



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____

March 18, 2004

Contact: Andy Nielsen

515/281-5834

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

The County had local tax revenue of \$12,970,007 for the year ended June 30, 2003, which included \$809,581 in tax credits from the state. The County forwarded \$9,463,592 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,506,415 of the local tax revenue to finance County operations, a less than one percent decrease from the prior year. Other revenues included \$2,869,229 from other governments, including indirect federal funding, and \$100,666 in interest on investments.

Expenditures for County operations totaled \$7,720,281, a 3 percent increase from the prior year. Expenditures included \$2,435,477 for roads and transportation, \$1,278,649 for mental health and \$1,021,263 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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UNION COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2003

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Union County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2003)		
Michael J. King	Board of Supervisors	Jan 2003
Gerald McLain	Board of Supervisors	Jan 2003
Michael Reasoner	Board of Supervisors	Jan 2003
Donald W. Ireland	Board of Supervisors	Jan 2005
Robert G. Brown	Board of Supervisors	Jan 2005
Sandy Hysell (Appointed)	County Auditor	Nov 2002
Francis I. Bakerink	County Treasurer	Jan 2003
Paula Bowers	County Recorder	Jan 2003
Rick L. Piel	County Sheriff	Jan 2005
Timothy R. Kenyon	County Attorney	Jan 2003
Steven Gene Haner	County Assessor	Jan 2004
(After January 2003)		
Robert G. Brown	Board of Supervisors	Jan 2005
Donald W. Ireland	Board of Supervisors	Jan 2005
Tom McCann	Board of Supervisors	Jan 2007
Michael J. King	Board of Supervisors	Jan 2007
Curt Turner	Board of Supervisors	Jan 2007
Sandy Hysell	County Auditor	Jan 2005
Linda Marley	County Treasurer	Jan 2007
Paula White	County Recorder	Jan 2007
Rick L. Piel	County Sheriff	Jan 2005
Timothy R. Kenyon	County Attorney	Jan 2007
Steven Gene Haner	County Assessor	Jan 2004

Union County



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Independent Auditor's Report

To the Officials of Union County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Union County, Iowa, as of and for the year ended June 30, 2003. These general purpose financial statements are the responsibility of Union 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 effect on the financial statements 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 Union 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 and expendable trust funds of Union County for the year ended June 30, 2003.

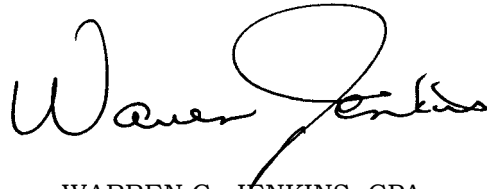
As discussed in note 14 to the financial statements, Union County intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and 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 the economic resources measurement focus and full accrual accounting, as well as 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 15, 2004 on our consideration of Union 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 qualified opinions 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 13 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 15, 2004

Financial Statements

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Cash and pooled investments:				
County Treasurer	\$ 526,837	1,786,945	56,632	-
Other County officials	-	-	-	-
South Iowa Area Detention Service Agency (note 5)	-	-	-	15,000
Receivables:				
Property tax:				
Delinquent	8,839	6,373	1,265,576	-
Succeeding year	1,628,000	1,141,000	957,000	-
Interest and penalty on property tax	21,754	-	-	-
Accounts	4,863	3,390	-	-
Accrued interest	10	3	-	-
Due from other funds (note 3)	18,328	386	-	-
Due from other governments	9,005	126,936	-	-
Prepaid insurance	-	-	-	-
Inventories	-	110,916	-	-
Amount available in Debt Service Fund	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
Total assets and other debits	\$2,217,636	3,175,949	2,279,208	15,000

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	Total
Internal Service	Trust and Agency	General Long-Term Debt	(Memorandum Only)
220,046	1,670,313	-	4,260,773
-	25,313	-	25,313
-	-	-	15,000
-	270,065	-	1,550,853
-	7,827,000	-	11,553,000
-	-	-	21,754
5,744	65,816	-	79,813
-	5,428	-	5,441
-	4,850	-	23,564
-	7,213	-	143,154
-	19,454	-	19,454
-	-	-	110,916
-	-	15,000	15,000
-	-	5,130,959	5,130,959
225,790	9,895,452	5,145,959	22,954,994

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 49,549	110,968	-	-
Salaries and benefits payable	9,772	25,902	-	-
Due to other funds (note 3)	4,850	-	-	-
Due to other governments (note 4)	4,404	69,534	-	-
Trusts payable	-	-	-	-
Deferred revenue:				
Succeeding year property tax	1,628,000	1,141,000	957,000	-
Other	30,604	8,553	1,265,559	-
Capital loan note certificates (note 5)	-	-	-	-
Capital loan notes (note 5)	-	-	-	-
Rural development loan (note 5)	-	-	-	-
Compensated absences	7,572	11,673	-	-
Total liabilities	1,734,751	1,367,630	2,222,559	-
Fund equity:				
Unreserved retained earnings	-	-	-	-
Fund balances:				
Reserved for:				
Inventories	-	110,916	-	-
Supplemental levy purposes	245,278	-	-	-
Debt service	-	-	56,649	15,000
Unreserved	237,607	1,697,403	-	-
Total fund equity	482,885	1,808,319	56,649	15,000
Total liabilities and fund equity	\$2,217,636	3,175,949	2,279,208	15,000

See notes to financial statements.

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	Total
Internal Service	Trust and Agency	General Long-Term Debt	(Memorandum Only)
105,000	63,822	-	329,339
-	17,644	-	53,318
-	18,714	-	23,564
-	9,623,398	-	9,697,336
-	37,686	-	37,686
-	-	-	3,726,000
-	-	-	1,304,716
-	-	68,000	68,000
-	-	4,965,000	4,965,000
-	-	24,000	24,000
-	8,935	88,959	117,139
105,000	9,770,199	5,145,959	20,346,098
120,790	-	-	120,790
-	-	-	110,916
-	-	-	245,278
-	-	-	71,649
-	125,253	-	2,060,263
120,790	125,253	-	2,608,896
225,790	9,895,452	5,145,959	22,954,994

Union County

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

Year ended June 30, 2003

	<u>Governmental</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Property and other County tax	\$ 1,853,669	1,323,800
Interest and penalty on property tax	42,956	-
Intergovernmental	380,641	2,619,189
Licenses and permits	4,267	11,095
Charges for service	328,064	4,573
Use of money and property	151,852	728
Miscellaneous	15,562	41,116
Total revenues	<u>2,777,011</u>	<u>4,000,501</u>
Expenditures:		
Operating:		
Public safety and legal services	986,462	34,801
Physical health and social services	282,105	33,757
Mental health	-	1,278,649
County environment and education	233,481	49,535
Roads and transportation	-	2,435,477
Governmental services to residents	284,120	-
Administration	836,747	-
Non-program	234,391	252,242
Capital projects	-	471,608
Total expenditures	<u>2,857,306</u>	<u>4,556,069</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(80,295)</u>	<u>(555,568)</u>

Fund Types		Fiduciary Fund Type	Total
Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
113,195	-	-	3,290,664
-	-	-	42,956
-	-	85,150	3,084,980
-	-	-	15,362
-	-	-	332,637
43	-	5,690	158,313
-	-	48,583	105,261
113,238	-	139,423	7,030,173
-	-	-	1,021,263
-	-	-	315,862
-	-	-	1,278,649
-	-	-	283,016
-	-	-	2,435,477
-	-	-	284,120
-	-	-	836,747
56,589	-	-	543,222
-	250,317	-	721,925
56,589	250,317	-	7,720,281
56,649	(250,317)	139,423	(690,108)

Union County

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

Year ended June 30, 2003

	<u>Governmental</u>	
	<u>General</u>	<u>Special</u>
		<u>Revenue</u>
Other financing sources (uses):		
Sale of general fixed assets	758	30,169
Economic development loan proceeds	-	-
Operating transfers in	-	452,986
Operating transfers out	(41,747)	(432,146)
Total other financing sources (uses)	<u>(40,989)</u>	<u>51,009</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(121,284)	(504,559)
Fund balances beginning of year	604,169	2,323,223
Decrease in reserve for inventories	-	<u>(10,345)</u>
Fund balances end of year	<u>\$ 482,885</u>	<u>1,808,319</u>

See notes to financial statements.

Fund Types		Fiduciary Fund Type	Total
Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
-	-	-	30,927
-	-	24,000	24,000
-	296,109	-	749,095
-	-	(275,202)	(749,095)
-	296,109	(251,202)	54,927
56,649	45,792	(111,779)	(635,181)
-	(30,792)	237,032	3,133,632
-	-	-	(10,345)
56,649	15,000	125,253	2,488,106

Exhibit C

Union County

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

Year ended June 30, 2003

	Actual	Amended Budget	Variance - Favorable (Unfavorable)	Actual as % of Amended Budget
Receipts:				
Property and other County tax	\$ 3,290,560	3,177,113	113,447	104%
Interest and penalty on property tax	42,989	31,890	11,099	135%
Intergovernmental	3,151,934	3,009,852	142,082	105%
Licenses and permits	15,301	16,200	(899)	94%
Charges for service	310,471	265,490	44,981	117%
Use of money and property	183,594	206,140	(22,546)	89%
Miscellaneous	51,697	41,382	10,315	125%
Total receipts	<u>7,046,546</u>	<u>6,748,067</u>	<u>298,479</u>	<u>104%</u>
Disbursements:				
Public safety and legal services	1,047,618	1,101,820	54,202	95%
Physical health and social services	283,694	380,636	96,942	75%
Mental health	1,359,336	1,393,143	33,807	98%
County environment and education	294,523	309,313	14,790	95%
Roads and transportation	2,434,298	2,514,784	80,486	97%
Governmental services to residents	293,506	317,158	23,652	93%
Administration	821,789	848,966	27,177	97%
Non-program	543,221	542,980	(241)	100%
Capital projects	760,428	1,130,860	370,432	67%
Total disbursements	<u>7,838,413</u>	<u>8,539,660</u>	<u>701,247</u>	<u>92%</u>
Deficiency of receipts under disbursements	(791,867)	(1,791,593)		
Other financing sources, net	<u>30,927</u>	<u>9,700</u>		
Deficiency of receipts and other financing sources under disbursements	(760,940)	(1,781,893)		
Balance beginning of year	<u>3,266,179</u>	<u>3,045,373</u>		
Balance end of year	<u>\$ 2,505,239</u>	<u>1,263,480</u>		

See notes to financial statements.

Union County
Statement of Revenues, Expenses and Changes in Retained Earnings
Proprietary Fund Type
Year ended June 30, 2003

		Internal Service - Employee Group Health
Operating revenues:		
Contributions and reimbursements from operating funds		\$ 798,786
Reimbursements from employees		93,710
Insurance reimbursements		93,093
Total operating revenues		985,589
Operating expenses:		
Medical claims	\$ 651,316	
Administrative fees	58,393	
Insurance premiums	154,043	
Miscellaneous	3,653	867,405
Operating income		118,184
Non-operating revenues:		
Interest on investments		2,606
Net income		120,790
Retained earnings beginning of year		-
Retained earnings end of year		\$ 120,790

See notes to financial statements.

Exhibit E

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

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 849,839
Cash received from employees and others	186,802
Cash payments for insurance premiums, medical claims and other	<u>(868,404)</u>
Net cash provided by operating activities	168,237
Cash flows from investing activities:	
Interest on investments	<u>2,606</u>
Net increase in cash and cash equivalents	170,843
Cash and cash equivalents beginning of year	<u>49,203</u>
Cash and cash equivalents end of year	<u><u>\$ 220,046</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 118,184
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	7,414
Decrease in due from other funds	43,639
(Decrease) in accounts payable	<u>(1,000)</u>
Net cash provided by operating activities	<u><u>\$ 168,237</u></u>

See notes to financial statements.

Union County

Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

Union 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, Union 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. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating government. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Union County Assessor's Conference Board and Union County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations: Prairie Solid Waste Agency, South Iowa Area Detention Service Agency, Creston-Union Law Enforcement Commission, South Central Iowa Regional E911 Service Board and Union County Development Association.

B. Fund Accounting

The accounts of the County are organized on the basis of funds and an 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.

Capital Projects Funds – The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities.

Proprietary Fund

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

Fiduciary Funds

Trust Funds – The Trust Funds are used to account for assets held by the County in a trustee capacity. These include Expendable Trust Funds which are accounted for in essentially the same manner as Governmental Funds.

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

Account Group

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

C. Measurement Focus

Governmental Funds and Expendable Trust 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 and Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

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

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

D. Basis of Accounting

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

All Governmental Funds and Expendable Trust 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 expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for unmaturing 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 measured and available only when cash is received by the County.

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 are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred 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 taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or 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 collectible 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 compensatory time and vacation hours for subsequent use or for payment upon termination, death or retirement. For Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of compensatory time and vacation 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 Employee Group Health 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 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 ten upon major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Expendable Trust Funds. 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 and for Emergency Management Services by the County Emergency Management Commission.

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	\$ 2,749,497	27,514	2,777,011	4,025,079	(24,578)	4,000,501
Expenditures	2,856,891	415	2,857,306	4,628,824	(72,755)	4,556,069
Net	(107,394)	27,099	(80,295)	(603,745)	48,177	(555,568)
Other financing sources (uses)	(40,989)	-	(40,989)	51,009	-	51,009
Beginning fund balances	675,220	(71,051)	604,169	2,339,681	(16,458)	2,323,223
Decrease in reserve for inventories	-	-	-	-	(10,345)	(10,345)
Ending fund balances	\$ 526,837	(43,952)	482,885	1,786,945	21,374	1,808,319

	Governmental Fund Types					
	Debt Service			Capital Projects		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 113,221	17	113,238	-	-	-
Expenditures	56,589	-	56,589	296,109	(45,792)	250,317
Net	56,632	17	56,649	(296,109)	45,792	(250,317)
Other financing sources (uses)	-	-	-	296,109	-	296,109
Beginning fund balances	-	-	-	15,000	(45,792)	(30,792)
Decrease in reserve for inventories	-	-	-	-	-	-
Ending fund balances	\$ 56,632	17	56,649	15,000	-	15,000

	Fiduciary Fund Type					
	Expendable Trust			Total		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 158,749	(19,326)	139,423	7,046,546	(16,373)	7,030,173
Expenditures	-	-	-	7,838,413	(118,132)	7,720,281
Net	158,749	(19,326)	139,423	(791,867)	101,759	(690,108)
Other financing sources (uses)	(275,202)	24,000	(251,202)	30,927	24,000	54,927
Beginning fund balances	236,278	754	237,032	3,266,179	(132,547)	3,133,632
Decrease in reserve for inventories	-	-	-	-	(10,345)	(10,345)
Ending fund balances	\$ 119,825	5,428	125,253	2,505,239	(17,133)	2,488,106

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 \$18,443 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:

Receivable Fund	Payable Fund	Amount
General	Trust and Agency:	
	County Auditor	\$ 50
	County Recorder	7,860
	County Sheriff	1,797
	Auto License and Use Tax	7,835
	Empowerment Area	500
	Sanitary Landfill	286
Special Revenue:		
County Recorder's Records Management	Trust and Agency: County Recorder	386
Trust and Agency: Law Enforcement Center	General	4,850
Total		<u>\$ 23,564</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	\$ 4,404
Special Revenue:		
Mental Health	Services	69,534
Trust and Agency:		
Agricultural Extension Education	Collections	75,042
County Assessor		234,746
Schools		4,236,208
Community Colleges		185,209
Corporations		2,513,296
Townships		21,846
Auto License and Use Tax		195,900
Fire Districts		89,324
County Hospital		949,191
Law Enforcement Center		22,716
Sanitary Landfill		552,511
Landfill Expansion		169,864
Closure and Postclosure		318,563
Empowerment Area		40,593
All other		18,389
		<u>9,623,398</u>
Total		<u>\$ 9,697,336</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 Loan Note Certificates	Capital Loan Notes	Rural Development Loan	Compen- sated Absences	Total
Balance beginning of year	\$ 87,500	5,175,000	-	90,303	5,352,803
Additions	-	-	24,000	-	24,000
Reductions	19,500	210,000	-	1,344	230,844
Balance end of year	<u>\$ 68,000</u>	<u>4,965,000</u>	<u>24,000</u>	<u>88,959</u>	<u>5,145,959</u>

Capital Loan Note Certificates

Union County is one of ten participating member counties in the South Iowa Area Detention Service Agency (SIADSA) Capital Loan Note Certificate agreement. Each member County issued \$230,000 of General Obligation Capital Loan Notes on May 1, 1991 to the SIADSA which secured \$2,300,000 of Capital Loan Note Certificates issued by SIADSA. SIADSA is holding cash of \$15,000, which represents the unspent note proceeds, in escrow for Union County at June 30, 2003. The notes issued by the County are payable from the General Fund as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2004	6.90%	\$ 21,000	4,739	25,739
2005	7.00	22,500	3,290	25,790
2006	7.00	24,500	1,715	26,215
Total		\$ 68,000	9,744	77,744

During the year ended June 30, 2003, \$19,500 of capital loan note certificates were retired.

Capital Loan Notes

The County issued \$4,325,000 of general obligation capital loan notes dated October 1, 1997 for an urban renewal project, in accordance with Chapter 403 of the Code of Iowa, including grant incentives to CF Processing L.C. The notes, with 7.14% per annum interest, are payable from a continuing annual levy of taxes against all taxable property of the County. On October 6, 1997, the County entered into a tax increment development agreement with the City of Creston, Crestland Cooperative and CF Processing L.C. which provides for supplemental payments to be made to the County in the event that taxes are insufficient to service the debt and establishes a minimum assessment. On September 26, 2001, Crestland Cooperative filed for bankruptcy. Due to the bankruptcy, the County did not receive tax increment financing revenues during the year ended June 30, 2002 and received \$113,195 during the year ended June 30, 2003.

The County also issued \$1,560,000 of general obligation capital loan notes dated June 1, 1998 for road construction and water and sewer construction in the Union County/Creston Urban Renewal Area. The notes, with interest ranging from 4.70% to 4.85% per annum, are payable from a continuing annual levy of taxes against all taxable property of the County.

Of the \$542,829 principal and interest due during the year ended June 30, 2003, \$56,589 was paid from the Debt Service Fund, \$252,092 was paid from Special Revenue, Rural Services Fund, and \$234,148 was paid from the General Fund.

A summary of the annual note principal and interest requirements to maturity is as follows:

Year Ending June 30,	Series 1997		Series 1998		Total	
	Issued Oct 1, 1997		Issued Jun 1, 1998			
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 225,000	243,117	-	74,718	225,000	317,835
2005	240,000	227,052	-	74,718	240,000	301,770
2006	260,000	209,916	-	74,718	260,000	284,634
2007	275,000	191,352	-	74,718	275,000	266,070
2008	295,000	171,717	-	74,718	295,000	246,435
2009	320,000	150,654	-	74,718	320,000	225,372
2010	340,000	127,806	-	74,718	340,000	202,524
2011-2017	1,450,000	250,257	1,560,000	433,521	3,010,000	683,778
Total	\$3,405,000	1,571,871	1,560,000	956,547	4,965,000	2,528,418

Law Enforcement Center Bank Loan

On October 27, 2000, the Law Enforcement Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, entered into a loan agreement with Iowa State Savings Bank of Creston to borrow \$80,000 for updating the Union County Dispatch Center. The loan requires five annual payments of \$18,061 beginning January 15, 2001, including interest at 5.75% per annum. The balance owed on the loan was \$33,228 at June 30, 2003.

On November 15, 2002, the Law Enforcement Center, entered into a loan agreement with Iowa State Savings Bank of Creston to borrow \$30,000 for jail improvements. The loan requires three annual payments of \$10,755 beginning July 15, 2003, including interest at 4.5% per annum. The balance owed on the loan was \$30,000 at June 30, 2003.

Since the interest and loan principal is to be paid exclusively from Law Enforcement Center revenues, these liabilities have not been recorded in the General Long-term Debt Account Group on Exhibit A. The transactions for these loans are accounted for in an Agency Fund.

Rural Development Loan Agreement

On July 25, 2002, the County entered into an interest-free loan agreement with the Farmers Electric Cooperative, Inc. of Greenfield, Iowa. The County borrowed \$24,000 to help finance the expansion and renovation of Three Mile Lodge operated by the Union County Conservation Board. The loan requires six equal payments of \$3,425, beginning three years after receipt of the funds, with a final payment of \$3,450 in the tenth year. The balance owed on the loan was \$24,000 at June 30, 2003. The proceeds of this loan are accounted for in the Expendable Trust, Conservation Land Acquisition Fund.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.37% and 8.05%, 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 \$108,669, \$109,171, and \$107,214, respectively, equal to the required contributions for each year.

(7) Risk Management

Union County is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Employee Group Health Plan

The Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with American Administrators. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$20,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly service fees and claims processed are paid to American Administrators from the Employee Group Health Fund. The County records the plan assets and related liabilities of the Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2003 was \$798,786.

Amounts payable from the Employee Group Health Fund at June 30, 2003 total \$105,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$120,790 at June 30, 2003 and is reported as a designation of the Employee Group Health Fund retained earnings. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. Areconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2002	\$ 106,000
Incurred claims (including claims incurred but not reported at June 30, 2003)	650,316
Claims paid	<u>(651,316)</u>
Unpaid claims at June 30, 2003	<u>\$ 105,000</u>

(9) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by function or amounts appropriated by department. During the year ended June 30, 2003, disbursements exceeded the amount budgeted in the non-program function and disbursements in one department exceeded the amount appropriated before amendment.

(10) Health Care Facility and Industrial Development Revenue Bonds

The County has issued \$4,900,000 of Health Care Facility and Industrial revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely out of revenues derived from a loan agreement entered into between the issuer and borrower, and the bond principal and interest do not constitute a liability to the County.

(11) Loan Guarantee

Southwest Iowa Residential Facility, Inc. received a \$200,000 Farmers Home Administration (FmHA) loan in June, 1987 to assist in the construction of two group homes for mentally handicapped adults. Other financing for the project was provided through the Iowa Community Development Block Grant Program. Annual payments for the FmHA loan are to be made by Southwest Iowa Residential Facility, Inc. through June, 2011. However, Union County has agreed to guarantee these payments in the event Southwest Iowa Residential Facility, Inc. is unable to make the payments. At June 30, 2003, the balance of the loan was \$109,938.

(12) Hospital Revenue Capital Loan Notes

The County has issued \$1,021,500 of Hospital Revenue Capital Loan Notes pursuant to Chapters 331.402(3) and 331.461(1)(d) of the Code of Iowa. The notes and related interest are payable solely out of the net earnings of the Hospital and do not constitute liabilities of the County. Because the notes are to be paid from other than County resources, they are not reported in the general long-term debt account group.

(13) Jointly Governed Organization

Union County participates in the Creston–Union Law Enforcement Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County’s financial statements as an Agency Fund because of the County’s fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2003:

Additions:	
Contributions from governmental units:	
Union County	\$ 45,086
City of Creston	53,402
Miscellaneous	170
Bank loan proceeds	<u>30,000</u>
Total additions	\$ 128,658
Deductions:	
Office supplies	2,611
Telephone	10,144
Computer software maintenance	11,325
Office equipment and repair	26,317
Contractual services	9,945
Inmate supplies	1,285
Janitorial	3,803
Utilities	19,957
Principal redeemed	15,269
Interest paid	2,792
Building improvements	20,527
Miscellaneous	<u>6,112</u>
	<u>130,087</u>
Net	(1,429)
Balance beginning of year	<u>32,374</u>
Balance end of year	<u><u>\$ 30,945</u></u>

(14) 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.

Supplemental Information

Union County

Union 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	\$1,697,075	
Utility tax replacement excise tax	152,482	
Other	4,112	\$ 1,853,669
	<u> </u>	
Interest and penalty on property tax		42,956
Intergovernmental:		
State shared revenues:		
Franchise tax	23,086	
	<u> </u>	
State tax replacements:		
State tax credits	132,435	
State allocation	45,141	
	<u> </u>	
	<u>177,576</u>	
State and federal pass-through revenues:		
Public health grants	79,348	
Human services administrative reimbursement	25,204	
Volunteer coordinator	6,919	
Other	29,167	
	<u> </u>	
	<u>140,638</u>	
Contributions and reimbursements from other governmental units	39,341	380,641
	<u> </u>	
Licenses and permits		4,267
Charges for service:		
Office fees and collections	110,301	
Auto registration, use tax, drivers license and mailing	98,314	
Camping fees	83,747	
Other	35,702	328,064
	<u> </u>	
Use of money and property:		
Interest on investments	94,205	
Land and building rent	50,947	
Other	6,700	151,852
	<u> </u>	
Miscellaneous		15,562
		<u> </u>
Total revenues		<u>2,777,011</u>

Schedule 1

Union County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Expenditures:	
Operating:	
Public safety and legal services	986,462
Physical health and social services	282,105
County environment and education	233,481
Governmental services to residents	284,120
Administration	836,747
Non-program	234,391
Total expenditures	<u>2,857,306</u>
Excess of revenues over expenditures	<u>(80,295)</u>
Other financing sources (uses):	
Sale of general fixed assets	758
Operating transfers out:	
Special Revenue:	
Secondary Roads	<u>(41,747)</u>
Total other financing sources (uses)	<u>(40,989)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	(121,284)
Fund balance beginning of year	<u>604,169</u>
Fund balance end of year	<u>\$ 482,885</u>

See accompanying independent auditor's report.

Union County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Public safety and legal services:

Law enforcement:

Uniformed patrol services	\$ 221,356
Investigations	98
Unified law enforcement	53,448
Law enforcement communication	98,031
Adult correctional services	299,905
Administration	105,184
	<u>778,022</u>

Legal services:

Criminal prosecution	120,870
Medical examinations	15,866
	<u>136,736</u>

Emergency services:

Ambulance services	12,469
Emergency management	18,000
	<u>30,469</u>

Assistance to district court system:

Physical operations	<u>5,124</u>
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Court proceedings:

Juries and witnesses	24,523
Legal defense for indigent	320
	<u>24,843</u>

Juvenile justice administration:

Court-appointed attorneys and court costs for juveniles	<u>11,268</u>	\$ 986,462
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Physical health and social services:

Physical health services:

Personal and family health services	100,863
Sanitation	9,042
	<u>109,905</u>

Schedule 2

Union County
General Fund
Statement of Expenditures
Year ended June 30, 2003

Physical health and social services (continued):

Services to the poor:

Administration	50,114	
General welfare services	45,148	
	<u>95,262</u>	

Services to military veterans:

Administration	9,989	
General services to veterans	14,236	
	<u>24,225</u>	

Services to other adults:

Services to the elderly	15,598	
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Chemical dependency:

Treatment services	<u>37,115</u>	282,105
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County environment and education:

Conservation and recreation services:

Administration	126,948	
Maintenance and operations	57,383	
	<u>184,331</u>	

Animal control:

Animal bounties and state apiarist	<u>27</u>	
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County development:

Land use and building controls	1,783	
Economic development	30,860	
	<u>32,643</u>	

Educational services:

Historic preservation	2,000	
Fair and 4-H Clubs	14,480	
	<u>16,480</u>	233,481

Union County		
General Fund		
Statement of Expenditures		
Year ended June 30, 2003		
Governmental services to residents:		
Representation services:		
Elections administration	63,399	
Local elections	5,894	
Township officials	1,515	
	<u>70,808</u>	
State administrative services:		
Motor vehicle registrations and licensing	98,052	
Recording of public documents	115,260	
	<u>213,312</u>	284,120
Administration:		
Policy and administration:		
General County management	173,508	
Administration management services	85,635	
Treasury management services	114,558	
Other policy and administration	31,874	
	<u>405,575</u>	
Central services:		
General services	200,505	
Data processing services	66,973	
	<u>267,478</u>	
Risk management services:		
Tort liability	157,913	
Unemployment compensation	5,781	
	<u>163,694</u>	836,747
Non-program:		
Interest	234,148	
Registrar fees	243	
	<u>234,391</u>	234,391
Total		<u>\$ 2,857,306</u>

See accompanying independent auditor's report.

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

	Rural Services	Secondary Roads
Assets		
Cash and pooled investments	\$ 99,041	1,322,993
Receivables:		
Property tax:		
Delinquent	3,026	-
Succeeding year	526,000	-
Accounts	2,214	1,176
Accrued interest	-	-
Due from other funds	-	-
Due from other governments	-	126,936
Inventories	-	110,916
	\$ 630,281	1,562,021
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	\$ 300	91,306
Salaries and benefits payable	3,628	21,317
Due to other governments	-	-
Deferred revenue:		
Succeeding year property tax	526,000	-
Other	5,240	-
Compensated absences	101	11,572
Total liabilities	535,269	124,195
Fund equity:		
Fund balances:		
Reserved for inventories	-	110,916
Unreserved	95,012	1,326,910
Total fund equity	95,012	1,437,826
Total liabilities and fund equity	\$ 630,281	1,562,021

See accompanying independent auditor's report.

Mental Health	Resource Enhancement and Protection	Flood and Erosion	County Recorder's Records Management	Total
321,710	3,191	10,151	29,859	1,786,945
-				
3,347	-	-	-	6,373
615,000	-	-	-	1,141,000
-	-	-	-	3,390
-	3	-	-	3
-	-	-	386	386
-	-	-	-	126,936
-	-	-	-	110,916
940,057	3,194	10,151	30,245	3,175,949
19,362	-	-	-	110,968
957	-	-	-	25,902
69,534	-	-	-	69,534
615,000	-	-	-	1,141,000
3,313	-	-	-	8,553
-	-	-	-	11,673
708,166	-	-	-	1,367,630
-	-	-	-	110,916
231,891	3,194	10,151	30,245	1,697,403
231,891	3,194	10,151	30,245	1,808,319
940,057	3,194	10,151	30,245	3,175,949

Union County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads
Revenues:		
Property and other County tax:		
Property tax	\$ 559,089	-
Utility tax replacement excise tax	62,222	-
Other	558	-
	621,869	-
Intergovernmental:		
State shared revenues:		
Road use tax	-	1,777,873
State tax replacements:		
State tax credits	33,166	-
State allocation	12,612	-
Mental health property tax relief	-	-
	45,778	-
State grants and reimbursements including indirect federal funding:		
Resource enhancement and protection	-	-
Federal emergency management assistance	-	1,668
Highway planning and construction	-	3,201
Social services block grant	-	-
Well testing and abandonment	3,873	-
MH-DD community services allocation	-	-
Underground storage tank reimbursement	-	4,019
	3,873	8,888
State grants and entitlements:		
MH-DD allowed growth factor adjustment allocation	-	-
Other	4,918	-
	4,918	-
	54,569	1,786,761
Licenses and permits	10,200	895
Charges for service	818	150
Use of money and property:		
Interest on investments	-	-

Mental Health	Resource Enhancement and Protection	Flood and Erosion	County Recorder's Records Management	Total
642,634	-	-	-	1,201,723
57,740	-	-	-	119,962
1,557	-	-	-	2,115
701,931	-	-	-	1,323,800
-	-	-	-	1,777,873
50,150	-	-	-	83,316
-	-	5,000	-	17,612
396,166	-	-	-	396,166
446,316	-	5,000	-	497,094
-	4,000	-	-	4,000
-	-	-	-	1,668
-	-	-	-	3,201
71,181	-	-	-	71,181
-	-	-	-	3,873
141,874	-	-	-	141,874
-	-	-	-	4,019
213,055	4,000	-	-	229,816
109,488	-	-	-	109,488
-	-	-	-	4,918
109,488	-	-	-	114,406
768,859	4,000	5,000	-	2,619,189
-	-	-	-	11,095
-	-	-	3,605	4,573
-	425	-	303	728

Union County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	<u>Rural Services</u>	<u>Secondary Roads</u>
Revenues (continued):		
Miscellaneous:		
Sale of materials	-	28,814
Other	-	11,632
	<u>-</u>	<u>40,446</u>
Total revenues	<u>687,456</u>	<u>1,828,252</u>
Expenditures:		
Operating:		
Public safety and legal services:		
Law enforcement:		
Uniformed patrol services	<u>30,871</u>	-
Emergency services:		
Fire protection services	3,000	-
E911 service board	930	-
	<u>3,930</u>	-
	<u>34,801</u>	-
Physical health and social services:		
Physical health services:		
Sanitation	<u>33,757</u>	-
Mental health:		
Persons with mental health problems - mental illness:		
Treatment services	-	-
Licensed or certified living arrangements	-	-
Institution, hospital, and commitment services	-	-
	<u>-</u>	<u>-</u>
Persons with chronic mental illness:		
Coordination services	-	-
Personal and environmental support	-	-
Treatment services	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
Institution, hospital, and commitment services	-	-
	<u>-</u>	<u>-</u>

Mental Health	Resource Enhancement and Protection	Flood and Erosion	County Recorder's Management	Total
-	-	-	-	28,814
670	-	-	-	12,302
670	-	-	-	41,116
1,471,460	4,425	5,000	3,908	4,000,501
-	-	-	-	30,871
-	-	-	-	3,000
-	-	-	-	930
-	-	-	-	3,930
-	-	-	-	34,801
-	-	-	-	33,757
122,076	-	-	-	122,076
1,948	-	-	-	1,948
26,656	-	-	-	26,656
150,680	-	-	-	150,680
13	-	-	-	13
1,328	-	-	-	1,328
31,181	-	-	-	31,181
28,073	-	-	-	28,073
136,000	-	-	-	136,000
35,873	-	-	-	35,873
232,468	-	-	-	232,468

Union County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads
Expenditures (continued):		
Operating:		
Mental health:		
Persons with mental retardation:		
General administration	-	-
Coordination services	-	-
Personal and environmental support	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
Institution, hospital, and commitment services	-	-
	<u>-</u>	<u>-</u>
Persons with other developmental disabilities:		
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
County environment and education:		
Environmental quality:		
Natural resources conservation	-	-
Weed eradication	29,707	-
	<u>29,707</u>	<u>-</u>
Educational services:		
Libraries	17,500	-
	<u>17,500</u>	<u>-</u>
Roads and transportation:		
Secondary roads administration and engineering:		
Administration	-	119,851
Engineering	-	160,219
	<u>-</u>	<u>280,070</u>
Roadway maintenance:		
Bridges and culverts	-	97,447
Roads	-	1,333,433
Snow and ice control	-	56,789
Traffic controls	-	49,159
Road clearing	65,276	33,233
	<u>65,276</u>	<u>1,570,061</u>

Mental Health	Resource Enhancement and Protection	Flood and Erosion	County Recorder's Records Management	Total
23,757	-	-	-	23,757
8,078	-	-	-	8,078
19,692	-	-	-	19,692
163,634	-	-	-	163,634
521,832	-	-	-	521,832
94,849	-	-	-	94,849
831,842	-	-	-	831,842
5,647	-	-	-	5,647
58,012	-	-	-	58,012
63,659	-	-	-	63,659
1,278,649	-	-	-	1,278,649
-	-	2,328	-	2,328
-	-	-	-	29,707
-	-	2,328	-	32,035
-	-	-	-	17,500
-	-	2,328	-	49,535
-	-	-	-	119,851
-	-	-	-	160,219
-	-	-	-	280,070
-	-	-	-	97,447
-	-	-	-	1,333,433
-	-	-	-	56,789
-	-	-	-	49,159
-	-	-	-	98,509
-	-	-	-	1,635,337

Union County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads
Expenditures (continued):		
Operating:		
Roads and transportation:		
General roadway:		
Equipment	-	130,214
Equipment operations	-	383,718
Tools, materials, and supplies	-	4,757
Real estate and buildings	-	1,381
	-	520,070
	65,276	2,370,201
Non-program:		
Principal redeemed	210,000	-
Interest	42,092	-
Registrar fees	150	-
	252,242	-
Capital projects:		
Roadway construction	-	471,608
Total expenditures	433,283	2,841,809
Excess (deficiency) of revenues over (under) expenditures	254,173	(1,013,557)
Other financing sources (uses):		
Sale of general fixed assets	-	30,169
Operating transfers in (out):		
General	-	41,747
Special Revenue:		
Rural Services	-	411,239
Secondary Roads	(411,239)	-
Capital Projects:		
Conservation Capital Projects	-	-
Total other financing sources (uses)	(411,239)	483,155
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(157,066)	(530,402)
Fund balances beginning of year	252,078	1,978,573
Decrease in reserve for inventories	-	(10,345)
Fund balances end of year	\$ 95,012	1,437,826

See accompanying independent auditor's report.

Mental Health	Resource Enhancement and Protection	Flood and Erosion	County Recorder's Records Management	Total
-	-	-	-	130,214
-	-	-	-	383,718
-	-	-	-	4,757
-	-	-	-	1,381
-	-	-	-	520,070
-	-	-	-	2,435,477
-	-	-	-	210,000
-	-	-	-	42,092
-	-	-	-	150
-	-	-	-	252,242
-	-	-	-	471,608
1,278,649	-	2,328	-	4,556,069
192,811	4,425	2,672	3,908	(555,568)
-	-	-	-	30,169
-	-	-	-	41,747
-	-	-	-	411,239
-	-	-	-	(411,239)
-	(20,907)	-	-	(20,907)
-	(20,907)	-	-	51,009
192,811	(16,482)	2,672	3,908	(504,559)
39,080	19,676	7,479	26,337	2,323,223
-	-	-	-	(10,345)
231,891	3,194	10,151	30,245	1,808,319

Schedule 5

Union County

Debt Service Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2003

	<u>Urban Renewal Debt</u>
Revenues:	
Property and other County tax:	
Tax increment financing revenues	\$ 113,195
Use of money and property:	
Interest on investments	<u>43</u>
Total revenues	<u>113,238</u>
Expenditures:	
Operating:	
Non-program:	
Interest	<u>56,589</u>
Excess of revenues over expenditures	56,649
Fund balance beginning of year	<u>-</u>
Fund balance end of year	<u><u>\$ 56,649</u></u>

See accompanying independent auditor's report.

Union County
 Capital Projects Funds
 Combining Balance Sheet
 June 30, 2003

	Detention Center	Conservation Capital Projects	Total
Assets			
Cash held in escrow by South Iowa Area Detention Service Agency	\$ 15,000	-	15,000
Fund Equity			
Fund equity:			
Fund balance reserved for debt service	\$ 15,000	-	15,000

See accompanying independent auditor's report.

Schedule 7Union County
Capital Projects Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	Detention Center	Conser- vation Capital Projects	Total
Revenues:			
None	\$ -	-	-
Expenditures:			
Capital projects:			
Conservation land acquisition	-	250,317	250,317
Deficiency of revenues under expenditures	-	(250,317)	(250,317)
Other financing sources:			
Operating transfers in:			
Special Revenue:			
Resource Enhancement and Protection	-	20,907	20,907
Expendable Trust:			
Conservation Land Acquisition	-	275,202	275,202
Total other financing sources	-	296,109	296,109
Excess of revenues and other financing sources over expenditures	-	45,792	45,792
Fund balances beginning of year	15,000	(45,792)	(30,792)
Fund balances end of year	\$ 15,000	-	15,000

See accompanying independent auditor's report.

Union County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2003

	Expendable Trust	Agency	Total
Assets			
Cash and pooled investments:			
County Treasurer	\$ 119,825	1,550,488	1,670,313
Other county officials	-	25,313	25,313
Receivables:			
Property tax:			
Delinquent	-	270,065	270,065
Succeeding year	-	7,827,000	7,827,000
Accounts	-	65,816	65,816
Accrued interest	5,428	-	5,428
Due from other funds	-	4,850	4,850
Due from other governments	-	7,213	7,213
Prepaid insurance	-	19,454	19,454
Total assets	\$ 125,253	9,770,199	9,895,452
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	63,822	63,822
Salaries and benefits payable	-	17,644	17,644
Due to other funds	-	18,714	18,714
Due to other governments	-	9,623,398	9,623,398
Trusts payable	-	37,686	37,686
Compensated absences	-	8,935	8,935
Total liabilities	-	9,770,199	9,770,199
Fund equity:			
Unreserved fund balance	125,253	-	125,253
Total liabilities and fund equity	\$ 125,253	9,770,199	9,895,452

See accompanying independent auditor's report.

Schedule 9

Union County
Expendable Trust Funds
Combining Balance Sheet
June 30, 2003

	Conservation Land Acquisition	Care Facility	Total
Assets			
Cash and pooled investments: County Treasurer	\$ 3,665	116,160	119,825
Accrued interest receivable	-	5,428	5,428
Total assets	\$ 3,665	121,588	125,253
Fund Equity			
Fund equity: Unreserved fund balances	\$ 3,665	121,588	125,253

See accompanying independent auditor's report.

Union County

Expendable Trust Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	Conservation Land Acquisition	Care Facility	Total
Revenues:			
Intergovernmental:			
State grants and reimbursements:			
Land and water grant	\$ 85,150	-	85,150
Use of money and property:			
Interest on investments	822	4,868	5,690
Miscellaneous:			
Donations	48,583	-	48,583
Total revenues	<u>134,555</u>	<u>4,868</u>	<u>139,423</u>
Expenditures:			
None	-	-	-
Excess of revenues over expenditures	<u>134,555</u>	<u>4,868</u>	<u>139,423</u>
Other financing sources (uses):			
Rural development loan proceeds	24,000	-	24,000
Operating transfers out:			
Capital Projects:			
Conservation Capital Projects	(275,202)	-	(275,202)
Total other financing sources (uses)	<u>(251,202)</u>	<u>-</u>	<u>(251,202)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(116,647)	4,868	(111,779)
Fund balances beginning of year	<u>120,312</u>	<u>116,720</u>	<u>237,032</u>
Fund balances end of year	<u>\$ 3,665</u>	<u>121,588</u>	<u>125,253</u>

See accompanying independent auditor's report.

Union County
 Agency Funds
 Combining Balance Sheet
 June 30, 2003

	County Offices			Agricultural Extension Education
	County Auditor	County Recorder	County Sheriff	
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	-	-	1,600
Other County officials	4,130	14,292	6,891	-
Receivables:				
Property tax:				
Delinquent	-	-	-	442
Succeeding year	-	-	-	73,000
Accounts	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Prepaid insurance	-	-	-	-
Total assets	\$ 4,130	14,292	6,891	75,042
Liabilities				
Liabilities:				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other funds	50	8,246	1,797	-
Due to other governments	-	6,046	22	75,042
Trusts payable	4,080	-	5,072	-
Compensated absences	-	-	-	-
Total liabilities	\$ 4,130	14,292	6,891	75,042

County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Driver License	Brucellosis and Tuberculosis Eradication
80,338	77,199	3,433	34,617	763	203,735	-	284
-	-	-	-	-	-	-	-
861	117,009	7,776	139,679	83	-	-	6
158,000	4,042,000	174,000	2,339,000	21,000	-	-	1,000
-	-	-	-	-	-	6,316	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
239,199	4,236,208	185,209	2,513,296	21,846	203,735	6,316	1,290
1,128	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	7,835	-	-
234,746	4,236,208	185,209	2,513,296	21,846	195,900	6,316	1,290
-	-	-	-	-	-	-	-
3,325	-	-	-	-	-	-	-
239,199	4,236,208	185,209	2,513,296	21,846	203,735	6,316	1,290

Union County
 Agency Funds
 Combining Balance Sheet
 June 30, 2003

	Fire Districts	Emergency Manage- ment Services	Special Assess- ments	County Hospital	Law Enforcement Center
Assets					
Cash and pooled investments:					
County Treasurer	1,818	27,699	4,706	13,488	18,882
Other County officials	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	506	-	-	3,703	-
Succeeding year	87,000	-	-	932,000	-
Accounts	-	-	-	-	-
Due from other funds	-	-	-	-	4,850
Due from other governments	-	-	-	-	7,213
Prepaid insurance	-	-	-	-	-
Total assets	89,324	27,699	4,706	949,191	30,945
Liabilities					
Liabilities:					
Accounts payable	-	6,495	-	-	8,229
Salaries and benefits payable	-	17,475	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	89,324	-	4,706	949,191	22,716
Trusts payable	-	-	-	-	-
Compensated absences	-	3,729	-	-	-
Total liabilities	89,324	27,699	4,706	949,191	30,945

See accompanying independent auditor's report.

Sanitary Landfill	Landfill Expansion	Closure and Postclosure	Advance Tax	Anatomical Gift Donations	Empower- ment Area	Total
496,920	168,443	307,932	28,534	9	80,088	1,550,488
-	-	-	-	-	-	25,313
-	-	-	-	-	-	270,065
-	-	-	-	-	-	7,827,000
47,448	1,421	10,631	-	-	-	65,816
-	-	-	-	-	-	4,850
-	-	-	-	-	-	7,213
19,454	-	-	-	-	-	19,454
563,822	169,864	318,563	28,534	9	80,088	9,770,199
8,975	-	-	-	-	38,995	63,822
169	-	-	-	-	-	17,644
286	-	-	-	-	500	18,714
552,511	169,864	318,563	-	9	40,593	9,623,398
-	-	-	28,534	-	-	37,686
1,881	-	-	-	-	-	8,935
563,822	169,864	318,563	28,534	9	80,088	9,770,199

Union County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	County Offices			Agricultural		
	County Auditor	County Recorder	County Sheriff	Extension Education	County Assessor	Schools
Assets and Liabilities						
Balances beginning of year	\$ 4,130	10,926	5,727	81,412	216,602	3,860,228
Additions:						
Property and other County tax	-	-	-	85,938	182,927	4,630,227
State tax credits	-	-	-	6,622	12,891	303,093
Contract law enforcement	-	-	-	-	-	-
Office fees and collections	-	167,147	28,998	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Solid waste fees	-	-	-	-	-	-
Drivers license fees	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	160	-	93,188	-	-	-
Miscellaneous	-	-	-	-	4,880	-
Total additions	160	167,147	122,186	92,560	200,698	4,933,320
Deductions:						
Agency remittances:						
To other funds	-	87,927	26,806	-	-	-
To other governments	-	75,854	373	98,930	178,101	4,557,340
Trusts paid out	160	-	93,843	-	-	-
Total deductions	160	163,781	121,022	98,930	178,101	4,557,340
Balances end of year	\$ 4,130	14,292	6,891	75,042	239,199	4,236,208

Community Colleges	Corporations	Townships	Auto License and Use Tax	Driver's License	Brucellosis and Tuberculosis Eradication	Fire Districts
178,426	2,335,447	23,512	222,660	2,991	1,290	77,796
205,542	2,598,703	23,270	-	-	1,238	102,317
14,213	193,931	1,672	-	-	88	5,490
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	2,356,117	-	-	-
-	-	-	-	68,283	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
219,755	2,792,634	24,942	2,356,117	68,283	1,326	107,807
-	-	-	75,977	-	-	-
212,972	2,614,785	26,608	2,299,065	64,958	1,326	96,279
-	-	-	-	-	-	-
212,972	2,614,785	26,608	2,375,042	64,958	1,326	96,279
185,209	2,513,296	21,846	203,735	6,316	1,290	89,324

Union County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	Emergency Management Services	Special Assess- ments	County Hospital	Law Enforcement Center	Sanitary Landfill
Assets and Liabilities					
Balances beginning of year	51,176	1,839	687,699	32,374	618,342
Additions:					
Property and other County tax	-	-	1,039,600	-	-
State tax credits	-	-	55,830	-	-
Contract law enforcement	-	-	-	98,488	-
Office fees and collections	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Solid waste fees	-	-	-	-	516,675
Drivers license fees	-	-	-	-	-
Assessments	-	5,846	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	34,350	-	-	30,170	54,873
Total additions	34,350	5,846	1,095,430	128,658	571,548
Deductions:					
Agency remittances:					
To other funds	-	-	-	-	104,293
To other governments	57,827	2,979	833,938	130,087	521,775
Trusts paid out	-	-	-	-	-
Total deductions	57,827	2,979	833,938	130,087	626,068
Balances end of year	27,699	4,706	949,191	30,945	563,822

See accompanying independent auditor's report.

Landfill Expansion	Closure and Postclosure	Advance Tax	Anatomical Gift Donations	Tax Sale Redemption	Empower- ment Area	Total
160,585	205,175	23,061	2	-	96,683	8,898,083
-	-	-	-	-	-	8,869,762
-	-	-	-	-	-	593,830
-	-	-	-	-	-	98,488
-	-	-	-	-	-	196,145
-	-	-	-	-	-	2,356,117
-	-	-	-	-	-	516,675
-	-	-	-	-	-	68,283
-	-	-	-	-	-	5,846
-	-	35,792	-	167,287	-	296,427
9,279	113,388	-	99	-	194,525	441,564
9,279	113,388	35,792	99	167,287	194,525	13,443,137
-	-	-	-	-	-	295,003
-	-	30,319	92	-	211,120	12,014,728
-	-	-	-	167,287	-	261,290
-	-	30,319	92	167,287	211,120	12,571,021
169,864	318,563	28,534	9	-	80,088	9,770,199

Schedule 13

Union County

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2003	2002	2001	2000
Taxes:				
Property and other County tax	\$2,905,025	2,984,930	2,601,693	2,665,113
Utility tax replacement excise tax	272,444	284,796	260,338	-
Tax increment financing revenues	113,195	-	651,688	659,483
	<u>3,290,664</u>	<u>3,269,726</u>	<u>3,513,719</u>	<u>3,324,596</u>
Intergovernmental:				
State shared revenues:				
Road use tax	1,777,873	1,784,722	1,710,790	1,735,668
Other	23,086	31,642	54,728	22,314
State tax replacements:				
State tax credits	215,751	250,794	243,692	223,296
State allocation	62,753	68,008	89,414	70,022
Mental health property tax relief	396,166	396,166	396,166	396,166
State and federal pass-through revenues:				
MH-DD community services allocation	141,874	98,278	102,428	93,793
Social services block grant	71,181	74,881	78,148	78,973
Human services administrative reimbursements	25,204	32,731	43,915	34,409
Public health grants	79,348	79,026	107,254	-
Mental health risk pool allocation	-	131,717	-	-
Highway planning and construction grant	3,201	93,770	-	-
Community development block grants	-	-	-	32,413
Resource enhancement and protection grant	4,000	9,147	9,932	29,180
Land and water grant	85,150	-	-	-
Other	45,646	31,992	-	159,035
State grants and entitlements:				
MH-DD allowed growth factor adjustment	109,488	44,982	61,659	62,846
Other	4,918	-	-	-
Direct federal grants and entitlements:				
Medicaid	-	8,064	50	21,412
Other	-	4,570	14,897	8,285
Contributions and reimbursements from other governmental units:				
Transfer of road jurisdiction funding	-	900,000	-	-
Other	39,341	37,740	33,043	53,254
Payments in lieu of taxes	-	3,586	3,641	2,659
	<u>3,084,980</u>	<u>4,081,816</u>	<u>2,949,757</u>	<u>3,023,725</u>
Total	<u>\$6,375,644</u>	<u>7,351,542</u>	<u>7,115,164</u>	<u>7,007,804</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

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

To the Officials of Union County:

We have audited the general purpose financial statements of Union County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated January 15, 2004. Our report expressed a qualified opinion on the financial statements due to the effects of 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 Union 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), (7) and (10).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Union 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 Union 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.

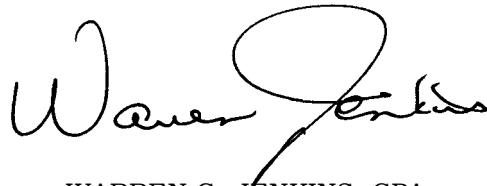
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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, we believe none of the reportable conditions described above are material weaknesses. 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 Union County and other parties to whom Union 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 Union 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 15, 2004

Union 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) County Sheriff Trust Account – In order to properly account for assets received and held by the Sheriff's Office in a trustee capacity for others, certain procedures should be performed in a timely manner. The safe contained \$878 cash for which the County does not know the origin.

Recommendation – The County should attempt to determine the source of the cash located in the safe in order to determine proper disposition. Otherwise, the cash should be remitted to the County Treasurer and credited to the General Fund.

Response – In reference to the \$878 in the safe, I have spoken with the County Attorney to take care of the money in the safe. It will hopefully be done by July 1, 2004.

Conclusion – Response accepted.

- (B) County Sheriff Commissary – Commissary profits were not remitted to the County Treasurer. Store sale receipts for purchased items were not reviewed and approved by the jail administrator. The inmate trust account listing and the accumulated profits in the account were not reconciled with the bank balance monthly.

Recommendation – Commissary profits should be periodically remitted to and expended from a Special Revenue Fund to ensure purchases are properly budgeted and reflected in the County's accounting system. The jail administrator should review and approve all store sale receipts. The listing of inmate trust account balances and the accumulated profits in the account should be reconciled with the bank balance on a monthly basis.

Response – I have spoken to the County Auditor to set up a Special Revenue Fund to place commissary profit into. As to reconciling the balance monthly, the civil clerk will now be doing that. The checkbook has now been balanced and it will be kept balanced from there. The Jail Administrator will review and approve all store receipts and if the Jail Administrator makes the purchase the receipt will be reviewed by either the Assistant Administrator or the Sheriff.

Conclusion – Response accepted.

- (C) Electronic Data Processing Systems – The County does not have written policies for requiring password changes since the software does not require the user to change log-ins/passwords periodically. Also, the County does not have a time out or log off function when terminals are left unattended.

Union County
Schedule of Findings
Year ended June 30, 2003

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over computer based systems. Screen saver passwords or automatic log off should be utilized.

Response – We will check with CMS to see if they are looking at a program that has screen saver passwords.

Conclusion – Response acknowledged. The County should also address requiring password changes periodically.

- (D) Cellular Phone Policies – Expenditures were made by the County for cellular telephone service. However, written policies governing the use of cellular phones and the extent of payment or reimbursement have not been adopted.

Recommendation – The Board of Supervisors should establish written policies governing the use of cellular phones. In addition, cellular phone bills should be scrutinized for proper usage by the County Auditor’s office and Board of Supervisors prior to payment.

Response – We will look at policies from other counties already in place and draft one for Union County.

Conclusion – Response accepted.

Union 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.
- (2) Certified Budget – Disbursements during the year ended June 30, 2003 exceeded the amount budgeted in the non-program function. Also, disbursements for debt service were budgeted and charged to the non-program function rather than the debt service function.

Disbursements for debt service during the year ended June 30, 2003 exceeded the appropriation prior to an approved appropriation amendment and in total for the year.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Also, debt service disbursements should be budgeted in the debt service function.

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

Response – When doing the re-numbering for GASB No. 34, the dollar amount was put in the wrong function. We will keep a better eye on this from now on, and do the proper procedures in accordance with the Code.

Conclusion – Response accepted.

- (3) Questionable Expenditures – No expenditures that 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
Gerald McLain, former Supervisor, owns Union County Abstract Inc.	Services	\$ 135

In accordance with Chapter 331.342(10) of the Code of Iowa, the above transaction does not appear to represent a conflict of interest since the transaction was less than \$1,500 during the fiscal year.

Union County

Schedule of Findings

Year ended June 30, 2003

- (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 insure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the minutes record did not document the reason for entering into closed sessions on three of the thirty-four times the Board went into closed session to discuss matters relating to the County.

Although minutes of the Board proceedings were published, they were not published within the time period required by Chapter 349.18 of the Code of Iowa.

Recommendation – The Board of Supervisors should ensure all closed meetings comply with Chapter 21 of the Code of Iowa. The County should also ensure all Board proceedings and claims are properly published as required.

Response – Someone in the County Auditor’s Office will hand deliver approved minutes to the paper to assure proper timing of publishing.

Conclusion – Response accepted.

- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions were in compliance with Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (9) 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).
- (10) Economic Development – The County paid \$23,415 to the Union County Public Funding Council which may not be an appropriate expenditure of public funds since the public benefits to be derived have not been clearly documented.

According to an Attorney General’s opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises that the governing body should evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

Recommendation – The Board should evaluate and document the public purpose served by these expenditures before authorizing further payments and should require documentation of how the funds were used to accomplish economic development activities.

Response – The Board will make the proper motion for the minutes when a dollar amount is approved for the next budget year.

Conclusion – Response accepted.

Union County

Schedule of Findings

Year ended June 30, 2003

- (11) 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 the County operations and, consequently, is not included in Exhibits A or B.

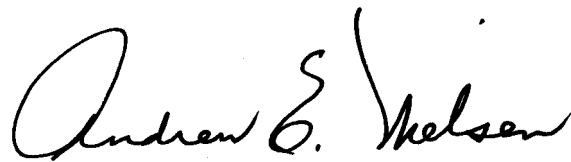
Disbursements during the year ended June 30, 2003 for the County Extension Office did not exceed the amount budgeted.

Union County

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Karen L. Brustkern, CPA, Senior Auditor
Erin M. Scharingson, Staff Auditor
Jake P. Keegan, Assistant Auditor
Stephanie A. Bernard, 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