	0.00%	1,333,157	12.7%
2011	July 1, 2009	\$0	168,978	168,978	0.00%	1,639,871	10.3%
2012	July 1, 2009	\$0	168,978	168,978	0.00%	1,574,276	10.7%
2013	July 1, 2012	\$0	216,548	216,548	0.00%	1,618,037	13.4%
2014	July 1, 2012	\$0	216,548	216,548	0.00%	1,648,392	13.1%
2015	July 1, 2012	\$0	216,548	216,548	0.00%	1,845,787	11.7%
2016	July 1, 2015	\$0	292,584	292,584	0.00%	1,753,920	16.7%

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

See Accompanying Independent Auditor's Report.

**Osceola County**

**Schedule of Funding Progress for the Retiree Health Plan**

**Component Unit – Public Safety Commission**

**Required Supplementary Information**

<b>Year Ended June 30,</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage Of Covered Payroll ((b-a)/c)</b>
2010	July 1, 2009	\$0	44,511	44,511	0.00%	610,658	7.3%
2011	July 1, 2009	\$0	44,511	44,511	0.00%	527,119	8.4%
2012	July 1, 2009	\$0	44,511	44,511	0.00%	593,219	7.5%
2013	July 1, 2012	\$0	70,314	70,314	0.00%	608,924	11.5%
2014	July 1, 2012	\$0	70,314	70,314	0.00%	686,159	10.3%
2015	July 1, 2012	\$0	70,314	70,314	0.00%	627,071	11.2%
2016	July 1, 2015	\$0	73,064	73,064	0.00%	630,122	11.6%

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

See Accompanying Independent Auditor’s Report.

**Osceola County**  
**Supplementary Information**

**Osceola County  
Combining Balance Sheet**

**Nonmajor Special Revenue Funds**

**June 30, 2016**

	<b>Mental Health (County Services)</b>	<b>Unified Law Levy</b>	<b>County Recorder's Records Management</b>	<b>County Attorney Incentive</b>	<b>Sheriff's Asset Forfeiture</b>
<b>Assets</b>					
Cash and Pooled Investments	\$ 4,947	7,414	16,201	8,732	9,008
Receivables:					
Property Tax:					
Delinquent	172	89	0	0	0
Succeeding Year	182,844	492,264	0	0	0
Tax Increment Financing:					
Succeeding Year	0	0	0	0	0
Accrued Interest	0	0	4	0	0
Drainage Assessment	0	0	0	0	0
Due from Agency Funds	0	0	105	0	0
Due from Other Governments	0	0	0	399	0
<b>Total Assets</b>	<b>\$ 187,963</b>	<b>499,767</b>	<b>16,310</b>	<b>9,131</b>	<b>9,008</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 0	0	1,047	0	0
Due to County's Governmental Funds	0	0	0	0	0
Due to Component Unit (Public Safety)	0	7,414	0	0	0
<b>Total Liabilities</b>	<b>0</b>	<b>7,414</b>	<b>1,047</b>	<b>0</b>	<b>0</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable Revenues:					
Succeeding Year Property Tax	182,844	492,264	0	0	0
Succeeding Year Tax Increment Financing	0	0	0	0	0
Other	169	86	0	0	0
<b>Total Deferred Inflows of Resources</b>	<b>183,013</b>	<b>492,350</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balances:</b>					
Restricted For:					
Other Purposes	4,950	3	15,263	9,131	9,008
Unassigned	0	0	0	0	0
<b>Total Fund Balances</b>	<b>4,950</b>	<b>3</b>	<b>15,263</b>	<b>9,131</b>	<b>9,008</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 187,963</b>	<b>499,767</b>	<b>16,310</b>	<b>9,131</b>	<b>9,008</b>

See Accompanying Independent Auditor's Report.

<b>County Tax Increment Financing (Cenex Coop TIF Area)</b>	<b>County Tax Increment Financing (Windmills - Harris TIF Area)</b>	<b>County Tax Increment Financing Projects (Amended Ethanol TIF Areas)</b>	<b>Drainage Districts</b>	<b>Resource Enhancement and Protection</b>	<b>Total</b>
0	0	514,815	62,961	66,490	690,568
0	0	0	0	0	261
0	0	0	0	0	675,108
76,934	165,953	0	0	0	242,887
0	0	0	15	2	21
0	0	0	62	0	62
0	0	0	0	0	105
0	0	0	0	0	399
<b>76,934</b>	<b>165,953</b>	<b>514,815</b>	<b>63,038</b>	<b>66,492</b>	<b>1,609,411</b>
0	0	1,250	6,480	0	8,777
261,964	0	0	0	0	261,964
0	0	0	0	0	7,414
<b>261,964</b>	<b>0</b>	<b>1,250</b>	<b>6,480</b>	<b>0</b>	<b>278,155</b>
0	0	0	0	0	675,108
76,934	165,953	0	0	0	242,887
0	0	0	62	0	317
<b>76,934</b>	<b>165,953</b>	<b>0</b>	<b>62</b>	<b>0</b>	<b>918,312</b>
0	0	513,565	56,496	66,492	674,908
(261,964)	0	0	0	0	(261,964)
<b>(261,964)</b>	<b>0</b>	<b>513,565</b>	<b>56,496</b>	<b>66,492</b>	<b>412,944</b>
<b>76,934</b>	<b>165,953</b>	<b>514,815</b>	<b>63,038</b>	<b>66,492</b>	<b>1,609,411</b>

**Osceola County**

**Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Special Revenue Funds**

**Year Ended June 30, 2016**

	<b>Case Management</b>	<b>Mental Health (County Services)</b>	<b>Unified Law Levy</b>	<b>County Recorder's Records Management</b>	<b>County Attorney Incentive</b>
<b>Revenues:</b>					
Property and Other County Tax	\$ 0	182,848	460,041	0	0
Tax Increment Financing	0	0	0	0	0
Intergovernmental	12,789	17,429	35,004	0	0
Charges for Service	0	0	0	1,495	0
Use of Money and Property	0	0	0	17	0
Miscellaneous	0	0	0	0	2,141
<b>Total Revenues</b>	<b>12,789</b>	<b>200,277</b>	<b>495,045</b>	<b>1,512</b>	<b>2,141</b>
<b>Expenditures:</b>					
Operating:					
Public Safety and Legal Services	0	0	495,042	0	0
Mental Health	12,813	266,342	0	0	0
County Environment and Education	0	0	0	0	0
Governmental Services to Residents	0	0	0	4,301	0
Non-Program Current	0	0	0	0	0
Capital Projects	0	0	0	0	0
<b>Total Expenditures</b>	<b>12,813</b>	<b>266,342</b>	<b>495,042</b>	<b>4,301</b>	<b>0</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(24)</b>	<b>(66,065)</b>	<b>3</b>	<b>(2,789)</b>	<b>2,141</b>
<b>Fund Balances Beginning of Year</b>	<b>24</b>	<b>71,015</b>	<b>0</b>	<b>18,052</b>	<b>6,990</b>
<b>Fund Balance End of Year</b>	<b>\$ 0</b>	<b>4,950</b>	<b>3</b>	<b>15,263</b>	<b>9,131</b>

See Accompanying Independent Auditor's Report.



			County Tax				
			Increment	Financing			
	County Tax	County Tax	Projects	Projects		Resource	
Sheriff's	Increment	Increment	(Amended	(Amended	Drainage	Enhancement	Total
Asset	(Cenex Coop	(Windmills -	Ethanol	Ethanol	Districts	and	
Forfeiture	TIF Area)	Ocheyedan	TIF Areas)	TIF Areas)		Protection	
		TIF Area)					
	0	0	0	0	0	0	642,889
	0	77,955	15,599	0	0	0	93,554
	0	10,017	153	0	0	11,669	87,061
	0	0	0	0	0	0	1,495
	0	0	0	0	205	14	236
	150	0	0	0	156,360	0	158,651
	150	87,972	15,752	0	156,565	11,683	983,886
	725	0	0	0	0	0	495,767
	0	0	0	0	0	0	279,155
	0	0	0	267,324	0	0	267,324
	0	0	0	0	0	0	4,301
	0	61,519	0	0	0	0	61,519
	0	0	0	0	152,083	102	152,185
	725	61,519	0	267,324	152,083	102	1,260,251
	(575)	26,453	15,752	(267,324)	4,482	11,581	(276,365)
	9,583	(288,417)	(15,752)	780,889	52,014	54,911	689,309
	9,008	(261,964)	0	513,565	56,496	66,492	412,944

**Osceola County**

**Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds**

**June 30, 2016**

	<b>County Offices</b>	<b>Agricultural Extension Education</b>	<b>County Assessor</b>	<b>Schools</b>	<b>Community Colleges</b>	<b>Corporations</b>
<b>Assets</b>						
Cash and Pooled Investments:						
County Treasurer	\$ 0	1,991	198,906	77,627	5,032	11,664
Other County Officials	38,513	0	0	0	0	0
Receivables:						
Property Tax:						
Delinquent	0	132	185	5,216	356	7,235
Succeeding Year	0	140,723	196,682	5,707,247	385,976	1,297,075
Tax Increment Financing:						
Succeeding Year	0	0	0	0	0	238,621
Accounts	0	0	0	0	0	0
Accrued Interest	0	0	0	0	0	0
Special Assessments	0	0	0	0	0	0
Due from Other Agency Fund	0	0	0	0	0	0
Due from Other Governments	0	0	0	0	0	0
Prepaid Expenses	0	0	28,918	0	0	0
<b>Total Assets</b>	<b>\$ 38,513</b>	<b>142,846</b>	<b>424,691</b>	<b>5,790,090</b>	<b>391,364</b>	<b>1,554,595</b>
<b>Liabilities</b>						
Accounts Payable	\$ 0	0	95	0	0	0
Due to Primary Government (County)	17,560	0	0	0	0	0
Due to Other Agency Fund	105	0	0	0	0	0
Due to Component Unit (Public Safety)	9,219	0	0	0	0	0
Due to Other Governments	11,629	142,846	415,278	5,790,090	391,364	1,554,595
Trusts Payable	0	0	0	0	0	0
Compensated Absences	0	0	9,318	0	0	0
<b>Total Liabilities</b>	<b>\$ 38,513</b>	<b>142,846</b>	<b>424,691</b>	<b>5,790,090</b>	<b>391,364</b>	<b>1,554,595</b>

See Accompanying Independent Auditor's Report.

Townships	Auto License and Use Tax	E911 Surcharge	Emergency Management Services	Future Tax Collections	Other	Total
2,641	159,933	295,452	56,296	46,079	1,449	857,070
0	0	0	0	0	5,490	44,003
41	0	0	0	0	1	13,166
158,966	0	0	0	0	1,538	7,888,207
0	0	0	0	0	0	238,621
0	0	6,280	0	0	0	6,280
0	0	12	0	0	0	12
0	0	0	0	0	933	933
0	0	0	0	0	105	105
0	0	43,610	9,874	0	0	53,484
0	0	0	133	0	0	29,051
161,648	159,933	345,354	66,303	46,079	9,516	9,130,932
0	0	1,664	924	0	0	2,683
0	5,396	0	0	0	35	22,991
0	0	0	0	0	0	105
0	0	0	0	0	0	9,219
161,648	154,537	343,690	65,379	0	4,016	9,035,072
0	0	0	0	46,079	5,465	51,544
0	0	0	0	0	0	9,318
161,648	159,933	345,354	66,303	46,079	9,516	9,130,932

**Osceola County**

**Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds**

**Year Ended June 30, 2016**

	<b>County Offices</b>	<b>Agricultural Extension Education</b>	<b>County Assessor</b>	<b>Schools</b>	<b>Community Colleges</b>	<b>Corporations</b>
<b>Assets and Liabilities</b>						
<b>Balances Beginning of Year</b>	\$ 44,992	136,295	378,745	5,451,289	353,815	1,567,751
<b>Additions:</b>						
Property and Other County Tax (Including TIF)	0	141,223	197,418	5,566,635	387,087	1,537,333
State Tax Credits	0	9,595	14,293	375,993	24,153	222,517
Intergovernmental Replacements, Grants and Revenues	8,972	3,240	15,486	122,333	9,182	66,254
Contribution from Osceola County	0	0	0	0	0	0
E911 Surcharge/State Wireless	0	0	0	0	0	0
Office Fees, Services and Collections	461,480	0	831	0	0	0
Electronic Transaction Fee	0	0	0	0	0	0
Auto & Drivers Licenses, Use Tax and Postage	0	0	0	0	0	0
Interest	60	0	0	0	0	0
Assessments	0	0	0	0	0	0
Trusts	25,396	0	0	0	0	0
Miscellaneous	2,523	0	15	0	0	0
Sale of Capital Assets	0	0	0	0	0	0
Loan from Osceola County	0	0	0	0	0	0
<b>Total Additions</b>	498,431	154,058	228,043	6,064,961	420,422	1,826,104
<b>Deductions:</b>						
Agency Remittances: To Other Funds/Component Unit/Other Agency Funds	303,914	0	0	0	0	0
To Other Governments	175,600	147,507	182,097	5,726,160	382,873	1,839,260
Trusts Paid Out	25,396	0	0	0	0	0
<b>Total Deductions</b>	504,910	147,507	182,097	5,726,160	382,873	1,839,260
<b>Balances End of Year</b>	\$ 38,513	142,846	424,691	5,790,090	391,364	1,554,595

See Accompanying Independent Auditor's Report.

Townships	Auto License and Use Tax	E911 Surcharge	Emergency Management Services	Future Tax Collections	Tax Redemption Trust	Other	Total	
	149,968	165,706	300,324	89,003	53,471	0	9,681	8,701,040
	159,435	0	0	0	0	0	1,543	7,990,674
	9,175	0	0	0	0	0	105	655,831
	1,829	0	0	11,453	0	0	35	238,784
	0	0	0	30,000	0	0	0	30,000
	0	0	172,953	0	0	0	0	172,953
	0	0	6	0	0	0	0	462,317
	0	0	0	0	0	0	1,495	1,495
	0	2,196,020	0	0	0	0	0	2,196,020
	0	0	66	0	0	0	0	126
	0	0	0	0	0	0	6,578	6,578
	0	0	0	0	55,161	58,784	28,326	167,667
	0	0	0	0	0	0	0	2,538
	0	0	0	14,101	0	0	0	14,101
	0	0	0	0	0	0	2,500	2,500
	170,439	2,196,020	173,025	55,554	55,161	58,784	40,582	11,941,584
	0	74,601	0	0	0	0	5,000	383,515
	158,759	2,127,192	127,995	78,254	0	0	12,693	10,958,390
	0	0	0	0	62,553	58,784	23,054	169,787
	158,759	2,201,793	127,995	78,254	62,553	58,784	40,747	11,511,692
	161,648	159,933	345,354	66,303	46,079	0	9,516	9,130,932

## Osceola County

**Balance Sheet**  
**Component Unit – Public Safety Commission**

**June 30, 2016**

**Assets**

Cash and Pooled Investments	\$	192,948
Due from Primary Government (County)		7,414
Due from County's Agency Funds		9,219
Due from Other Governments		697
Prepaid Expenditures		51,360
		51,360
<b>Total Assets</b>	<b>\$</b>	<b>261,638</b>
		261,638

**Liabilities, Deferred Inflows of  
Resources and Fund Balance**

**Liabilities:**

Accounts Payable	\$	6,839
Salaries and Benefits Payable		1,603
		1,603
<b>Total Liabilities</b>		<b>8,442</b>
		8,442

**Deferred Inflows of Resources:**

Unavailable Revenues:		
Other		34
		34

**Fund Balance:**

Nonspendable:		
Prepaid Expenditures		51,360
Unassigned		201,802
		201,802
<b>Total Fund Balance</b>		<b>253,162</b>
		253,162

**Total Liabilities, Deferred Inflows  
of Resources and Fund Balance**

	<b>\$</b>	<b>261,638</b>
		261,638

See Accompanying Independent Auditor's Report.

## Osceola County

**Reconciliation of the Balance Sheet  
to the Statement of Net Position  
Component Unit – Public Safety Commission**

**June 30, 2016**

<b>Total Public Safety Commission Fund Balance (page 82)</b>	\$ 253,162
 <i>Amounts reported for the Public Safety Commission in the Statement of Net Position are different because:</i>	
Capital assets reported in the Public Safety Commission's Statement of Net Position are not current financial resources and, therefore, are not reported in the Public Safety Commission's Balance Sheet. The cost of assets is \$511,056 and the accumulated depreciation is \$293,850.	217,206
Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the Public Safety Commission's Balance Sheet.	34
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the Public Safety Commission's Balance Sheet, as follows:	
Deferred outflows of resources	\$ 171,590
Deferred inflows of resources	(191,791)
	(20,201)
Long-term liabilities, which include compensated absences payable, lease-purchase payable, net pension liability and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the Public Safety Commission's Balance Sheet.	(180,928)
<b>Net Position of Public Safety Commission (pages 18-19)</b>	<b>\$ 269,273</b>

See Accompanying Independent Auditor's Report.

## Osceola County

**Schedule of Revenues, Expenditures and  
Change in Fund Balance  
Component Unit – Public Safety Commission**

**Year Ended June 30, 2016**

**Revenues:**

Intergovernmental	\$ 1,196,047
Charges for Service	32,684
Miscellaneous	11,436
<b>Total Revenues</b>	<u>1,240,167</u>

**Expenditures:**

Operating:	
Law Enforcement:	
Uniformed Patrol Services	639,317
Secret Investigations	300
Law Enforcement Communications	227,195
Administration	241,884
Central Services:	
Information Tech Services	23,798
Risk Management Services:	
Tort Liability and Safety of the Workplace	7,425
Debt Service	13,196
<b>Total Expenditures</b>	<u>1,153,115</u>

**Change in Fund Balance** 87,052

**Fund Balance Beginning of Year** 166,110

**Fund Balance End of Year** \$ 253,162

See Accompanying Independent Auditor's Report.



## Osceola County

**Reconciliation of the Schedule of Revenues, Expenditures and  
Change in Fund Balance to the Statement of Activities  
Component Unit – Public Safety Commission**

**Year Ended June 30, 2016**

**Change in Fund Balance - Public Safety Commission (Page 84)** \$ 87,052

*Amounts reported for the component unit in the Statement of Activities are different because:*

The Public Safety Commission's Statement of Revenues, Expenditures and Change in Fund Balance reports capital outlays as expenditures while the Commission in the Statement of Activities reports depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures were exceeded by depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 27,726	
Depreciation/amortization expense	<u>(34,938)</u>	(7,212)

Because some revenues will not be collected for several months after the Commission's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the Commission's fund financial statements, as follows:

Other		(100)
-------	--	-------

Repayment of long-term liabilities is an expenditure in the Commission's Statement of Revenues, Expenditures and Change in Fund Balance, but the repayment reduces long-term liabilities in the Statement of Net Position for the Commission. Current year repayments are as follows:

Repaid long-term liabilities		13,196
------------------------------	--	--------

The current year Commission's employer share of IPERS contributions are reported as expenditures in the Commission's Statement of Revenues, Expenditures and Change in Fund Balance, but are reported as a deferred outflow of resources in the Statement of Net Position for the Commission.

71,152

Some expenses reported in the Statement of Activities for the Commission do not require the use of current financial resources and, therefore, are not reported in the Public Safety Commission's Statement of Revenues, Expenditures and Change in Fund Balance, as follows:

Compensated absences	(23,593)	
Pension expense	(2,362)	
Other postemployment benefits	<u>(6,419)</u>	<u>(32,374)</u>

**Change in Net Position of Public Safety Commission (Pages 20-21)** \$ 131,714

See Accompanying Independent Auditor's Report.

## Osceola County

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

## For the Last Ten Years

	Modified			Accrual			Basis			
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues:</b>										
Property and Other County Tax	\$3,802,800	3,754,224	3,529,546	3,302,743	2,997,555	2,854,959	2,574,397	2,432,660	2,369,853	2,329,758
Tax Increment Financing	622,972	550,912	499,650	504,503	464,851	496,086	389,348	349,325	323,713	320,185
Interest and Penalty on Property Tax	18,392	14,617	16,592	11,790	16,332	24,465	28,587	18,319	15,725	14,166
Intergovernmental	3,232,301	3,071,338	2,518,242	2,810,620	2,929,449	3,004,066	2,956,720	3,099,186	2,488,781	2,384,880
Licenses and Permits	32,245	16,210	22,585	19,520	24,313	16,240	17,775	16,580	20,973	17,210
Charges for Service	373,928	338,592	338,697	352,121	336,983	356,065	361,642	282,757	258,441	271,659
Use of Money and Property	54,720	56,700	69,410	65,726	68,027	81,376	84,106	117,326	197,159	207,348
Miscellaneous	256,810	202,471	95,984	133,939	78,992	113,088	157,960	117,851	89,776	69,472
<b>Total Revenues</b>	<b>\$8,394,168</b>	<b>8,005,064</b>	<b>7,090,706</b>	<b>7,200,962</b>	<b>6,916,502</b>	<b>6,946,345</b>	<b>6,570,535</b>	<b>6,434,004</b>	<b>5,764,421</b>	<b>5,614,678</b>
<b>Expenditures:</b>										
Operating:										
Public Safety and Legal Services	\$1,474,039	1,275,862	1,202,794	1,144,795	1,300,489	1,155,129	1,023,045	993,477	989,801	982,964
Physical Health and Social Services	209,813	215,622	204,311	210,238	219,324	245,644	280,640	261,231	143,070	129,747
Mental Health	281,263	226,725	130,023	519,864	813,627	691,005	745,270	685,581	792,245	678,848
County Environment and Education	842,777	1,260,300	1,885,943	692,220	364,262	350,789	428,044	340,781	434,717	300,820
Roads and Transportation	3,276,422	3,114,582	2,584,465	2,573,438	2,668,495	2,740,145	2,320,555	2,436,760	2,335,424	1,900,778
Governmental Services to Residents	266,936	288,419	352,213	276,902	278,909	249,553	234,001	280,276	222,734	198,224
Administration	888,268	808,714	799,621	727,801	678,985	689,563	665,562	722,417	706,932	605,044
Non-Program Current	78,772	61,026	67,425	64,297	65,543	69,564	0	0	0	0
Debt Service	477,831	479,752	744,376	463,738	424,788	451,365	376,862	356,750	306,913	312,088
Capital Projects	191,187	79,655	136,035	261,863	174,100	235,583	244,676	481,479	1,115,557	506,008
<b>Total Expenditures</b>	<b>\$7,987,308</b>	<b>7,810,657</b>	<b>8,107,206</b>	<b>6,935,156</b>	<b>6,988,522</b>	<b>6,878,340</b>	<b>6,318,655</b>	<b>6,558,752</b>	<b>7,047,393</b>	<b>5,614,521</b>

See Accompanying Independent Auditor's Report.

Osceola County

Schedule of Revenues by Source and Expenditures by Program –  
Component Unit – Public Safety Commission

For the Last Ten Years

	Modified		Accrual				Basis			
	2016	2015	2014	2013	2012	2011	2010	2009		
<b>Revenues:</b>										
Intergovernmental	\$ 1,196,047	1,071,668	1,059,462	1,001,447	958,246	946,441	947,382	930,885	868,725	842,103
Charges for Service	32,684	27,151	22,802	22,022	27,018	27,127	24,110	23,962	22,958	29,534
Miscellaneous	11,436	47,007	19,836	14,688	3,358	8,587	6,506	5,629	9,959	22,729
<b>Total Revenues</b>	<b>\$ 1,240,167</b>	<b>1,145,826</b>	<b>1,102,100</b>	<b>1,038,157</b>	<b>988,622</b>	<b>982,155</b>	<b>977,998</b>	<b>960,476</b>	<b>901,642</b>	<b>894,366</b>
<b>Expenditures:</b>										
Operating:										
Law Enforcement:										
Uniformed Patrol Services	\$ 639,317	665,111	623,590	611,205	558,041	605,821	535,673	519,494	563,796	530,450
Investigations	300	0	0	150	0	0	0	0	500	183
Law Enforcement										
Communications	227,195	234,196	213,422	221,811	215,520	207,216	193,264	181,136	179,810	162,298
Administration	241,884	248,559	278,772	210,417	203,377	201,313	192,512	190,665	171,432	163,347
Central Services:										
Information Tech Services	23,798	78,846	2,698	5,837	0	2,231	322	400	1,873	798
Risk Management Services:										
Tort Liability and Safety of the Workplace	7,425	21,175	22,365	24,798	18,749	18,435	13,407	18,351	13,818	11,891
Debt Service	13,196	4,399	0	0	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>\$ 1,153,115</b>	<b>1,252,286</b>	<b>1,140,847</b>	<b>1,074,218</b>	<b>995,687</b>	<b>1,035,016</b>	<b>935,178</b>	<b>910,046</b>	<b>931,229</b>	<b>868,967</b>

See Accompanying Independent Auditor's Report.



**Osceola County**

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



# De Noble, Austin & Company PC

CERTIFIED PUBLIC ACCOUNTANTS



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

To the Officials of Osceola County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Osceola County, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 23, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Osceola County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Osceola County's internal control. Accordingly, we do not express an opinion on the effectiveness of Osceola County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in Osceola County's internal control described in Part I of the accompanying Schedule of Findings as items I-A, B, D, E, H, I J, K, M and N-16, to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in Osceola County's internal control described in Part I of the accompanying Schedule of Findings as items I-C, F, G and L-16 to be significant deficiencies.

**MEMBERS**

American Institute - Certified Public Accountants | Private Companies Practice Section | Iowa Society - Certified Public Accountants

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2016, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## Osceola County's Responses to Findings

Osceola County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Osceola County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Osceola 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.

*De Noble, Austin & Company PC*

De Noble & Company PC  
d/b/a De Noble, Austin & Company PC  
Certified Public Accountants

June 23, 2017





**Osceola County**  
**Schedule of Findings**

**Osceola County  
Schedule of Findings  
Year Ended June 30, 2016**

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

I-A-16 Segregation of Duties – During our review of internal control, the 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, also assists in maximizing the accuracy of the County’s financial statements. We noted a lack of segregation of duties (incompatible duties, from a control standpoint, are being performed by the same employee) over financial transactions, recordkeeping, reconciling functions and financial reporting in several offices. This comment also applies, as applicable, to the County Assessor, County Extension, Emergency Management, E911 and Public Safety Commission.

Recommendations – The following recommendations should be considered to improve the segregation of duties within the various offices of the County:

- a. All cash receipts should be handled 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 list should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared by an independent person to the cash receipt records and to the actual deposit made.
- b. Bank accounts should be reconciled promptly at the end of each month by individuals who do not sign checks, handle currency or record cash/checks.
- c. Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve payment. Dual signatures should be required on all checks.
- d. A person in the office who has no responsibility for custody of investments should periodically inspect investments, verify County ownership of investments and reconcile documents to the investment records.
- e. Supplies, inventory items and capital assets ordered should be received by someone other than the person who initiated the order. The person responsible for verifying all items ordered are received and the proper amounts are charged should be independent from the purchasing and cash disbursement functions.
- f. Authorization of transactions, handling of source documents, custody of assets and the responsibility for long-term debt recordkeeping should be segregated. The persons who are responsible for cash disbursements should be segregated from general ledger entry in the accounting records.
- g. Reconciliations and investigations of unusual reconciling items in the accounting records should be reviewed and approved by a person who is not responsible for receipts and disbursements. In addition, reconciliations of delinquencies, abatement of taxes and monthly auto license and use tax reports should be done by independent people.

**Osceola County  
Schedule of Findings  
Year Ended June 30, 2016**

- h. Billings for services, the recordkeeping of other receivables, and the handling of receipts should be segregated. The billing rates being charged should be verified by independent individuals on a regular basis.
- i. All checks issued should be analyzed by an independent person to verify that the numerical sequence is accurate and all checks are accounted for. This should apply to both computer generated and handwritten checks.
- j. Payroll recordkeeping (including compensated absences) should be done by persons who are independent of the payroll disbursement functions. The payroll should be verified by independent individuals. Only individuals who are independent of the payroll process should have access to change the payroll rates.
- k. Complete, detailed personnel records should be maintained outside the payroll section. The personnel records should periodically be compared to the actual payroll by an independent person.

We realize that with a limited number of office employees, segregation of duties is difficult. However, each official or person in-charge should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official or person in-charge should utilize current personnel in their office or from another office 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. These recommendations, as applicable, do apply to the County Assessor, County Extension, Emergency Management, E911 and Public Safety Commission.

Response – We will encourage each department/entity to utilize existing personnel within the County/each entity to assist in achieving additional segregation of duties. We will attempt to develop strategies to implement each of the recommendations to the extent economically practicable.

Conclusion – Response acknowledged. However, it is important that you do thoroughly review your procedures and attempt to implement these recommendations.

- I-B-16 Capital Assets/Inventory – There is no periodic inspection of capital assets/inventory formally being performed by an independent person. Capital assets are not marked for identification purposes. Records of inventory quantities are not maintained on a perpetual basis. Proper inventory valuation methods were not utilized in determining some of the fiscal year end inventory amounts. Inventory storage areas are not safeguarded to prevent access by unauthorized persons.

Recommendations – On a yearly basis, an authorized independent person should be responsible for verifying the existence of the capital assets/inventory under each office's control. Any capital assets disposed of or sold should be adequately documented. Capital assets should be marked for identification purposes to assist in the existence and accountability functions. Inventory records need to be developed that allows the County the capacity to monitor the reasonableness of the inventory quantities on an on-going basis. Procedures should be established to ensure proper inventory valuation methods are utilized in determining fiscal year end inventory amounts on hand. Storage areas for inventory should be analyzed for methods to provide additional safeguards against theft.

**Osceola County  
Schedule of Findings  
Year Ended June 30, 2016**

Response – We will attempt to develop systems which will implement the components of these recommendations to the extent economically practicable.

Conclusion – Response accepted. However, it is important that you do thoroughly review your procedures and attempt to implement these recommendations.

I-C-16 Accounting Procedures Manual – The County does not have updated accounting procedures manuals for all aspects of the County’s accounting systems (primarily relates to some of the individual offices).

Recommendation – Updated accounting procedures manuals should be prepared and implemented for all aspects of the County’s accounting systems.

Response – We will attempt to have each appropriate office work on preparation of an up-to-date accounting procedures manual.

Conclusion – Response acknowledged. However, please attempt to have each appropriate office make this a priority to get implemented in a timely manner.

I-D-16 Information Systems – During our review of internal control, the existing control activities in the information 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 protection of sensitive/important records, reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the information based systems/records were noted:

There are no written policies that require:

- periodic examination of manual records for consideration as to the benefit of maintaining an off-site copy.
- daily off-site storage for backup tapes for all aspects of the County’s accounting systems.
- password changes to access computer programs/files because software does not require the user to change log-ins/passwords every 60-90 days.
- password length to access computer programs/files to be set at a minimum of at least eight characters and require use of multiple characters on the keyboard.
- automatic log-off provisions of computers when left unattended for a period of time. Upon log-off, the user should have to enter their password again to re-access information.
- Special computer program passwords to view and change pay rates.
- unique user identifications versus group user identifications when accessing computer data.

Recommendation – Written policies should be developed addressing the aforementioned procedures in order to improve the controls over information based systems/records.

Response – We will address these computer related issues with each of the individual offices/entities and communicate with Solutions to ensure all these weaknesses are remedied.

Conclusion – Response accepted. Please attempt to work with each office and Solutions to develop policies/procedures to address these issues noted in regards to information based systems/records.

**Osceola County  
Schedule of Findings  
Year Ended June 30, 2016**

I-E-16 Job Rotations – Financial personnel’s duties are not always rotated for a period of time each fiscal year.

Recommendation – The County should consider the need for financial personnel to annually take a minimum amount of vacation time and each person’s duties should be done by another employee when a person is on vacation. Employees should be cross-trained to be able to perform a fellow employee’s duties.

Response – We will have each office/entity work on rotating duties and cross-training within economic constraints.

Conclusion – Response acknowledged. However, due to the significance of this control, please attempt to implement this recommendation.

I-F-16 Collection Procedures – The County does not have any written policies or procedures on collecting delinquent accounts receivable.

Recommendation – The County needs to develop written policies and procedures regarding collection of delinquent accounts receivable, especially for ambulance and jail stay receivables.

Response – We will attempt to develop policies and procedures for collection of receivables.

Conclusion – Response acknowledged. Please attempt to implement this recommendation in a timely manner.

I-G-16 Usage of County Vehicles/Equipment – When filling vehicles/equipment, the capital asset’s identification and the mileage at the time of fueling are not always noted on the credit card receipt. Vehicle/machinery mileage logs should be compared to fuel invoices and a calculation done to check reasonableness of the fuel purchased. While this is partially being done for the general use County auto, Secondary Roads and the Sheriff’s Office; these issues have not been addressed by the Conservation department, the Assessor’s Office or Emergency Management Services.

Recommendation – When filling vehicles/equipment, the vehicle/equipment’s identification and the mileage at the time of fueling should always be noted on the receipt. Mileage and fuel logs should be maintained on each vehicle/piece of equipment and tested against the fuel charged to each vehicle/piece of equipment to verify reasonableness of mileage per gallon. Each department/entity needs to develop procedures to ensure this recommendation is implemented.

Response – We will stress to each of the appropriate departments/entities the need to implement your recommendation.

Conclusion – Response accepted. Please make sure each of the departments work on developing procedures to implement this recommendation.

I-H-16 Ambulance Records – The ambulance run reports are not reconciled on a regular basis to the accounting records by an independent person. The ambulance records maintained in QuickBooks are not reconciled on a regular basis to PCC's records of ambulance receivables,

**Osceola County**  
**Schedule of Findings**  
**Year Ended June 30, 2016**

the amount of receivables in the State of Iowa's Offset Program and prior year outstanding receivables. Also, the ambulance records of receipts/collections maintained with QuickBooks are not reconciled on a regular basis to the County Treasurer's records.

Recommendations – The ambulance run reports should be reconciled on a regular basis to the accounting records by an independent person to ensure customer account balances are kept proper throughout the year. A system should be developed to reconcile the QuickBooks records to PCC's records of ambulance receivables, the amount of receivables in the State of Iowa's Offset Program and prior year outstanding receivables and the amount of receipts for the fiscal year to the Treasurer's Office records.

Response – The ambulance director will continue with her effort to implement these recommendations.

Conclusion – Response acknowledged. Please continue working on implementing these recommendations.

- I-I-16 Financial Reporting – During the audit, we identified material amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, revenues, expenses/expenditures and operating transfers not recorded properly in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, revenues, expenses/expenditures and operating transfers are identified and included in the County's financial statements. Management should be reviewing the financial records on a regular basis to help ensure the accuracy of the financial records.

Response – We will continue in our attempt to identify procedures where we can improve on our financial reporting.

Conclusion – Response accepted. Please review your procedures in an effort to identify areas which may improve on the accuracy of your financial records and reporting.

- I-J-16 Management Procedures – Based on findings during the audit, we identified there appears to be a lack of oversight by management over developing internal control, compliance and anti-fraud procedures; monitoring existing procedures that are in place to ensure the procedures are enforced; and communicating the County's expected ethics.

Recommendations – County management needs to establish policies and procedures that ensure effective internal control, compliance and anti-fraud procedures are in place and monitored on a regular basis. County management needs to review audit findings identified and assess the level of risk associated with each finding and incorporate this assessed level of risk into its development of policies and procedures. County management also needs to communicate the County's expected ethics and hold County employees accountable to those expected ethics.

Response – We will attempt to develop procedures/policies which address your recommendations.

**Osceola County  
Schedule of Findings  
Year Ended June 30, 2016**

Conclusion – Response accepted. Please attempt to establish policies and procedures for methods to improve internal controls, compliance issues and anti-fraud procedures.

- I-K-16 Payroll Issues – We noted that a couple salaried employees are not completing timesheets; several employees are not signing their timesheets in order to attest to the accuracy of the hours and days worked; and a couple departments do not require an employee’s supervisor or department head to sign an employee’s timesheet to verify accuracy. We identified one employee was being paid a different rate than the rate which was approved in the minutes by the Board of Supervisors. We also discovered there was excess vacation carried over without having proper formal approval and excess comp time is also being allowed in contradiction to the set policy per the applicable personnel handbook or union contract.

Recommendations – Timesheets should be prepared and signed to attest to the accuracy of each timesheet. The timesheets should be reviewed and approved by an employee’s supervisor, or department head or another independent person before issuing payment for the payroll period. Formal proof of the review and approval of a timesheet should be established by having the person sign or initial each timesheet. Procedures should be implemented in order to ensure carryover vacation and comp time is in compliance with the appropriate personnel handbook or union contract. If an excess amount or carryover vacation or comp time is needed, this excess needs to be formally approved by the governing board. Procedures need to be established to ensure employees are paid rates which agree with the pay rates approved by the Board of Supervisors.

Response – The County will evaluate its payroll procedures in an effort to implement the issues identified.

Conclusion – Response accepted.

- I-L-16 Flex Spending Accounts Records – The Assessor’s Office maintains spreadsheets for each individual employee participating in the County’s flex spending benefits plan. The spreadsheets detail the total contributions, disbursements and current balance in the account by the employee. We noted several of the spreadsheets contained errors and the spreadsheets did not properly reconcile to the fiscal year ended June 30, 2016 calculated balance.

Recommendation - The Assessor’s Office should implement procedures to ensure the spreadsheet balance for each individual participant is correct and reconciles properly to the calculated total for the County’s flex spending benefits account.

Response - We will review our procedures to keep each employee’s spreadsheet current.

Conclusion – Response accepted.

- I-M-16 Interfund Checks – The County issues actual checks for interdepartmental transactions between funds in order to properly account for the transactions in the accounting software. These checks

**Osceola County  
Schedule of Findings  
Year Ended June 30, 2016**

are not deposited or redeemed at the bank; instead, these checks are kept on file and not cancelled or defaced in any way.

Recommendation – The County should implement procedures to ensure these interfund checks are cancelled or defaced so they could not be considered to be redeemable. Stamping the checks as paid when written to deface the front of the check would be an adequate procedure.

Response – We will begin to stamp the interfund checks in order to properly cancel these checks.

Conclusion – Response accepted.

I-N-16 Disbursement Procedures – We noted many instances where the only supporting documentation on file was a copy of a credit card slip ( no detailed support). Also, we identified at least one instance where there was no invoice maintained on a supplies purchase.

Recommendation – All disbursements, including employee reimbursements and credit card charges, need to be supported by an actual receipt or invoice that supports the disbursement in detail. Meal reimbursements must be supported by a receipt detailing what was purchased. The receipt or invoice needs to be marked “paid” or otherwise cancelled upon payment to avoid duplicate payment and needs to be retained and filed as proof for the disbursement.

Response – We will evaluate our disbursement procedures in an attempt to identify ways to correct this issue. We will stress the need to each department that support is required to get a bill paid or an employee reimbursement.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.



**Osceola County  
Schedule of Findings  
Year Ended June 30, 2016**

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

II-A-16 Certified Budgets – Disbursements during the year ended June 30, 2016 did not exceed the amount budgeted for any function or the amount appropriated for any department. However, the “Record of Hearing and Determination on the Amendment to County Budget” for the second amendment to the County’s budget, dated October 13, 2015, was not signed by the board chairperson and the previous amendment date was not provided.

The notice published for the public hearing of the Assessor’s proposed original budget did not properly include a meeting date, meeting time, or meeting location.

Recommendations – All County budget amendments need to be accurately reported and attested to by having the County properly complete and Board Chairperson and County Auditor sign the “Record of Hearing and Determination on the Amendment to County Budget.”

All budget public hearings must be preceded by proper public notice in accordance with Chapter 331.434 of the Code of Iowa. All public hearing notices need to include a meeting date, time, and location so a constituent may present objections to, or arguments in favor of, any part of the proposed budget.

Response - We will each implement procedures to ensure these issues do not happen again in the future.

Conclusion - Response accepted

II-B-16 Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented or the necessary documentation to support the expenditure was not present. These expenditures are detailed as follows:

We noted numerous credit card charges and employee reimbursements which did not have any supporting documentation/invoice. There were instances of finance charges/late fees being incurred for late payments on credit card bills. Additionally, we noted some instances where sales tax was paid on purchases that appear to be exempt from sales tax.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The County and Public Safety Commission should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County and Public Safety Commission should establish written policies and procedures requiring detailed supporting documentation for all

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expenditures. All disbursements, including credit card charges and employee reimbursements, should be supported by an actual receipt/invoice that supports the charge in detail. The County should implement procedures to ensure sales tax is only paid on required purchases and finance charges are not incurred.

Response – We will stress to employees the need to obtain and retain invoices which support all claims, to keep detailed receipts on all credit card charges and make sure sales tax is not being charged when not required.

Conclusion – Response accepted. Please stress the importance of needing to maintain detailed support for all charges and reducing unnecessary costs.

II-C-16 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted. However, please see “Other Findings Related to Required Statutory Reporting: II-B-16” for a possible related comment.

II-D-16 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

Name, Business Connection, and Title	Transaction Description	Amount
Echter’s Greenhouse, Barb Echter’s Husband is the Owner, County Auditor	Lawn products and plants	\$ 283
Bosma Water Service, Jayson Vande Hoef is a Partner, Board of Supervisors Member	Water	\$ 1,535
Corbett Plumbing John Corbett is the Owner Conservation Board Member	Plumbing	\$ 71

Business transactions between the Public Safety Commission and Public Safety Commission Board members or employees are detailed as follows:

Name, Business Connection, and Title	Transaction Description	Amount
The Ocheyedon Press – Melvin News, Arlyn Pedley is the Owner, Public Safety Commission Board Member	Publications and office supplies	\$ 1,746

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Echter’s Greenhouse and Corbett Plumbing do not appear to represent conflicts of interest since the total transactions were less than \$1,500 during the fiscal year. Also, The Ocheyedon Press – Melvin News is considered an “official” Public Safety Commission newspaper and the majority of the costs were for required publications. However; the transactions with Bosma

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Water Service appear to represent conflicts of interest since total transactions were more than \$1,500 during the fiscal year and were not entered into through competitive bidding.

Recommendation – The County should comply with the Iowa Code regarding business transactions between the County and County officials, employees, and their family members. The County should consult with the County Attorney to determine the disposition of this potential issue.

Response – We will consult with the County attorney regarding your comment. We will be sure to bid jobs with related parties when total payments are expected to exceed \$1,500.

Conclusion – Response accepted.

II-E-16 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-16 Board of Supervisor Minutes – No transactions were found that we believe should have been approved in the Board of Supervisors minutes but were not. However, during a review of the Board of Supervisors minutes, we found instances where the minutes were not published for 20 or more days after the Board meeting.

Recommendation – In accordance with Chapter 349.18 of the Code of Iowa, the minutes for publication should be furnished to the newspapers within one week of the Board meeting.

Response – We will get the Board meeting minutes for publication to the newspapers timely and stress the need for the newspapers to publish the Board minutes promptly.

Conclusion – Response accepted.

II-G-16 Deposits and Investments – The deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy were complied with, except the County exceeded the amount of the depository resolution at the Sibley State Bank for several days during October 2015, March 2016 and April 2016.

Recommendation – The resolution adopted by the Board of Supervisors should be in amounts sufficient to cover anticipated balances at all approved depositories at all times throughout the fiscal year.

Response – We will monitor the bank balances and investigate increasing appropriate bank balances to ensure the depository resolution amounts are not exceeded at any of the approved banks in the future.

Conclusion – Response accepted.

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II-H-16 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).

II-I-16 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, 2016 for the County Extension Office did not exceed the amount budgeted.

The County Extension needs to review Part I: “Findings Related to the Financial Statements – Internal Control Deficiencies” for reportable conditions that relate to the Extension or could improve the Extension’s internal control.

II-J-16 Urban Renewal Annual Report – The County’s urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

II-K-16 TIF Certification – The Auditor’s Office is responsible for monitoring TIF development agreements. We noted a company which did not timely submit the required annual certification, which attests to all covenants being performed in compliance with the TIF development agreements.

Recommendation – The County should implement procedures to ensure all requirements of TIF development agreements are documented as being met before submission of TIF collections are made available to the recipients.

Response – We will implement this recommendation.

Conclusion – Response accepted. Please make sure all TIF development agreements are in compliance on a regular basis.

II-L-16 Tax Increment Financing Reporting – The County’s tax increment financing certification forms and tax increment financing reconciliation documents contained various errors (primarily related to limitations on the amounts to be paid on rebate agreements and change order to existing tax increment financing debt).

Recommendation – The County needs to develop procedures to ensure all the County’s tax increment financing certification forms and tax increment financing reconciliation documents are prepared accurately and completely.

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Response – We will work on developing procedures to ensure future County tax increment financing certification forms and tax increment financing reconciliation documents are prepared accurately and completely.

Conclusion – Response accepted.

- II-M-16 Assessors' Boards Minutes – There was an instance where a prior meeting of the Assessor's Review Board minutes were not approved and an instance where the Assessor's Conference Board minutes were not signed by the Board chairman or another Board member.

Recommendation – The minutes of the prior Board meeting should be approved and the meeting's minutes should be signed by the Board chairman or another Board member to verify the accuracy of the minutes for both the Assessor's Review and Conference Boards.

Response – We will attempt to have the Assessor's Review and Conference Boards comply with your recommendation.

Conclusion – Response accepted.

- II-N-16 Outstanding Checks - We noted several outstanding checks over one year old which have not been properly cancelled and recorded back in the cash balance of the appropriate fund.

Recommendation - The County should implement procedures to review and identify outstanding checks which should be cancelled in accordance with Chapter 331.554(6) and (7) of the Code of Iowa.

Response - We will implement procedures to make sure outstanding checks over one year old are properly handled per the Code of Iowa.

Conclusion - Response accepted.

- II-O-16 Treasurer's Annual Report - The Case Management and Mental Health (County Services) Funds were combined on the fiscal year ended June 30, 2016 Treasurer's Annual Report.

Recommendation - The County should verify all funds are listed separately when preparing and publishing the Treasurer's Annual Report in accordance with Chapter 349.16(3) of the Code of Iowa.

Response - We will work with Solutions to make sure all funds are shown separately on future Treasurer's Annual Reports.

Conclusion - Response accepted.

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II-P-16 Financial Condition – The County Tax Increment Financing (Cenex Coop TIF Area) Fund had a deficit fund balance at June 30, 2016 of \$(261,964).

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

Response – We are relying on future TIF collections to eventually eliminate the deficit in this fund.

Conclusion – Response accepted.

II-Q-16 Public Safety Commission's Service to Jail – Osceola County is responsible for all costs related to the County jail and safekeeping and maintenance of the inmates in accordance with Section 331.401 and 356.15 of the Code of Iowa. Osceola County properly accounts for these costs through its General Fund. Osceola County contracts with the Public Safety Commission to provide law enforcement protection for the County. Jailers and transportation of inmates are technically General Fund costs of the County; however, the Public Safety Commission agreement with the County does not specifically identify the extent to which these costs have been transferred to the Public Safety Commission as part of the County's contribution.

Recommendation – Osceola County and the Public Safety Commission need to seek legal counsel in order to develop a contract which identifies the services the Public Safety Commission is going to provide to the County in regards to the County jail. The amount and form of remuneration the Public Safety Commission is going to receive for these services should be identified in the contract.

Response – The County and Public Safety Commission will consider this recommendation. It is our belief and understanding that the County's contribution to the Commission properly compensates the Commission for any jail related services performed.

Conclusion – Response accepted; however, legal counsel should be consulted to make sure your arrangement does properly comply with the Code of Iowa.

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**Staff**

This audit was performed by:

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