



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

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NEWS RELEASE

FOR RELEASE March 15, 2004

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

The County had local tax revenue of \$7,375,910 for the year ended June 30, 2003, which included \$880,181 in tax credits from the state. The County forwarded \$5,626,233 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$1,749,677 of the local tax revenue to finance County operations, a four percent decrease from the prior year. Other revenues included \$3,512,352 from other governments, \$179,512 in local option sales tax, and \$47,052 in interest on investments.

Expenditures for County operations totaled \$5,984,530, a five percent increase from the prior year. Expenditures included \$2,408,685 for roads and transportation, \$1,569,514 for mental health and \$713,309 for public safety and legal services.

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

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**DECATUR COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2003**

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**Decatur County**

**Officials**

**(Before January 2003)**

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Larry Eastin	Board of Supervisors	Jan 2003
Gary Stripe	Board of Supervisors	Jan 2005
Gary Ballantyne	Board of Supervisors	Resigned
J.R. Cornett (Elected)	Board of Supervisors	Jan 2005
Bill Greenwood	County Auditor	Jan 2005
Mary Andrew	County Treasurer	Jan 2003
Kenton McClaran	County Recorder	Jan 2003
Herbert Muir	County Sheriff	Jan 2005
Carol Clark	County Attorney	Jan 2003
James Fleming	County Assessor	Jan 2004

**(After January 2003)**

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Gary Stripe	Board of Supervisors	Jan 2005
J.R. Cornett	Board of Supervisors	Jan 2005
Larry Eastin	Board of Supervisors	Jan 2007
Bill Greenwood	County Auditor	Jan 2005
Mary Andrew	County Treasurer	Jan 2007
Kenton McClaran	County Recorder	Jan 2007
Herbert Muir	County Sheriff	Jan 2005
Carol Clark	County Attorney	Jan 2007
James Fleming	County Assessor	Jan 2004

**Decatur County**



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Independent Auditor's Report

To the Officials of Decatur County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Decatur County, Iowa, as of and for the year ended June 30, 2003. These general purpose financial statements are the responsibility of Decatur County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

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

In our opinion, except for the effects of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Decatur County at June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types of Decatur County for the year ended June 30, 2003.

As discussed in note 13 to the financial statements, Decatur County intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the County's financial statements and related notes in the year of implementation. The revised requirements include the use of an analytical overview of the County's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2004 on our consideration of Decatur County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed a qualified opinion on those financial statements for the effects of the omission of the general fixed assets account group. The supplemental information included in Schedules 1 through 11 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 14, 2004

## **Financial Statements**



Decatur County  
 Combined Balance Sheet  
 All Fund Types and Account Group  
 June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<b>Assets and Other Debits</b>			
Cash and pooled investments:			
County Treasurer	\$ 743,555	1,751,608	2,169
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	9,894	8,255	789
Succeeding year	987,000	590,000	66,000
Interest and penalty on property tax	25,425	-	-
Accounts	14,313	5,076	-
Accrued interest	372	2	3
Due from other funds (note 3)	25,004	941	-
Due from other governments	68,105	259,536	-
Inventories	-	153,985	-
Amount available in Debt Service Fund	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
	\$ 1,873,668	2,769,403	68,961
<b>Total assets and other debits</b>	<b>\$ 1,873,668</b>	<b>2,769,403</b>	<b>68,961</b>

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	
Internal Service	Agency	General Long-Term Debt	Total (Memorandum Only)
40,996	440,787	-	2,979,115
-	12,346	-	12,346
-	56,594	-	75,532
-	4,942,000	-	6,585,000
-	-	-	25,425
-	32,865	-	52,254
25	42	-	444
-	-	-	25,945
-	3,379	-	331,020
-	-	-	153,985
-	-	2,172	2,172
-	-	246,811	246,811
41,021	5,488,013	248,983	10,490,049

Decatur County  
 Combined Balance Sheet  
 All Fund Types and Account Group  
 June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ 14,522	141,217	-
Salaries and benefits payable	19,743	42,623	-
Due to other funds (note 3)	330	14,884	-
Due to other governments (note 4)	23,035	91,526	-
Trusts payable	-	-	-
Deferred revenue:			
Succeeding tax year	987,000	590,000	66,000
Other	39,174	15,619	789
Capital lease purchase agreements (note 6)	-	-	-
General obligation loan payable (note 7)	-	-	-
Bank loans (note 8)	-	-	-
Compensated absences	5,434	17,246	-
Total liabilities	1,089,238	913,115	66,789
Fund equity:			
Unreserved retained earnings	-	-	-
Fund balances:			
Reserved for:			
Inventories	-	153,985	-
Supplemental levy purposes	273,968	-	-
Debt service	-	-	2,172
Unreserved:			
Designated for building	-	4,998	-
Undesignated	510,462	1,697,305	-
Total fund equity	784,430	1,856,288	2,172
<b>Total liabilities and fund equity</b>	<b>\$ 1,873,668</b>	<b>2,769,403</b>	<b>68,961</b>

See notes to financial statements.

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	
Internal Service	Agency	General Long-Term Debt	Total (Memorandum Only)
2,628	169	-	158,536
-	2,637	-	65,003
-	10,731	-	25,945
-	5,463,270	-	5,577,831
-	10,377	-	10,377
-	-	-	1,643,000
-	-	-	55,582
-	-	29,503	29,503
-	-	140,947	140,947
-	-	35,693	35,693
-	829	42,840	66,349
2,628	5,488,013	248,983	7,808,766
38,393	-	-	38,393
-	-	-	153,985
-	-	-	273,968
-	-	-	2,172
-	-	-	4,998
-	-	-	2,207,767
38,393	-	-	2,681,283
41,021	5,488,013	248,983	10,490,049

Decatur County  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - All Governmental Fund Types  
 Year ended June 30, 2003

	Governmental	
	General	Special Revenue
Revenues:		
Property and other County tax	\$ 855,718	874,581
Interest and penalty on property tax	35,918	-
Intergovernmental	397,662	3,238,772
Licenses and permits	763	325
Charges for service	137,327	33,997
Use of money and property	47,014	5,358
Miscellaneous	38,398	129,665
Total revenues	1,512,800	4,282,698
Expenditures:		
Operating:		
Public safety and legal services	657,211	56,098
Physical health and social services	221,169	1,356
Mental health	-	1,569,514
County environment and education	150,723	92,219
Roads and transportation	-	2,408,685
Governmental services to residents	184,349	8,088
Administration	471,991	-
Debt service	-	-
Capital projects	-	88,127
Total expenditures	1,685,443	4,224,087
Excess (deficiency) of revenues over (under) expenditures	(172,643)	58,611
Other financing sources (uses):		
Operating transfers in	-	403,015
Operating transfers out	(29,530)	(373,485)
Total other financing sources (uses)	(29,530)	29,530
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(202,173)	88,141
Fund balances beginning of year	986,603	1,750,193
Increase in reserve for inventory	-	17,954
Fund balances end of year	\$ 784,430	1,856,288

See notes to financial statements.

<u>Fund Types</u>	Total (Memorandum Only)
Debt	
Service	
69,045	1,799,344
-	35,918
5,763	3,642,197
-	1,088
-	171,324
-	52,372
3	168,066
<u>74,811</u>	<u>5,870,309</u>
-	713,309
-	222,525
-	1,569,514
-	242,942
-	2,408,685
-	192,437
-	471,991
75,000	75,000
-	88,127
<u>75,000</u>	<u>5,984,530</u>
<u>(189)</u>	<u>(114,221)</u>
-	403,015
-	<u>(403,015)</u>
-	-
(189)	(114,221)
2,361	2,739,157
-	<u>17,954</u>
<u>2,172</u>	<u>2,642,890</u>

Decatur County

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

Year ended June 30, 2003

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other County tax	\$ 1,784,270	-
Interest and penalty on property tax	35,831	-
Intergovernmental	3,607,443	-
Licenses and permits	988	-
Charges for service	166,382	-
Use of money and property	53,170	-
Miscellaneous	158,279	-
Total receipts	<u>5,806,363</u>	-
Disbursements:		
Public safety and legal services	759,299	-
Physical health and social services	227,677	-
Mental health	1,558,299	-
County environment and education	277,190	-
Roads and transportaion	2,322,005	-
Governmental services to residents	183,716	-
Administration	472,217	-
Debt service	75,000	-
Capital projects	88,911	-
Total disbursements	<u>5,964,314</u>	-
Deficiency of receipts under expenditures	(157,951)	-
Balance beginning of year	<u>2,655,283</u>	10,687
Balance end of year	<u>\$ 2,497,332</u>	<u>10,687</u>

See notes to financial statements.

Net	Amended Budget	Variance - Favorable (Unfavorable)	Net as % of Amended Budget
1,784,270	1,761,439	22,831	101%
35,831	35,000	831	102%
3,607,443	3,572,380	35,063	101%
988	1,500	(512)	66%
166,382	135,550	30,832	123%
53,170	55,000	(1,830)	97%
<u>158,279</u>	<u>101,064</u>	<u>57,215</u>	<u>157%</u>
<u>5,806,363</u>	<u>5,661,933</u>	<u>144,430</u>	<u>103%</u>
759,299	766,260	6,961	99%
227,677	306,286	78,609	74%
1,558,299	1,682,692	124,393	93%
277,190	299,852	22,662	92%
2,322,005	2,506,000	183,995	93%
183,716	190,629	6,913	96%
472,217	508,060	35,843	93%
75,000	76,000	1,000	99%
<u>88,911</u>	<u>153,000</u>	<u>64,089</u>	<u>58%</u>
<u>5,964,314</u>	<u>6,488,779</u>	<u>524,465</u>	<u>92%</u>
(157,951)	(826,846)		
<u>2,644,596</u>	<u>2,626,990</u>		
<u>2,486,645</u>	<u>1,800,144</u>		



**Exhibit D**

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## Decatur County

## Combined Statement of Revenues, Expenses and Changes in Retained Earnings

## Proprietary Fund Type

Year ended June 30, 2003

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from others		\$ 2,126
Operating expenses:		
Medical claims	\$ 18,191	
Administrative costs	<u>1,696</u>	<u>19,887</u>
Operating loss		(17,761)
Non-operating revenues:		
Interest on investments		<u>517</u>
Net loss		(17,244)
Retained earnings beginning of year		<u>55,637</u>
Retained earnings end of year		<u><u>\$ 38,393</u></u>

See notes to financial statements.

Decatur County  
 Combined Statement of Cash Flows  
 Proprietary Fund Type  
 Year ended June 30, 2003

	Internal Service
Cash flows from operating activities:	
Cash received from others	\$ 2,126
Cash payments to employees	(1,446)
Cash payments to suppliers for services	(19,645)
Net cash used for operating activities	(18,965)
Cash flows from investing activities:	
Interest on investments	558
Net decrease in cash and cash equivalents	(18,407)
Cash and cash equivalents beginning of year	59,403
Cash and cash equivalents end of year	\$ 40,996
<b>Reconciliation of operating loss to net cash used for operating activities:</b>	
Operating loss	\$ (17,761)
Adjustment to reconcile operating loss to net cash used for operating activities:	
Decrease in accounts payable	(1,204)
Net cash used for operating activities	\$ (18,965)

See notes to financial statements.

Decatur County

Notes to Financial Statements

June 30, 2003

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

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

A. Reporting Entity

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

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

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

Five 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 Decatur County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information for the individual drainage districts can be obtained from the Decatur County Auditor's office.

Jointly Governed Organizations - The County participates in several jointly governed organizations for which the County is not financially accountable or that the nature and significance of the relationship with the County are such that exclusion does not cause the County's financial statements to be misleading or incomplete. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Decatur County Assessor's Conference Board, Decatur County Joint E911 Service Board, and Decatur County Emergency Management Commission. Financial transactions of these organizations are also included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following additional jointly governed organizations: 5B Judicial District Youth Services, the Wayne, Ringgold and Decatur County Solid Waste Management Commission, Southern Iowa Resource, Conservation and Development Area, Inc. and Southern Iowa Council of Governments.

## B. Fund Accounting

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

### Governmental Funds

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

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

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

### Proprietary Fund

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

### Fiduciary Funds

Agency Funds - The Agency Funds are used to account for assets received and held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units, and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

### Account Group

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

### C. Measurement Focus

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

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

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

### D. Basis of Accounting

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

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

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

All Proprietary Funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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

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

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2002.

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.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2003, balances of interfund amounts receivable or payable have been recorded.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates they are not available to liquidate current obligations.

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of vacation and sick leave payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003.

Unreserved Retained Earnings – The unreserved retained earnings of the Internal Service, Medical Co-Payment Fund is designated for anticipated future catastrophic losses of the County.

#### F. Budgets and Budgetary Accounting

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds and Debt Service Fund. Although

the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

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

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

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 1,441,667	71,133	1,512,800	4,289,888	(7,190)	4,282,698
Expenditures	1,737,725	(52,282)	1,685,443	4,151,589	72,498	4,224,087
Net	(296,058)	123,415	(172,643)	138,299	(79,688)	58,611
Other financing sources (uses)	(29,530)	-	(29,530)	29,530	-	29,530
Beginning fund balances	1,069,143	(82,540)	986,603	1,583,779	166,414	1,750,193
Increase in reserve for inventories	-	-	-	-	17,954	17,954
Ending fund balances	\$ 743,555	40,875	784,430	1,751,608	104,680	1,856,288

	Governmental Fund Types					
	Debt Service			Total		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 74,808	3	74,811	5,806,363	63,946	5,870,309
Expenditures	75,000	-	75,000	5,964,314	20,216	5,984,530
Net	(192)	3	(189)	(157,951)	43,730	(114,221)
Other financing sources (uses)	-	-	-	-	-	-
Beginning fund balances	2,361	-	2,361	2,655,283	83,874	2,739,157
Increase in reserve for inventories	-	-	-	-	17,954	17,954
Ending fund balances	\$ 2,169	3	2,172	2,497,332	145,558	2,642,890

G. Total (Memorandum Only)

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



**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2003, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$518,315 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2003 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Mental Health	\$ 14,461
	Agency: County Recorder	4,494
	County Sheriff	1,197
	Auto License and Use Tax	3,963
	Driver License	889
Special Revenue: Secondary Roads	General	308
	Special Revenue: Rural Services	242
	Mental Health	181
Mental Health	General	22
County Recorder's Records Management	Agency: County Recorder	<u>188</u>
Total		<u>\$ 29,692</u>

**(4) Due to Other Governments**

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

Fund	Description	Amount
General	Services	<u>\$ 23,035</u>
Special Revenue:		
Mental Health	Services	90,821
Other		<u>705</u>
		<u>91,526</u>
Agency:		
County Assessor	Collections	172,860
Schools		3,264,737
Community Colleges		131,545
Corporations		964,275
Townships		96,026
Auto License and Use Tax		126,168
County Hospital		537,946
E911		106,028
All other		<u>63,685</u>
		<u>5,463,270</u>
Total		<u>\$ 5,577,831</u>

**(5) Changes in Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2003 is as follows:

	Capital Lease Purchase Agreements	General Obligation Loan	Bank Loans	Compensated Absences	Total
Balance beginning of year	\$ 30,572	206,465	56,557	47,635	341,229
Additions	15,450	-	-	-	15,450
Reductions	<u>16,519</u>	<u>65,518</u>	<u>20,864</u>	<u>4,795</u>	<u>107,696</u>
Balance end of year	<u>\$ 29,503</u>	<u>140,947</u>	<u>35,693</u>	<u>42,840</u>	<u>248,983</u>

**(6) Capital Lease Purchase Agreements**

The County has entered into capital lease purchase agreements to lease computer equipment and a vehicle for Community Services. The following is a schedule of the future minimum lease payments, including interest at 5.98% per annum for the computer equipment and 0% for the Community Services vehicle, and the present value of net minimum lease payments under the agreements in effect at June 30, 2003:

Year Ending June 30,	Computer Equipment	Community Services Vehicle	Total
2004	\$ 14,707	3,090	17,797
2005	-	3,090	3,090
2006	-	3,090	3,090
2007	-	3,090	3,090
2008	-	2,832	2,832
Total minimum lease payments	14,707	15,192	29,899
Less amount representing interest	396	-	396
Present value of net minimum lease payments	\$ 14,311	15,192	29,503

Payments under all capital lease purchase agreements for the year ended June 30, 2003 totaled \$17,906.

**(7) General Obligation Loan**

In July 1999, the County entered into a general obligation loan agreement, not to exceed \$275,000, with a June 30, 2000 initial maturity date and interest of 4.85% per annum, for the acquisition and installation of an elevator in the courthouse. The loan agreement is renewable annually and the interest rate is adjusted at the time of renewal. The loan was renewed to a June 30, 2004 maturity date with interest at 4.75% per annum. The outstanding balance of this loan was \$140,947 at June 30, 2003.

During the year ended June 30, 2003, the County made principal and interest payments of \$65,518 and \$9,482, respectively. The County makes payments on the loans as funds are available in the Debt Service Fund.

**(8) Bank Loans**

In July 2001, the County entered into a loan agreement for the purchase of imaging equipment. The loan requires 36 monthly payments, including interest at 5.15% per annum. In June 2002, the County entered into a loan agreement for the purchase of radio equipment. The loan requires 5 annual payments, including interest at 5.20% per annum. Required payments to maturity for the loan agreements are as follows:

Year Ending June 30,	Imaging Equipment		Radio Equipment		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 16,472	537	4,423	926	20,895	1,463
2005	1,411	6	4,653	696	6,064	702
2006	-	-	4,894	454	4,894	454
2007	-	-	3,840	200	3,840	200
Total	\$ 17,883	543	17,810	2,276	35,693	2,819

**(9) Medical Co-Payment Plan**

The Medical Co-Payment Plan was established to account for the partial self funding of the County's health insurance benefit plan. Monthly plan contributions are recorded as expenditures in the operating funds at the time of payment from the operating funds to the Internal Service, Medical Co-Payment Fund administered by the County Auditor.

The County's plan is a partial self-funded health plan. The County sponsors a group insurance policy which provides comprehensive hospital and medical coverage for eligible employees and, if elected, their spouses and dependents. Under the partial self-funded plan, the County reimburses eligible employees for a portion of the deductible.

The County did not contribute to the fund during the year ended June 30, 2003.

**(10) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the County is required to contribute 5.75% of annual payroll, except for law enforcement employees, in which case the percentages are 5.59% and 8.39%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$128,617, \$121,757, and \$105,828, respectively, equal to the required contributions for each year.

**(11) Risk Management**

Decatur County is a member of the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool whose membership includes ten counties throughout the State of Iowa. The Pool was formed in July 1987 to provide workers' compensation and property/casualty insurance for its members. The risk pool was created for the purposes of providing and maintaining self-insurance benefits on a group basis substantially at cost.

Each member County is responsible for the payment of member contributions to the risk pool on an annual basis. Member contributions to the risk pool are recorded as expenditures from the operating funds at the time of payment to the risk pool. In the event of payment of any loss by the risk pool, the risk pool is subrogated to the extent of such payment to all the rights of the member County against any person or other entity legally responsible for damages for said loss, and in such event, the member County is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery. The risk pool is responsible for paying the reinsurance premiums on the insurance policies when due, to pay claims in accordance with the various coverages and to make other payments as required by applicable law, to establish and accumulate a reserve or reserves in amounts which are deemed advisable or required by law to carry out the purposes of the risk pool, and to pay all reasonable and necessary expenses for administering the risk pool and fund.

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2003, which covers exposures of specific losses in excess of \$350,000 per occurrence for workers' compensation and in excess of \$250,000 per occurrence, up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general and automobile liability. The risk pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2003, 2002, and 2001, the risk pool reported a surplus of assets over liabilities.

Member Counties retain the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the risk pool by means of an assessment that would be charged to the member County in addition to the premium contributions. At June 30, 2003, settled claims have not exceeded the risk pool or reinsurance coverage since commencement of the risk pool.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contribution to the Pool for the year ended June 30, 2003 was \$147,482.

Initial membership into the risk pool is for a mandatory three year period. Subsequent to the initial term, a member County may withdraw at the end of any given fiscal year. The initial membership period for Decatur County commenced July 1, 1987, and is subject to renewal every three years. The County also carries commercial insurance purchased by the risk pool from other insurers for coverages associated with the employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(12) Construction Commitment**

The County has entered into a contract for \$374,189, net of change orders, to construct a mental health administration building. At June 30, 2003, payments of \$367,392 had been made against the contract. The balance remaining at June 30, 2003 of \$6,797 will be paid as work on the project progresses.

**(13) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of the County's financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. Also, the revised minimum reporting requirements include Management's Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the County's financial activities.

**(14) Contingent Liability**

On December 2, 2003, the County was requested by the Iowa Department of Human Services to repay \$423,035 of Medicaid Home and Community Based Services (HCBS) Mental Retardation (MR) and Brain Injury (BI) Waiver Program funds. The repayment request results from alleged incorrect billings between July 1, 2001 and June 30, 2003 due to the lack of required documentation to support service delivery and the payment of claims. Although there is a reasonable possibility that a loss will be incurred, the amount of the loss can not be reasonably estimated.

## **Supplemental Information**

**Schedule 1**

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## Decatur County

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

## Revenues:

## Property and other County tax:

Property tax	\$ 807,757	
Utility tax replacement excise tax	47,145	
Other	<u>816</u>	\$ 855,718

Interest and penalty on property tax 35,918

## Intergovernmental:

## State shared revenues:

Franchise tax 5,535

## State tax replacements:

State tax credits 71,633  
State allocation 50,244  
121,877

## State and federal pass-thru revenues:

Human services administrative reimbursements 33,630  
Local Board of Health grants 52,771  
Well water grant 1,338  
Decategorization grants 74,057  
Other 85,269  
247,065

Contributions and reimbursements from  
other governmental units:

Contract law enforcement 23,185 397,662

Licenses and permits 763

## Charges for service:

Office fees and collections 76,469  
Auto license, use tax, postage and drivers licenses 56,774  
Other 4,084 137,327

## Use of money and property:

Interest on investments 47,014

## Decatur County

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Revenues (continued):		
Miscellaneous:		
Refunds and reimbursements	28,268	
Other	<u>10,130</u>	<u>38,398</u>
Total revenues		<u>1,512,800</u>
Expenditures:		
Operating:		
Public safety and legal services		657,211
Physical health and social services		221,169
County environment and education		150,723
Governmental services to residents		184,349
Administration		<u>471,991</u>
Total expenditures		<u>1,685,443</u>
Deficiency of revenues under expenditures		(172,643)
Other financing uses:		
Operating transfers out:		
Special Revenue:		
Secondary Roads		<u>(29,530)</u>
Deficiency of revenues under expenditures and other financing uses		(202,173)
Fund balance beginning of year		<u>986,603</u>
Fund balance end of year		<u>\$ 784,430</u>

See accompanying independent auditor's report.



**Schedule 2**

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Decatur County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Public safety and legal services:

Law enforcement:

Uniformed patrol services	\$ 94,044	
Investigations	28,538	
Law enforcement communication	220,057	
Adult correction services	104,307	
Administration	<u>78,248</u>	
	<u>525,194</u>	

Legal services:

Criminal prosecution	110,481	
Medical examinations	<u>2,092</u>	
	<u>112,573</u>	

Emergency services:

Emergency management	<u>11,827</u>	
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Assistance to district court system:

Research assistance	<u>4,673</u>	
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Court proceedings:

Court costs	<u>288</u>	
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Juvenile justice administration:

Juvenile victim restitution	997	
Court-appointed attorneys for juveniles	<u>1,659</u>	
	<u>2,656</u>	\$ 657,211

Physical health and social services:

Physical health services:

Personal and family health services	60,230	
Sanitation	<u>6,223</u>	
	66,453	

Services to the poor:

Administration	55,820	
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Services to military veterans:

Administration	1,091	
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Children and family services:

Family Protective Services	59,580	
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Services to other adults:

Services to the elderly	<u>38,225</u>	221,169
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Decatur County  
General Fund  
Statement of Expenditures  
Year ended June 30, 2003

County environment and education:		
Conservation and recreation services:		
Administration	58,887	
Maintenance and operations	<u>77,236</u>	
	<u>136,123</u>	
Educational services:		
Historic preservation	3,600	
Fair and 4-H clubs	<u>11,000</u>	
	<u>14,600</u>	150,723
Governmental services to residents:		
Representation services:		
Elections administration	41,986	
Local elections	63	
Township officials	<u>2,114</u>	
	<u>44,163</u>	
State administrative services:		
Motor vehicle registrations and licensing	68,694	
Recording of public documents	<u>71,492</u>	
	<u>140,186</u>	184,349
Administration:		
Policy and administration:		
General County management	87,106	
Administrative management services	71,569	
Treasury management services	78,812	
Other policy and administration	<u>32,155</u>	
	<u>269,642</u>	
Central services:		
General services	78,872	
Data processing services	<u>62,592</u>	
	<u>141,464</u>	
Risk management services:		
Tort liability	50,022	
Safety of workplace	9,696	
Fidelity of public officials	<u>1,167</u>	
	<u>60,885</u>	471,991
Total		<u>\$ 1,685,443</u>

See accompanying independent auditor's report.

Decatur County  
Special Revenue Funds  
Combining Balance Sheet  
June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management	Structure Operation and Main- tenance
<b>Assets</b>					
Cash and pooled investments	\$ 491,410	1,024,279	440	3,875	9,990
Receivables:					
Property tax:					
Delinquent	4,830	-	-	-	-
Succeeding year	307,000	-	-	-	-
Accounts	-	2,117	-	-	-
Accrued interest	-	-	-	2	-
Due from other funds	-	731	-	188	-
Due from other governments	46,851	146,887	-	-	-
Inventories	-	153,985	-	-	-
<b>Total assets</b>	<b>\$ 850,091</b>	<b>1,327,999</b>	<b>440</b>	<b>4,065</b>	<b>9,990</b>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Accounts payable	\$ 422	125,273	-	-	-
Salaries and benefits payable	1,837	26,467	-	-	-
Due to other funds	242	-	-	-	-
Due to other governments	1	694	-	-	-
Deferred revenue:					
Succeeding year	307,000	-	-	-	-
Other	4,792	-	-	-	-
Compensated absences	1,434	11,118	-	-	-
Total liabilities	<b>315,728</b>	<b>163,552</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund equity:					
Fund balances:					
Reserved for inventories	-	153,985	-	-	-
Unreserved:					
Designated for building	-	-	-	-	-
Undesignated	534,363	1,010,462	440	4,065	9,990
Total fund equity	<b>534,363</b>	<b>1,164,447</b>	<b>440</b>	<b>4,065</b>	<b>9,990</b>
<b>Total liabilities and fund equity</b>	<b>\$ 850,091</b>	<b>1,327,999</b>	<b>440</b>	<b>4,065</b>	<b>9,990</b>

See accompanying independent auditor's report.

Emergency Medical Systems	Mental Health	Little River Lake Improvement	DARE	Community Development Block Grant	Courthouse Repair	Drainage Districts	Total
771	175,073	26,703	2,270	1,500	4,610	10,687	1,751,608
-	3,425	-	-	-	-	-	8,255
-	283,000	-	-	-	-	-	590,000
-	2,959	-	-	-	-	-	5,076
-	-	-	-	-	-	-	2
-	22	-	-	-	-	-	941
3,379	59,219	-	-	3,200	-	-	259,536
-	-	-	-	-	-	-	153,985
<b>4,150</b>	<b>523,698</b>	<b>26,703</b>	<b>2,270</b>	<b>4,700</b>	<b>4,610</b>	<b>10,687</b>	<b>2,769,403</b>
87	15,435	-	-	-	-	-	141,217
-	13,853	466	-	-	-	-	42,623
-	14,642	-	-	-	-	-	14,884
-	90,821	10	-	-	-	-	91,526
-	283,000	-	-	-	-	-	590,000
-	10,827	-	-	-	-	-	15,619
-	4,694	-	-	-	-	-	17,246
<b>87</b>	<b>433,272</b>	<b>476</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>913,115</b>
-	-	-	-	-	-	-	153,985
-	4,998	-	-	-	-	-	4,998
4,063	85,428	26,227	2,270	4,700	4,610	10,687	1,697,305
4,063	90,426	26,227	2,270	4,700	4,610	10,687	1,856,288
<b>4,150</b>	<b>523,698</b>	<b>26,703</b>	<b>2,270</b>	<b>4,700</b>	<b>4,610</b>	<b>10,687</b>	<b>2,769,403</b>

Decatur County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management	Structure Operation and Main- tenance
Revenues:					
Property and other County tax:					
Property tax	\$ 376,385	-	-	-	-
Local option sales tax	179,512	-	-	-	-
Utility tax replacement excise tax	22,338	-	-	-	-
Other	87	-	-	-	-
	<u>578,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Intergovernmental:					
State shared revenues:					
Road use tax allocation	-	2,103,051	-	-	-
Bridge replacement	-	14,800	-	-	-
	<u>-</u>	<u>2,117,851</u>	<u>-</u>	<u>-</u>	<u>-</u>
State grants and reimbursements including indirect federal funding:					
Social services block grant	-	-	-	-	-
Community development block grant	-	-	-	-	-
Other	-	-	183	-	-
	<u>-</u>	<u>-</u>	<u>183</u>	<u>-</u>	<u>-</u>
State tax replacements:					
State tax credits	27,648	-	-	-	-
Mental health property tax relief	-	-	-	-	-
MH/DD comm serv growth allocation	-	-	-	-	-
MH/DD allowed growth adjustment	-	-	-	-	-
Other	19,383	-	-	-	-
	<u>47,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Direct federal grants and entitlements:					
Medicaid	-	-	-	-	-
Contributions and reimbursements from other governmental units					
	<u>47,031</u>	<u>2,117,851</u>	<u>183</u>	<u>-</u>	<u>-</u>
Licenses and permits	-	325	-	-	-
Charges for service	-	18	-	2,216	-

Emergency Medical Systems	Mental Health	Little River Lake Improve- ment	DARE	Community Development Block Grant	Courthouse Repair	Drainage Districts	Total
-	279,654	-	-	-	-	-	656,039
-	-	-	-	-	-	-	179,512
-	16,322	-	-	-	-	-	38,660
-	283	-	-	-	-	-	370
-	296,259	-	-	-	-	-	874,581
-	-	-	-	-	-	-	2,103,051
-	-	-	-	-	-	-	14,800
-	-	-	-	-	-	-	2,117,851
-	64,156	-	-	-	-	-	64,156
-	-	-	-	7,700	-	-	7,700
4,564	1,146	-	900	-	-	-	6,793
4,564	65,302	-	900	7,700	-	-	78,649
-	24,801	-	-	-	-	-	52,449
-	220,903	-	-	-	-	-	220,903
-	43,497	-	-	-	-	-	43,497
-	33,567	-	-	-	-	-	33,567
-	-	-	-	-	-	-	19,383
-	322,768	-	-	-	-	-	369,799
-	670,972	-	-	-	-	-	670,972
-	1,501	-	-	-	-	-	1,501
4,564	1,060,543	-	900	7,700	-	-	3,238,772
-	-	-	-	-	-	-	325
-	163	31,600	-	-	-	-	33,997

Decatur County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management	Structure Operation and Main- tenance
Revenues (continued):					
Use of money and property:					
Interest on investments	-	-	14	21	-
Equipment rent	-	5,323	-	-	-
	-	5,323	14	21	-
Miscellaneous:					
Sale of materials	-	69,563	-	-	-
Contributions and donations from private sources	-	6,058	-	-	-
Other	88	61	-	-	-
	88	75,682	-	-	-
Total revenues	625,441	2,199,199	197	2,237	-
Expenditures:					
Operating:					
Public safety and legal services:					
Law enforcement:					
Uniform patrol services	56,098	-	-	-	-
Physical health and social services:					
Physical health services:					
Support of hospitals	-	-	-	-	-
Mental health:					
Persons with mental health problems - mental illness:					
General administration	-	-	-	-	-
Treatment services	-	-	-	-	-
Institutional, hospital and commitment services	-	-	-	-	-
	-	-	-	-	-
Persons with chronic mental illness:					
General administration	-	-	-	-	-
Coordination services	-	-	-	-	-
Personal and environmental support	-	-	-	-	-
Treatment services	-	-	-	-	-
Institutional, hospital and commitment services	-	-	-	-	-
	-	-	-	-	-

Emergency Medical Svstems	Mental Health	Little River Lake Improvement	DARE	Community Development Block Grant	Courthouse Repair	Drainage Districts	Total
-	-	-	-	-	-	-	35
-	-	-	-	-	-	-	5,323
-	-	-	-	-	-	-	5,358
-	-	-	-	-	-	-	69,563
-	-	6,000	1,370	-	-	-	13,428
-	33,545	282	-	-	12,698	-	46,674
-	33,545	6,282	1,370	-	12,698	-	129,665
4,564	1,390,510	37,882	2,270	7,700	12,698	-	4,282,698
-	-	-	-	-	-	-	56,098
1,356	-	-	-	-	-	-	1,356
-	94,016	-	-	-	-	-	94,016
-	7,394	-	-	-	-	-	7,394
-	338	-	-	-	-	-	338
-	101,748	-	-	-	-	-	101,748
-	134,800	-	-	-	-	-	134,800
-	483	-	-	-	-	-	483
-	7,936	-	-	-	-	-	7,936
-	7,755	-	-	-	-	-	7,755
-	4,793	-	-	-	-	-	4,793
-	155,767	-	-	-	-	-	155,767



Decatur County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management	Structure Operation and Main- tenance
Expenditures (continued):					
Operating:					
Mental health:					
Persons with mental retardation:					
General administration	-	-	-	-	-
Coordination services	-	-	-	-	-
Personal and environmental support	-	-	-	-	-
Vocational services	-	-	-	-	-
Licensed or certified living arrangements	-	-	-	-	-
Institutional, hospital and commitment services	-	-	-	-	-
	-	-	-	-	-
Persons with other developmental disabilities:					
General administration	-	-	-	-	-
Coordination services	-	-	-	-	-
	-	-	-	-	-
County environment and education:					
Environmental quality:					
Weed eradication	3,009	-	-	-	-
Solid waste disposal	37,314	-	-	-	-
	40,323	-	-	-	-
Conservation and recreation services:					
Administration	-	-	-	-	-
Maintenance and operations	-	-	4,175	-	-
	-	-	4,175	-	-
County development:					
Economic development	9,108	-	-	-	-
	49,431	-	4,175	-	-
Roads and transportation:					
Secondary roads administration and engineering:					
Administration	-	74,885	-	-	-
Engineering	-	185,519	-	-	-
	-	260,404	-	-	-
Roadway maintenance:					
Bridges and culverts	-	137,691	-	-	-
Roads	-	849,360	-	-	-
Snow and ice control	-	65,923	-	-	-
Traffic controls	-	16,629	-	-	-
Road clearing	37,000	156,003	-	-	-
	37,000	1,225,606	-	-	-

Emergency Medical Svstems	Mental Health	Little River Lake Improvement	DARE	Community Development Block Grant	Courthouse Repair	Drainage Districts	Total
-	189,600	-	-	-	-	-	189,600
-	527,161	-	-	-	-	-	527,161
-	24,738	-	-	-	-	-	24,738
-	58,408	-	-	-	-	-	58,408
-	298,736	-	-	-	-	-	298,736
-	190,538	-	-	-	-	-	190,538
-	1,289,181	-	-	-	-	-	1,289,181
-	21,958	-	-	-	-	-	21,958
-	860	-	-	-	-	-	860
-	22,818	-	-	-	-	-	22,818
-	1,569,514	-	-	-	-	-	1,569,514
-	-	-	-	-	-	-	3,009
-	-	-	-	-	-	-	37,314
-	-	-	-	-	-	-	40,323
-	-	13,558	-	-	-	-	13,558
-	-	21,055	-	-	-	-	25,230
-	-	34,613	-	-	-	-	38,788
-	-	-	-	4,000	-	-	13,108
-	-	34,613	-	4,000	-	-	92,219
-	-	-	-	-	-	-	74,885
-	-	-	-	-	-	-	185,519
-	-	-	-	-	-	-	260,404
-	-	-	-	-	-	-	137,691
-	-	-	-	-	-	-	849,360
-	-	-	-	-	-	-	65,923
-	-	-	-	-	-	-	16,629
-	-	-	-	-	-	-	193,003
-	-	-	-	-	-	-	1,262,606

Decatur County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management	Structure Operation and Main- tenance
Expenditures (continued):					
Operating:					
Roads and transportation:					
General roadway:					
Equipment	-	315,908	-	-	-
Equipment operation	-	467,719	-	-	-
Tools, materials, and supplies	-	83,194	-	-	-
Real estate and buildings	-	18,854	-	-	-
	-	885,675	-	-	-
	37,000	2,371,685	-	-	-
Governmental services to residents					
General services	-	-	-	-	-
Capital projects:					
Roadway construction	-	88,127	-	-	-
Total expenditures	142,529	2,459,812	4,175	-	-
Excess (deficiency) of revenues over (under) expenditures	482,912	(260,613)	(3,978)	2,237	-
Other financing sources (uses):					
Operating transfers in (out):					
General	-	29,530	-	-	-
Special Revenue:					
Rural Services	-	373,485	-	-	-
Secondary Roads	(373,485)	-	-	-	-
Total other financing sources (uses)	(373,485)	403,015	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	109,427	142,402	(3,978)	2,237	-
Fund balances beginning of year	424,936	1,004,091	4,418	1,828	9,990
Increase in reserve for inventories	-	17,954	-	-	-
Fund balances end of year	\$ 534,363	1,164,447	440	4,065	9,990

See accompanying independent auditor's report.

Emergency Medical Systems	Mental Health	Little River Lake Improve- ment	DARE	Community Development Block Grant	Courthouse Repair	Drainage Districts	Total
-	-	-	-	-	-	-	315.908
-	-	-	-	-	-	-	467.719
-	-	-	-	-	-	-	83.194
-	-	-	-	-	-	-	18.854
-	-	-	-	-	-	-	885.675
-	-	-	-	-	-	-	2,408.685
-	-	-	-	-	8,088	-	8,088
-	-	-	-	-	-	-	88,127
1,356	1,569,514	34,613	-	4,000	8,088	-	4,224,087
3,208	(179,004)	3,269	2,270	3,700	4,610	-	58,611
-	-	-	-	-	-	-	29,530
-	-	-	-	-	-	-	373,485
-	-	-	-	-	-	-	(373,485)
-	-	-	-	-	-	-	29,530
3,208	(179,004)	3,269	2,270	3,700	4,610	-	88,141
855	269,430	22,958	-	1,000	-	10,687	1,750,193
-	-	-	-	-	-	-	17,954
4,063	90,426	26,227	2,270	4,700	4,610	10,687	1,856,288

**Schedule 5**

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Decatur County

Debt Service Fund

Statement of Revenues, Expenditures and  
Changes in Fund Balance

Year ended June 30, 2003

Revenues:

Property and other County tax:

Property tax	\$ 65,187	
Utility tax replacement excise tax	3,792	
Other	<u>66</u>	\$ 69,045

Intergovernmental:

State tax replacements:

State tax credits		5,763
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Use of money and property:

Interest on investments		<u>3</u>
Total revenues		74,811

Expenditures:

Debt service:

Principal	65,518	
Interest	<u>9,482</u>	<u>75,000</u>

Deficiency of revenues under expenditures (189)

Fund balance beginning of year 2,361

Fund balance end of year \$ 2,172

See accompanying independent auditor's report.

Decatur County  
Internal Service Funds  
Combining Balance Sheet  
June 30, 2003

	Medical Co-Payment	Flex Plan	Total
<b>Assets</b>			
Cash and pooled investments	\$ 40,746	250	40,996
Accrued interest receivable	25	-	25
<b>Total assets</b>	<b>\$ 40,771</b>	<b>250</b>	<b>41,021</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ 2,378	250	2,628
Fund equity:			
Unreserved retained earnings	38,393	-	38,393
<b>Total liabilities and fund equity</b>	<b>\$ 40,771</b>	<b>250</b>	<b>41,021</b>

See accompanying independent auditor's report.

**Schedule 7**

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## Decatur County

## Internal Service Funds

## Combining Statement of Revenues, Expenses and Changes in Retained Earnings

Year ended June 30, 2003

	<u>Medical</u> <u>Co-Payment</u>	<u>Flex</u> <u>Plan</u>	<u>Total</u>
Operating revenues:			
Reimbursements from others	\$ 430	1,696	2,126
Operating expenses:			
Medical claims	18,191	-	18,191
Administrative costs	-	1,696	1,696
Total operating expenses	<u>18,191</u>	<u>1,696</u>	<u>19,887</u>
Operating loss	(17,761)	-	(17,761)
Non-operating revenues:			
Interest on investments	517	-	517
Net loss	(17,244)	-	(17,244)
Retained earnings beginning of year	<u>55,637</u>	-	<u>55,637</u>
Retained earnings end of year	<u>\$ 38,393</u>	-	<u>38,393</u>

See accompanying independent auditor's report.

Decatur County  
Internal Service Funds  
Combining Statement of Cash Flows  
Year ended June 30, 2003

	Medical Co-Payment	Flex Plan	Total
Cash flows from operating activities:			
Cash received from others	\$ 430	1,696	2,126
Cash payments to employees	-	(1,446)	(1,446)
Cash payments to suppliers for services	(19,645)	-	(19,645)
Net cash provided by (used for) operating activities	(19,215)	250	(18,965)
Cash flows from investing activities:			
Interest on investments	558	-	558
Net increase (decrease) in cash and cash equivalents	(18,657)	250	(18,407)
Cash and cash equivalents beginning of year	59,403	-	59,403
Cash and cash equivalents end of year	\$ 40,746	250	40,996
Reconciliation of operating loss to net cash provided by (used for) operating activities:			
Operating loss	\$ (17,761)	-	(17,761)
Adjustment to reconcile operating loss to net cash provided by (used for) operating activities:			
Increase (decrease) in accounts payable	(1,454)	250	(1,204)
Net cash provided by (used for) operating activities	\$ (19,215)	250	(18,965)

See accompanying independent auditor's report.



Decatur County  
 Agency Funds  
 Combining Balance Sheet  
 June 30, 2003

	County Offices	
	County Recorder	County Sheriff
<b>Assets</b>		
Cash and pooled investments:		
County Treasurer	\$ -	-
Other County officials	8,090	4,256
Receivables:		
Property tax:		
Delinquent	-	-
Succeeding year	-	-
Accounts	816	-
Accrued interest	-	-
Due from other governments	-	-
<b>Total assets</b>	<b>\$ 8,906</b>	<b>4,256</b>
<b>Liabilities</b>		
Liabilities:		
Accounts payable	\$ 159	-
Salaries and benefits payable	-	-
Due to other funds	4,682	1,197
Due to other governments	4,065	52
Trusts payable	-	3,007
Compensated absences	-	-
<b>Total liabilities</b>	<b>\$ 8,906</b>	<b>4,256</b>

Agency Funds					
Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpora- tions	Townships
1,268	64,562	99,878	4,044	24,216	2,927
-	-	-	-	-	-
474	1,354	37,859	1,501	8,059	1,099
39,000	110,000	3,127,000	126,000	932,000	92,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>40,742</b>	<b>175,916</b>	<b>3,264,737</b>	<b>131,545</b>	<b>964,275</b>	<b>96,026</b>
-	10	-	-	-	-
-	2,217	-	-	-	-
-	-	-	-	-	-
40,742	172,860	3,264,737	131,545	964,275	96,026
-	-	-	-	-	-
-	829	-	-	-	-
<b>40,742</b>	<b>175,916</b>	<b>3,264,737</b>	<b>131,545</b>	<b>964,275</b>	<b>96,026</b>

Decatur County  
 Agency Funds  
 Combining Balance Sheet  
 June 30, 2003

	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication
<b>Assets</b>		
Cash and pooled investments:		
County Treasurer	130,131	422
Other County officials	-	-
Receivables:		
Property tax:		
Delinquent	-	9
Succeeding year	-	1,000
Accounts	-	-
Accrued interest	-	-
Due from other governments	-	-
<b>Total assets</b>	<b>130,131</b>	<b>1,431</b>
<b>Liabilities</b>		
Liabilities:		
Accounts payable	-	-
Salaries and benefits payable	-	-
Due to other funds	3,963	-
Due to other governments	126,168	1,431
Trusts payable	-	-
Compensated absences	-	-
<b>Total liabilities</b>	<b>130,131</b>	<b>1,431</b>

See accompanying independent auditor's report.

Emergency Management Services	Emergency Medical Services	County Hospital	Tax Sale Redemption	Drivers License	E911 Service Board	Total
13,665	771	16,707	7,370	889	73,937	440,787
-	-	-	-	-	-	12,346
-	-	6,239	-	-	-	56,594
-	-	515,000	-	-	-	4,942,000
-	-	-	-	-	32,049	32,865
-	-	-	-	-	42	42
-	3,379	-	-	-	-	3,379
<b>13,665</b>	<b>4,150</b>	<b>537,946</b>	<b>7,370</b>	<b>889</b>	<b>106,028</b>	<b>5,488,013</b>
-	-	-	-	-	-	169
420	-	-	-	-	-	2,637
-	-	-	-	889	-	10,731
13,245	4,150	537,946	-	-	106,028	5,463,270
-	-	-	7,370	-	-	10,377
-	-	-	-	-	-	829
<b>13,665</b>	<b>4,150</b>	<b>537,946</b>	<b>7,370</b>	<b>889</b>	<b>106,028</b>	<b>5,488,013</b>

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Decatur County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	<u>County Offices</u>	
	<u>County Recorder</u>	<u>County Sheriff</u>
<b>Assets and Liabilities</b>		
Balances beginning of year	\$ 12,989	4,694
Additions:		
Property and other County tax	-	-
State tax credits	-	-
Office fees and collections	127,960	27,110
Auto licenses, use tax, postage and drivers license	-	-
Trusts	370	62,964
Miscellaneous	-	-
Total additions	<u>128,330</u>	<u>90,074</u>
Deductions:		
Agency remittances:		
To other funds	58,119	26,546
To other governments	73,924	591
Trusts paid out	370	63,375
Total deductions	<u>132,413</u>	<u>90,512</u>
Balances end of year	<u>\$ 8,906</u>	<u>4,256</u>

Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpora- tions	Townships	Auto License and Use Tax
40,707	177,944	3,215,906	129,383	968,493	91,415	106,517
38,708	109,532	3,104,888	125,084	893,318	92,717	-
5,725	16,371	462,833	18,178	160,041	11,660	-
-	197	-	-	-	-	-
-	-	-	-	-	-	1,410,422
-	-	-	-	-	-	-
-	1,574	-	-	-	-	-
44,433	127,674	3,567,721	143,262	1,053,359	104,377	1,410,422
-	-	-	-	-	-	51,922
44,398	129,702	3,518,890	141,100	1,057,577	99,766	1,334,886
-	-	-	-	-	-	-
44,398	129,702	3,518,890	141,100	1,057,577	99,766	1,386,808
40,742	175,916	3,264,737	131,545	964,275	96,026	130,131

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Decatur County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Emergency Management Services</u>
<b>Assets and Liabilities</b>		
Balances beginning of year	<u>1,042</u>	<u>8,713</u>
Additions:		
Property and other County tax	758	-
State tax credits	113	-
Office fees and collections	-	-
Auto licenses, use tax, postage and drivers license	-	-
Trusts	-	-
Miscellaneous	-	22,607
Total additions	<u>871</u>	<u>22,607</u>
Deductions:		
Agency remittances:		
To other funds	-	-
To other governments	482	17,655
Trusts paid out	-	-
Total deductions	<u>482</u>	<u>17,655</u>
Balances end of year	<u><u>1,431</u></u>	<u><u>13,665</u></u>

See accompanying independent auditor's report.

Emergency Medical Services	County Hospital	Tax Sale Redemption	State Tax Credit	Drivers License	E911 Service Board	Local Empowerment Board	Total
-	536,403	151	-	-	46,667	-	5,341,024
-	510,892	-	-	-	-	-	4,875,897
-	75,415	-	-	-	-	-	750,336
-	-	-	-	-	-	-	155,267
-	-	-	-	33,471	-	-	1,443,893
-	-	134,524	-	-	-	-	197,858
5,429	-	-	-	889	128,796	243,992	403,287
5,429	586,307	134,524	-	34,360	128,796	243,992	7,826,538
-	-	-	-	-	-	-	136,587
1,279	584,764	-	-	33,471	69,435	243,992	7,351,912
-	-	127,305	-	-	-	-	191,050
1,279	584,764	127,305	-	33,471	69,435	243,992	7,679,549
4,150	537,946	7,370	-	889	106,028	-	5,488,013



**Schedule 11**

## Decatur County

## Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2003	2002	2001	2000
<b>Taxes:</b>				
Property tax	\$ 1,528,983	1,551,047	1,555,226	1,666,626
Local option sales tax	179,512	138,914	-	-
Utility tax replacement excise tax	89,597	101,298	105,461	-
Other	1,252	1,368	1,122	-
	<u>1,799,344</u>	<u>1,792,627</u>	<u>1,661,809</u>	<u>1,666,626</u>
<b>Intergovernmental:</b>				
State shared revenues:				
Franchise tax	5,535	6,645	7,351	5,852
Road use tax allocation	2,103,051	2,123,405	2,036,220	2,065,830
Bridge replacement	14,800	-	-	-
State grants and reimbursements including indirect federal funding:				
Human services administrative reimbursements	33,630	25,812	37,991	19,951
Health grants	52,771	61,746	95,073	93,882
Well water grant	1,338	5,565	4,770	14,120
Mental health/mental retardation allocation	-	-	72,618	70,862
Social services block grant	64,156	68,251	70,043	69,845
Highway planning and construction	-	-	111,702	-
Community development block grants/State's program	7,700	3,213	104,500	-
Decategorization grants	74,057	95,342	60,722	35,494
Other	92,062	36,516	45,517	57,321
State tax replacements:				
State tax credits	129,845	175,245	196,867	171,608
State allocation	50,244	52,939	53,843	53,998
Mental health property tax relief	220,903	220,902	220,903	220,903
MH/DD allowed growth adjustment	77,064	-	83,992	51,429
Other	19,383	-	424	-
Direct federal grants and entitlements:				
Medicaid	670,972	564,312	192,217	112,318
Contributions and reimbursements from other governmental units:				
Communication and contract law enforcement	23,185	23,010	21,855	26,826
Other	1,501	24,645	41,045	12,863
Payments in lieu of taxes	-	-	-	426
	<u>3,642,197</u>	<u>3,487,548</u>	<u>3,457,653</u>	<u>3,083,528</u>
<b>Total</b>	<u>\$ 5,441,541</u>	<u>5,280,175</u>	<u>5,119,462</u>	<u>4,750,154</u>

See accompanying independent auditor's report.



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Officials of Decatur County:

We have audited the general purpose financial statements of Decatur County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated January 14, 2004. Our report expressed a qualified opinion on the general purpose financial statements due to the omission of the general fixed assets account group, which should be included in order to conform with U.S. generally accepted accounting principles.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items (2), (10), (11) and (12).

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness. Prior year reportable conditions have been resolved except for items (A), (B) and (C).

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 14, 2004

Decatur County  
 Schedule of Findings  
 Year ended June 30, 2003

**Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

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

	<u>Applicable Offices</u>
(1) Receipts - opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	Treasurer, Recorder and Sheriff
(2) Disbursements - check writing, signing, posting, reconciling and final approval.	Recorder
(3) Bank reconciliations are not prepared by an independent person. Also, reconciliations are not reviewed periodically by an independent person for propriety.	Recorder and Sheriff
(4) Investments - custody and recordkeeping.	Treasurer

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

Response -

County Treasurer - We will make every attempt to perform the recommended procedures.

Decatur County  
Schedule of Findings  
Year ended June 30, 2003

County Recorder -

- (1) We will trade duties so the same person is not doing the same thing every day.
- (2) One person will write the checks and one person will sign the checks.
- (3) One person will reconcile and another will verify.

County Sheriff - We will have an independent person open the mail and prepare a receipt. Deposits will be done by another individual. Sheriff Muir will initial bank reconciliations and Shirley will also initial bank reconciliations.

Conclusion - Responses accepted.

- (B) Information Systems - The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- Password privacy and confidentiality.
- Requiring password changes because software does not require the user to change log-ins/passwords periodically.
- Requiring unique user login identifications.
- Ensuring only software licensed to the County is installed on computers.
- Usage of the internet.
- Personal use of computer equipment and software.

Also, the County does not have a written disaster recovery plan or have written confirmation that suppliers could replace hardware fast enough for continued operations.

Recommendation - The County should develop written policies addressing the above items in order to improve the County's control over computer based systems. A written disaster recovery plan should also be developed, including confirmation from suppliers that the County's system could be replaced in a timely manner.

Response - We will follow the recommendations and develop written policies regarding control of computer based systems and disaster recovery plan.

Conclusion - Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2003

(C) County Sheriff Inmate Phone Card Sales - A reconciliation of phone card sales and phone card receipts was not always performed. Receipts for phone cards do not always indicate the number of the phone card sold. Occasionally, phone cards are issued to inmates at no cost.

Recommendation - A reconciliation of phone card sales and receipts should be performed. Phone card receipts should indicate the number of the phone card sold. The County should develop a written policy regarding the issuance of free phone cards to inmates.

Response - A written policy regarding issuance of free cards to inmates is in the process of being written. Receipts of cards have a card number on the receipt and a reconciliation of phone card sales is being performed.

Conclusion - Response accepted.

Decatur County  
Schedule of Findings  
Year ended June 30, 2003

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

- (1) Official Depositories - A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003, except as follows:

Office	Depository	Maximum Authorized Deposit
County Treasurer	Great Western Bank	\$ 4,000,000

Recommendation - A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Board.

Response - We will adopt a new resolution to raise the maximum authorized deposit amount to adequately cover deposits.

Conclusion - Response accepted.

- (2) Certified Budget - Disbursements during the year ended June 30, 2003 did not exceed the amounts budgeted.
- (3) Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Larry Eastin, County Supervisor, brother-in-law is owner of Boyd Construction	Construction of building, per bid	\$231,392

The transaction with Boyd Construction does not represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa since it was entered into through competitive bidding and Supervisor Eastin abstained from voting on the approval of the contract.

- (6) Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

Decatur County

Schedule of Findings

Year ended June 30, 2003

- (7) Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments - Except as noted above, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (9) Resource Enhancement and Protection (REAP) 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).
- (10) Medical Co-Payment Plan - The County provides employees health insurance and other benefits through a partially self-insured benefit plan. Chapter 509A.15 of the Code of Iowa requires the County to obtain an actuarial opinion issued by a member of the American Academy of Actuaries which attests to the adequacy of reserves, rates and the financial condition of the plan and to file an annual financial report with the Insurance Commissioner.

Recommendation - The County should obtain an actuarial opinion, issued by a member of the American Academy of Actuaries, as required. The County should also file an annual financial report with the Insurance Commissioner as required.

Response - The County Insurance Program will soon be depleted of funds and the program will cease to exist.

Conclusion - Response acknowledged.

- (11) Taxable Meal Reporting - The County does not include taxable meals paid to employees in gross wages as required by Internal Revenue Service rules.

Recommendation - The County should comply with Internal Revenue Service reporting requirements.

Response - The Board will ask that the County Auditor comply with reporting requirements of the IRS.

Conclusion - Response accepted.

- (12) County Ordinances - The County Board of Supervisors has not completed a compilation of County ordinances.

Recommendation - This compilation of County ordinances should be prepared and published as required by Section 331.302(9) of the Code of Iowa.

Response - The Board will commence work on this requirement in late March or early April of 2004.

Conclusion - Response accepted.



Decatur County

Schedule of Findings

Year ended June 30, 2003

- (13) 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, 2003 for the County Extension Office did not exceed the amount budgeted.

A resolution naming official depositories has been adopted by the County Agricultural Extension Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003, except as follows:

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<u>Office</u>	<u>Depository</u>	<u>Maximum Authorized Deposit</u>
Agricultural Extension	Decatur County State Bank	\$ 35,000

Recommendation - A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Council.

Response - We will adopt a new resolution.

Conclusion - Response accepted.

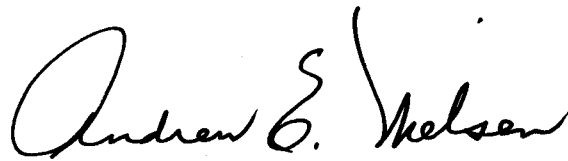
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Decatur County

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager  
Brian Brustkern, CPA, Senior Auditor II  
Daniel L. Durbin, CPA, Staff Auditor  
Jason R. Matter, Staff Auditor  
Heather L. Templeton, Assistant Auditor  
Jedd D. Moore, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State