



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ April 22, 2004 _____

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

The County has implemented new reporting standards for the year ended June 30, 2003, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$39,810,060 for the year ended June 30, 2003, which includes \$1,865,950 in tax credits from the state. The County forwarded \$32,062,059 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$7,748,001 of the local tax revenue to finance County operations, a 6 percent increase from the prior year. Other revenues included charges for service of \$1,984,119, operating grants, contributions and restricted interest of \$5,089,809, capital grants, contributions and restricted interest of \$2,526,219, unrestricted investment earnings of \$145,070 and other general revenues of \$443,532.

Expenses for County operations totaled \$15,796,938. Expenses included \$5,246,429 for roads and transportation, \$3,102,438 for public safety and legal services and \$2,338,799 for mental health.

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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WARREN COUNTY

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

JUNE 30, 2003

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Warren County

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------------------|----------------------|---------------------|
| (Before January 2003) | | |
| Bob Sandy | Board of Supervisors | Jan 2003 |
| E. David Mineart | Board of Supervisors | Jan 2005 |
| Kevin Middleswart | Board of Supervisors | Jan 2005 |
| Traci Vander Linden | County Auditor | Jan 2005 |
| Julie Daugherty | County Treasurer | Jan 2003 |
| Judith K. Lathrop | County Recorder | Jan 2003 |
| James Lee | County Sheriff | Jan 2005 |
| Kevin Parker | County Attorney | Jan 2003 |
| David Ellis | County Assessor | Jan 2004 |
| (After January 2003) | | |
| Bob Sandy | Board of Supervisors | Jan 2005 |
| E. David Mineart | Board of Supervisors | Jan 2007 |
| Marvin Grace | Board of Supervisors | Jan 2007 |
| Traci Vander Linden | County Auditor | Jan 2005 |
| Julie Daugherty | County Treasurer | Jan 2007 |
| Judith K. Lathrop | County Recorder | Jan 2007 |
| James Lee | County Sheriff | Jan 2005 |
| Gary Kendell | County Attorney | Jan 2007 |
| David Ellis | County Assessor | Jan 2004 |

Warren County



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Independent Auditor's Report

To the Officials of Warren County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Warren County, Iowa, as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Warren County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Warren County at June 30, 2003, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 15 to the financial statements, during the year ended June 30, 2003, Warren County adopted 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; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated February 13, 2004 on our consideration of Warren County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Warren County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed qualified opinions on those financial statements for the effect of the omission of the general fixed assets account group. The other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 13, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Warren County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2003. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because Warren County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the County's financial position and results of operations.

2003 FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at June 30, 2003 by \$31,043,060. Of this amount, \$2,931,843 is unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors.
- Net assets increased approximately \$2.1 million from FY02.
- Governmental funds revenue increased approximately \$113,000 from FY02.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Warren County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Warren County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Warren County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

Required Supplementary Information, other than MD&A, provides information about the required budgetary comparison information.

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

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

The County's governmental activities are displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and other non-program activities. Property tax and state and federal grants finance most of these activities.

REPORTING THE COUNTY BY FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about individual, significant funds, not the County as a whole. Some funds are required to be established by Iowa law or by bond covenants. The County can establish other funds to help it control and manage money for particular purposes.

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These fund statements focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) General Fund, 2) Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads, 3) Debt Service Fund and 4) Capital Projects Fund. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The financial statements required for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds 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.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets, and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. The fiduciary funds include Agency Funds that account for emergency management services, E911 service board, and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Warren County's net assets for FY03 totaled approximately \$31 million. This compares to FY02 at approximately \$28.9 million. The analysis that follows focuses on the changes of the net assets for our governmental activities.

| Net Assets of Governmental Activities (Expressed in Thousands) | |
|---|----------------------|
| | <u>June 30, 2003</u> |
| Current and other assets | \$ 13,386 |
| Capital assets | <u>28,877</u> |
| Total assets | <u>42,263</u> |
| Long-term debt outstanding | 2,585 |
| Other liabilities | <u>8,635</u> |
| Total liabilities | <u>11,220</u> |
| Net assets: | |
| Invested in capital assets, net of related debt | 26,292 |
| Restricted | 1,819 |
| Unrestricted | <u>2,932</u> |
| Total net assets | <u>\$ 31,043</u> |

Net assets of Warren County's governmental activities increased by approximately \$2.1 million from FY02. The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements, is \$2.9 million.

Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

| | Year Ended <u>June 30, 2003</u> |
|--|------------------------------------|
| Revenues: | |
| Program revenues: | |
| Charges for service | \$ 1,984 |
| Operating grants, contributions and restricted interest | 5,090 |
| Capital grants, contributions and restricted interest | 2,526 |
| General revenues: | |
| Property tax | 7,362 |
| Penalty and interest on property tax | 137 |
| State tax credits | 386 |
| Grants and contributions not restricted to specific purposes | 180 |
| Unrestricted investment earnings | 145 |
| Gain on sale of capital assets | 27 |
| Other general revenues | <u>100</u> |
| Total revenues | <u>17,937</u> |
| Expenses: | |
| Public safety and legal services | 3,102 |
| Physical health and social services | 1,589 |
| Mental health | 2,339 |
| County environment and education | 730 |
| Roads and transportation | 5,247 |
| Governmental services to residents | 517 |
| Administration | 1,964 |
| Nonprogram | 148 |
| Interest on long-term debt | <u>161</u> |
| Total expenses | <u>15,797</u> |
| Increase in net assets | 2,140 |
| Net assets beginning of year, as restated | <u>28,903</u> |
| Net assets end of year | <u>\$ 31,043</u> |

The new Uniform Chart of Accounts for Iowa Counties was effective for FY03 County financial reporting, which combined certain line items.

For FY03 Warren County increased property tax rates by \$.14 per \$1,000 of valuation in the countywide levy and the rural levy remained virtually the same. This was multiplied by the increase in countywide assessed property valuation of \$34,355,746 and rural assessed property valuation of \$17,689,705.

INDIVIDUAL MAJOR FUND ANALYSIS

As Warren County completed the year, its governmental funds reported a combined fund balance of \$4,907,645, which is greater than the \$4,788,416 combined fund balance for FY02.

The General Fund, the operating fund for Warren County, ended FY03 with an ending fund balance totaling \$2,454,790, of which \$885,000 is designated for future jail expansion. This is an increase of \$55,936. Property valuation increased from \$1,106,479,012 in FY02 to \$1,140,834,758 in FY03. The total General Fund levy rate decreased from \$4.03 per \$1,000 of taxable valuation in FY02 to \$3.99 per \$1,000 of taxable valuation in FY03.

The Mental Health Fund ended FY03 with a \$552,223 fund balance compared to the prior year fund balance of \$542,590. The levy rate increased \$.20 per \$1,000 of taxable valuation between FY03 and FY02 and expenditures decreased \$164,457.

The Rural Services Fund ended FY03 with a \$366,931 fund balance compared to the prior year ending balance of \$336,807. Revenues for the Rural Services Fund increased \$53,316 while expenditures decreased \$4,506.

The Secondary Roads Fund ended FY03 with a \$1,261,407 fund balance compared to the prior year fund balance of \$1,193,523. Capital project expenditures within the Secondary Roads Fund in FY03 increased \$338,746 from FY02. The secondary roads department maintained 651 miles of gravel, 77 miles of dirt, and 144 miles of paved roads during the year, as well as completed 4 construction projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, Warren County amended the budget twice. The first amendment was made in December 2002 for the purchase of hardware, software, and training to comply with the Health Insurance Portability and Accountability Act (HIPAA). The second amendment was made in April 2003 to re-estimate revenue and expenditures for all departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY03, Warren County had approximately \$28.9 million invested in a broad range of capital assets, including public safety equipment, building, park facilities, roads and bridges. This is a net increase of approximately \$1.6 million from FY02.

Warren County had depreciation expense of \$1,399,244, excluding depreciation charged to the Internal Service Fund, in FY03 and total accumulated depreciation of \$12,351,758 at June 30, 2003. Additional information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At the end of FY03, Warren County had \$2,585,000 in general obligation bonds outstanding compared to \$2,940,000 at the end of FY02.

Outstanding long-term debt decreased as a result of the general obligation bond payments for the Administration Building and the removal of the Lakewood Benefited Recreational Lake District (Lakewood) general obligation bonds from the County records. The County made the current year payment and the debt was refinanced by Lakewood during FY03 and will be paid directly by Lakewood. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Warren County's outstanding general obligation debt is significantly below its constitutional debt limit of \$58 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Warren County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2004 budget, tax rates, and fees that apply for the various County services.

These factors were taken into account when adopting the General Fund budget for fiscal year 2004. Amounts available for appropriation in the General Fund are approximately \$8,228,000, an increase of 3% over the final 2003 budget. Warren County will use the increase in receipts to finance programs currently offered by offsetting the effect inflation has on program costs. The elected officials of Warren County received a 3% increase in salary, staff received a 1.5% cost of living raise and those eligible for a merit raise received 3%. Warren County added no major programs or initiatives to the FY04 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Warren County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Warren County Auditor's Office, 301 N. Buxton, Indianola, Iowa, 50125.

Warren County

Exhibit A

Warren County
Statement of Net Assets
June 30, 2003

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Cash and pooled investments | \$ 4,649,385 |
| Receivables: | |
| Property tax: | |
| Delinquent | 63,290 |
| Succeeding year | 7,546,000 |
| Interest and penalty on property tax | 150,211 |
| Accounts | 115,066 |
| Accrued interest | 7,639 |
| Due from other governments | 602,346 |
| Inventories | 159,199 |
| Prepaid insurance | 92,634 |
| Capital assets (net of accumulated depreciation) | <u>28,876,746</u> |
| Total assets | <u>42,262,516</u> |
| Liabilities | |
| Accounts payable | 299,750 |
| Accrued interest payable | 9,746 |
| Salaries and benefits payable | 151,982 |
| Due to other governments | 253,897 |
| Deferred revenue: | |
| Succeeding year property tax | 7,546,000 |
| Long-term liabilities: | |
| Portion due or payable within one year: | |
| General obligation bonds | 320,000 |
| Compensated absences | 231,058 |
| Portion due or payable after one year: | |
| General obligation bonds | 2,265,000 |
| Compensated absences | <u>142,023</u> |
| Total liabilities | <u>11,219,456</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | 26,291,746 |
| Restricted for: | |
| Mental health purposes | 556,927 |
| Secondary roads purposes | 1,109,146 |
| Debt service | 76,936 |
| Other purposes | 76,462 |
| Unrestricted | <u>2,931,843</u> |
| Total net assets | <u>\$ 31,043,060</u> |

See notes to financial statements.

Warren County
Statement of Activities
Year ended June 30, 2003

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | |
|---|------------------------|--|--|---|----------------------|
| | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | | |
| Expenses | | | | | |
| Functions / Programs: | | | | | |
| Governmental activities: | | | | | |
| Public safety and legal services | \$ 3,102,438 | 277,831 | 387,766 | - | (2,436,841) |
| Physical health and social services | 1,589,051 | 374,664 | 551,505 | - | (662,882) |
| Mental health | 2,338,799 | 12,139 | 1,354,695 | - | (971,965) |
| County environment and education | 730,347 | 9,098 | 6,094 | 106,597 | (608,558) |
| Roads and transportation | 5,246,429 | 180,097 | 2,765,326 | 2,419,622 | 118,616 |
| Governmental services to residents | 516,803 | 802,958 | 483 | - | 286,638 |
| Administration | 1,964,018 | 177,122 | 20,288 | - | (1,766,608) |
| Nonprogram | 148,204 | 150,210 | - | - | 2,006 |
| Interest on long-term debt | 160,849 | - | 3,652 | - | (157,197) |
| Total | \$ 15,796,938 | 1,984,119 | 5,089,809 | 2,526,219 | (6,196,791) |
| General Revenues: | | | | | |
| Property and other county tax levied for: | | | | | |
| General purposes | | | | | 6,959,159 |
| Debt service | | | | | 403,143 |
| Penalty and interest on property tax | | | | | 136,848 |
| State tax credits | | | | | 385,699 |
| Grants and contributions not restricted to specific purpose | | | | | 179,564 |
| Unrestricted investment earnings | | | | | 145,070 |
| Gain on sale of capital assets | | | | | 27,131 |
| Miscellaneous | | | | | 99,989 |
| Total general revenues | | | | | 8,336,603 |
| Change in net assets | | | | | 2,139,812 |
| Net assets beginning of year, as restated (note 15) | | | | | 28,903,248 |
| Net assets end of year | | | | | \$ 31,043,060 |

See notes to financial statements.

Warren County
Balance Sheet
Governmental Funds

June 30, 2003

| Assets | Special Revenue | | | |
|--|---------------------|------------------|-------------------|--------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Cash and pooled investments | \$ 2,281,050 | 880,781 | 399,488 | 820,261 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 34,776 | 7,509 | 20,981 | - |
| Succeeding year | 4,621,000 | 866,000 | 1,698,000 | - |
| Interest and penalty on property tax | 150,211 | - | - | - |
| Accounts | 113,422 | - | 16 | 168 |
| Accrued interest | 7,625 | - | - | - |
| Due from other funds | 350 | - | 301 | 37,011 |
| Due from other governments | 220,542 | - | 11 | 375,474 |
| Inventories | 72,930 | - | - | 71,633 |
| Prepaid insurance | - | - | - | 92,634 |
| Total assets | \$ 7,501,906 | 1,754,290 | 2,118,797 | 1,397,181 |
| Liabilities and fund balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 116,874 | 88,921 | 2,483 | 82,105 |
| Salaries and benefits payable | 104,096 | 1,617 | 8,141 | 38,128 |
| Due to other funds | 10,738 | - | 22,555 | 6,601 |
| Due to other governments | 12,068 | 238,169 | - | 3,633 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 4,621,000 | 866,000 | 1,698,000 | - |
| Other | 182,340 | 7,360 | 20,687 | 5,307 |
| Total liabilities | 5,047,116 | 1,202,067 | 1,751,866 | 135,774 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Inventories | 72,930 | - | - | 71,633 |
| Prepaid insurance | - | - | - | 92,634 |
| Debt service | - | - | - | - |
| Unreserved: | | | | |
| Designated for future jail expansion | 885,000 | - | - | - |
| Undesignated, reported in: | | | | |
| General fund | 1,496,860 | - | - | - |
| Special revenue funds | - | 552,223 | 366,931 | 1,097,140 |
| Capital projects fund | - | - | - | - |
| Total fund balances | 2,454,790 | 552,223 | 366,931 | 1,261,407 |
| Total liabilities and fund balances | \$ 7,501,906 | 1,754,290 | 2,118,797 | 1,397,181 |

See notes to financial statements.

| Other Nonmajor | Total |
|-------------------|-------------------|
| 267,805 | 4,649,385 |
| 24 | 63,290 |
| 361,000 | 7,546,000 |
| - | 150,211 |
| - | 113,606 |
| 14 | 7,639 |
| 4,475 | 42,137 |
| - | 596,027 |
| - | 144,563 |
| - | 92,634 |
| <u>633,318</u> | <u>13,405,492</u> |
| - | 290,383 |
| - | 151,982 |
| - | 39,894 |
| - | 253,870 |
| 361,000 | 7,546,000 |
| 24 | 215,718 |
| <u>361,024</u> | <u>8,497,847</u> |
| - | 144,563 |
| - | 92,634 |
| 86,658 | 86,658 |
| - | 885,000 |
| - | 1,496,860 |
| 76,462 | 2,092,756 |
| 109,174 | 109,174 |
| <u>272,294</u> | <u>4,907,645</u> |
| <u>633,318</u> | <u>13,405,492</u> |

Warren County

Warren County

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

June 30, 2003

Total governmental fund balances (page 17) \$ 4,907,645

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets, excluding those of the Internal Service Fund, is \$41,186,975 and the accumulated depreciation is \$12,351,758. 28,835,217

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 215,718

The Internal Service Fund is used by management to charge the costs of fuel to individual funds and other entities. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

| | | |
|---|-----------|--------|
| Capital assets of \$86,497 less accumulated depreciation of \$44,968. | \$ 41,529 | |
| Other assets | 10,778 | 52,307 |
| | | |

Long-term liabilities, including bonds payable, accrued interest payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (2,967,827)

Net assets of governmental activities (page 14) \$ 31,043,060

See notes to financial statements.

Warren County

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

Year ended June 30, 2003

| | Special Revenue | | | |
|---|---------------------|------------------|--------------------|--------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Revenues: | | | | |
| Property and other county tax | \$ 4,318,624 | 932,501 | 1,692,966 | - |
| Interest and penalty on property tax | 108,385 | - | - | - |
| Intergovernmental | 1,682,333 | 1,403,537 | 170,590 | 3,335,289 |
| Licenses and permits | 81,683 | - | - | 420 |
| Charges for service | 1,000,090 | - | - | - |
| Use of money and property | 161,943 | - | - | - |
| Miscellaneous | 338,953 | 12,139 | 4,433 | 179,808 |
| Total revenues | <u>7,692,011</u> | <u>2,348,177</u> | <u>1,867,989</u> | <u>3,515,517</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | 3,096,633 | - | - | - |
| Physical health and social services | 1,638,876 | - | - | - |
| Mental health | - | 2,338,950 | - | - |
| County environment and education | 460,725 | - | 177,010 | - |
| Roads and transportation | - | - | 213,633 | 4,220,908 |
| Governmental services to residents | 501,656 | - | 2,415 | - |
| Administration | 1,684,828 | - | - | - |
| Debt service | 83,813 | - | - | - |
| Capital projects | 34,422 | - | 1,663 | 917,991 |
| Total expenditures | <u>7,500,953</u> | <u>2,338,950</u> | <u>394,721</u> | <u>5,138,899</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>191,058</u> | <u>9,227</u> | <u>1,473,268</u> | <u>(1,623,382)</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 4,350 | - | - | 1,925 |
| Operating transfers in | - | - | - | 1,599,047 |
| Operating transfers out | (155,903) | - | (1,443,144) | - |
| Total other financing sources (uses) | <u>(151,553)</u> | <u>-</u> | <u>(1,443,144)</u> | <u>1,600,972</u> |
| Net change in fund balances | 39,505 | 9,227 | 30,124 | (22,410) |
| Fund balances beginning of year, as restated (note 15) | 2,398,854 | 542,996 | 336,807 | 1,223,661 |
| Increase in reserve for: | | | | |
| Inventories | 16,431 | - | - | 44,414 |
| Prepaid insurance | - | - | - | 15,742 |
| Fund balances end of year | <u>\$ 2,454,790</u> | <u>552,223</u> | <u>366,931</u> | <u>1,261,407</u> |

See notes to financial statements.

| Other Nonmajor | Total |
|-------------------|-------------------|
| 405,820 | 7,349,911 |
| - | 108,385 |
| 21,368 | 6,613,117 |
| - | 82,103 |
| 16,609 | 1,016,699 |
| 4,958 | 166,901 |
| - | 535,333 |
| <u>448,755</u> | <u>15,872,449</u> |
| - | 3,096,633 |
| - | 1,638,876 |
| - | 2,338,950 |
| - | 637,735 |
| - | 4,434,541 |
| - | 504,071 |
| 14,962 | 1,699,790 |
| 435,974 | 519,787 |
| 11,623 | 965,699 |
| <u>462,559</u> | <u>15,836,082</u> |
| <u>(13,804)</u> | <u>36,367</u> |
| - | 6,275 |
| - | 1,599,047 |
| - | (1,599,047) |
| <u>-</u> | <u>6,275</u> |
| (13,804) | 42,642 |
| 286,098 | 4,788,416 |
| - | 60,845 |
| - | 15,742 |
| <u>272,294</u> | <u>4,907,645</u> |

Warren County

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

Year ended June 30, 2003

Net change in fund balances - Total governmental funds (page 21) \$ 42,642

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

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

| | | |
|---|--------------------|-----------|
| Expenditures for capital assets | \$ 1,174,909 | |
| Capital assets contributed by the Iowa Department of Transportation | 1,854,836 | |
| Depreciation expense | <u>(1,399,244)</u> | 1,630,501 |

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. 20,856

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

| | | |
|--------------|---------------|--------|
| Property tax | 12,390 | |
| Other | <u>19,737</u> | 32,127 |

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This also includes the current year payment on the Lakewood note which was recorded in the General Fund. 355,000

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

| | | |
|------------------------------------|--------------|---------|
| Compensated absences | (8,346) | |
| Accrued interest on long-term debt | <u>3,936</u> | (4,410) |

Prepaid expenses and inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenses in the period the corresponding net asset is exhausted. 76,587

The Internal Service Fund is used by management to charge the costs of various services to individual departments and funds. The increase in net assets of the Internal Service Fund is included in governmental activities in the Statement of Net Assets. (13,491)

Change in net assets of governmental activities (page 15) \$ 2,139,812

See notes to financial statements.

Warren County
Statement of Net Assets
Proprietary Fund
June 30, 2003

| | Internal Service- Fuel Station |
|--|---|
| Assets | |
| Accounts receivable | \$ 1,460 |
| Due from other funds | 9,718 |
| Due from other governments | 6,319 |
| Inventories | 14,636 |
| Capital assets, net of accumulated depreciation of \$44,968 | 41,529 |
| Total assets | 73,662 |
| Liabilities | |
| Accounts payable | 9,367 |
| Due to other funds | 11,961 |
| Due to other governments | 27 |
| Total liabilities | 21,355 |
| Net Assets | |
| Invested in capital assets, net of related debt | 41,529 |
| Unrestricted | 10,778 |
| Total net assets | \$ 52,307 |

See notes to financial statements.

Exhibit H

Warren County
Statement of Revenues, Expenses, and Changes
in Fund Net Assets

Proprietary Fund

Year ended June 30, 2003

| | | <u>Internal Service- Fuel Station</u> |
|---------------------------------------|------------|---|
| Operating revenues: | | |
| Reimbursements from operating funds | | \$ 108,938 |
| Reimbursements from other governments | | 128,539 |
| Fuel and other tax refunds | | 20,621 |
| Total operating revenues | | <u>258,098</u> |
| Operating expenses: | | |
| Fuel | \$ 229,291 | |
| State fuel and other taxes | 22,938 | |
| Clerical | 12,883 | |
| Utilities | 361 | |
| Depreciation | 6,116 | 271,589 |
| Net loss | | <u>(13,491)</u> |
| Net assets beginning of year | | <u>65,798</u> |
| Net assets end of year | | <u>\$ 52,307</u> |

See notes to financial statements.

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

| | Internal Service- Fuel Station |
|---|---|
| Cash flows from operating activities: | |
| Cash received from operating fund reimbursements | \$ 106,293 |
| Cash received from other governments | 142,592 |
| Cash received from other operating receipts | 22,217 |
| Cash paid for personal services | (12,873) |
| Cash paid to suppliers | (256,707) |
| Net cash provided by operating activities | 1,522 |
| Cash flows from noncapital financing activities: | |
| Deficit cash implicitly financed | (1,522) |
| Net increase in cash and cash equivalents | - |
| Cash and cash equivalents beginning of year | - |
| Cash and cash equivalents end of year | \$ - |
| Reconciliation of net loss to net cash provided by operating activities: | |
| Net loss | \$ (13,491) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | |
| Depreciation expense | 6,116 |
| (Increase) in accounts receivable | (1,459) |
| (Increase) in due from other funds | (2,644) |
| Decrease in due from other governments | 17,109 |
| Decrease in inventories | 563 |
| (Decrease) in accounts payable | (4,719) |
| Increase in due to other funds | 47 |
| Net cash provided by operating activities | \$ 1,522 |

See notes to financial statements

Warren County
 Agency Funds
 Statement of Fiduciary Assets and Liabilities
 June 30, 2003

Assets

| | |
|------------------------------|--------------|
| Cash and pooled investments: | |
| County Treasurer | \$ 1,769,154 |
| Other County officials | 57,751 |
| Receivables: | |
| Property tax: | |
| Delinquent | 203,672 |
| Succeeding year | 30,556,000 |
| Accounts | 82,872 |
| Special assessments | 84,220 |
| Due from other governments | 701,000 |
| Total assets | 33,454,669 |

Liabilities

| | |
|-------------------------------|------------|
| Accounts payable | 11,687 |
| Salaries and benefits payable | 22,705 |
| Due to other governments | 33,352,248 |
| Trusts payable | 68,029 |
| Total liabilities | 33,454,669 |

| | |
|-------------------|------|
| Net assets | \$ - |
|-------------------|------|

See notes to financial statements

Warren County

Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Warren County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. Warren County has no component units which meet the Governmental Accounting Standards Board criteria.

Joint Ventures – The County operates a Joint Vehicle Fueling Facility under a 28E agreement with the City of Indianola and the Indianola School District. Warren County records the activity of this joint venture in a Proprietary Fund.

The County also participates in the Wastewater Reclamation Authority (WRA) (formerly the Des Moines Area Integrated Community Area Wastewater Facilities Project). The WRA, a joint venture, was developed as the result of an agreement between the City of Des Moines and surrounding municipalities.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Warren County Assessor's Conference Board, Warren County Emergency Management Commission, Warren County Economic Development Corporation, and Warren County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: The Housing Authority of Warren County, the Central Iowa Regional Transportation Planning Alliance, the Cooperative Reimbursement Agreement for Child Support Enforcement and Establishment and the Des Moines Area Metropolitan Planning Organization.

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

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

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues 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:

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

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

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

Additionally, the County reports the following funds:

An 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.

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

The proprietary fund of 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund is charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Net Assets or Fund Equity

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent 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 in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|------------------------|----------|
| Equipment and vehicles | \$ 5,000 |
| Land and buildings | 5,000 |
| Infrastructure | 50,000 |

Property and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

| Asset Class | Estimated Useful lives (in years) |
|----------------------------|-----------------------------------|
| Buildings and improvements | 25-50 |
| Land improvements | 10-50 |
| Equipment | 3-20 |
| Vehicles | 5-15 |
| Infrastructure | 10-65 |

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused compensatory time, vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term liabilities – In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. The appropriations resolution was not adopted by the Board of Supervisors prior to disbursement of County funds as required by Chapter 331.434(6) of the Code of Iowa.

(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 \$40,869 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 | Special Revenue: Secondary Roads | \$ 312 |
| | Internal Service: Fuel Station | 38 |
| Special Revenue: Rural Services | Internal Service: Fuel Station | 301 |
| Secondary Roads | Fuel Station | 11,622 |
| | General | 2,848 |
| | Special Revenue: Rural Services | 22,541 |
| Resource Enhancement and Protection | General | 823 |
| Debt Service | General | 3,652 |
| Internal Service: Fuel Station | General | 3,415 |
| | Special Revenue: Rural Services | 14 |
| | Secondary Roads | 6,289 |
| Total | | <u>\$ 51,855</u> |

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2003 is as follows:

| Transfer to | Transfer from | Amount |
|------------------|------------------|--------------|
| Special Revenue: | | |
| Secondary Roads | General | \$ 155,903 |
| | Special Revenue: | |
| | Rural Services | 1,443,144 |
| Total | | \$ 1,599,047 |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2003 was as follows:

| | Balance Beginning of Year (as restated, note 15) | Increases | Decreases | Balance End of Year |
|---|---|-----------|-----------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 881,471 | - | - | 881,471 |
| Construction in progress | 67,917 | 1,667,727 | (67,917) | 1,667,727 |
| Total capital assets not being depreciated | 949,388 | 1,667,727 | (67,917) | 2,549,198 |
| Capital assets being depreciated: | | | | |
| Buildings | 7,369,369 | - | - | 7,369,369 |
| Equipment and vehicles | 4,472,166 | 492,280 | (84,487) | 4,879,959 |
| Equipment-internal service | 86,497 | - | - | 86,497 |
| Infrastructure, road network | 24,048,763 | 962,655 | - | 25,011,418 |
| Infrastructure, other | 1,377,031 | - | - | 1,377,031 |
| Total capital assets being depreciated | 37,353,826 | 1,454,935 | (84,487) | 38,724,274 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,115,373 | 241,470 | - | 1,356,843 |
| Equipment and vehicles | 2,677,771 | 476,066 | (80,343) | 3,073,494 |
| Equipment-internal service | 38,852 | 6,116 | - | 44,968 |
| Infrastructure, road network | 7,193,812 | 635,807 | - | 7,829,619 |
| Infrastructure, other | 45,901 | 45,901 | - | 91,802 |
| Total accumulated depreciation | 11,071,709 | 1,405,360 | (80,343) | 12,396,726 |
| Total capital assets being depreciated, net | 26,282,117 | 49,575 | (4,144) | 26,327,548 |
| Governmental activities capital assets, net | \$ 27,231,505 | 1,717,302 | (72,061) | 28,876,746 |

Depreciation expense was charged to the following functions:

| | | |
|---|--|---------------------|
| Governmental activities: | | |
| Public safety and legal services | | \$ 70,390 |
| Physical health and social services | | 17,354 |
| County environment and education | | 84,400 |
| Roads and transportation | | 993,149 |
| Governmental services to residents | | 3,000 |
| Administration | | <u>230,951</u> |
| Total depreciation expense - governmental activities, excluding Internal Service Funds | | <u>\$ 1,399,244</u> |
| Depreciation expense charged to the Internal Service Fund | | <u>\$ 6,116</u> |

(6) Due to Other Governments

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

| Fund | Description | Amount |
|------------------------------|-------------|----------------------|
| General | Services | <u>\$ 12,068</u> |
| Special Revenue: | | |
| Mental Health | Services | 238,169 |
| Secondary Roads | Services | <u>3,633</u> |
| | | <u>241,802</u> |
| Total for governmental funds | | <u>\$ 253,870</u> |
| Agency: | | |
| County Assessor | Collections | \$ 540,865 |
| Schools | | 21,795,376 |
| Community Colleges | | 661,057 |
| Corporations | | 7,667,136 |
| Townships | | 411,382 |
| Auto License and Use Tax | | 764,627 |
| E911 Service Board | | 315,918 |
| Special Assessments | | 740,257 |
| All other | | <u>455,630</u> |
| Total for agency funds | | <u>\$ 33,352,248</u> |

(7) Changes in Long-Term Liabilities

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

| | General Obligation Bonds | Compen- sated Absences | Total |
|--------------------------------|--------------------------------|------------------------------|-----------|
| Balance beginning | | | |
| of year, as restated (note 15) | \$ 2,890,000 | 364,735 | 3,254,735 |
| Increase | - | 400,266 | 400,266 |
| Decreases | 305,000 | 391,920 | 696,920 |
| Balance end of year | \$ 2,585,000 | 373,081 | 2,958,081 |
| Due within one year | \$ 320,000 | 231,058 | 551,058 |

The July 1, 2002 long-term liabilities balance has been restated as follows:

| | |
|---|--------------|
| Balance June 30, 2002, as previously reported | \$ 3,622,812 |
| (a) Compensated absences were increased due to the implementation of Governmental Accounting Standards Board Interpretation No. 6, <u>Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements</u> . | 86,923 |
| (b) Capital Loan Notes for the Lakewood Benefited Recreational Lake District were removed since the debt was a contingent liability. | (455,000) |
| Balance July 1, 2002, as restated | \$ 3,254,735 |

General Obligation Bonds

A summary of the County's June 30, 2003 general obligation bonded indebtedness is as follows:

| Year ending June 30, | Interest Rates | Principal | Interest | Total |
|----------------------------|-------------------|--------------|----------|-----------|
| 2004 | 4.50% | \$ 320,000 | 116,948 | 436,948 |
| 2005 | 4.50 | 335,000 | 102,547 | 437,547 |
| 2006 | 4.50 | 350,000 | 87,473 | 437,473 |
| 2007 | 4.50 | 370,000 | 71,722 | 441,722 |
| 2008 | 4.50 | 385,000 | 55,073 | 440,073 |
| 2009-2010 | 4.55 - 4.60 | 825,000 | 57,068 | 882,068 |
| Total | | \$ 2,585,000 | 490,831 | 3,075,831 |

During the year ended June 30, 2003, the County retired \$305,000 of general obligation bonds.

(8) 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 \$371,788, \$364,865, and \$334,390, respectively, equal to the required contributions for each year.

(9) Risk Management

Warren County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2003 were \$128,308.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2003, no liability has been recorded in the County's financial statements. As of June 30, 2003, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with property, workers compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Joint Ventures

Joint Vehicle Fueling Facility

The County, under a 28E agreement with the City of Indianola and the Indianola School District, has agreed to design, construct, and operate a "Joint Vehicle Fueling Facility". The County is the owner/operator with the County Engineer administering the facility. The cost of constructing the facility is shared under the following percentages: Warren County, 53 percent, City of Indianola, 18 percent, and the Indianola School District, 29 percent. All annual operating expenses are shared in the same ratio. The cost of fuel provided to members is on an individual usage basis at the same cost paid by the Joint Venture. Upon termination or closure, no money will be returned to any of the parties. The County accounts for the project and fuel reimbursements in an Internal Service Fund.

Wastewater Reclamation Authority

The County is a member of the Wastewater Reclamation Authority (WRA), a joint venture established in accordance with the provisions of Chapter 28E of the Code of Iowa for the purpose of planning, constructing, operating, and managing sewer-related facilities in order to solve members' waste water problems. Pursuant to the joint venture agreement, the City of Des Moines is the operating agency and, as such, provides the management and each member participates in governing the joint venture.

Each WRA member participates at varying percentages in each project phase based on the member's respective benefit. The County's interest at June 30, 2003 is approximately 1.42 percent. More than 60 percent of the total program cost of \$225,000,000 was funded by state and federal grants. The County's share of the project has been funded through a combination of general obligation bonds, sewer revenue bonds, and several financing agreements with the WRA based on specific construction phases of the project.

Through a separate Chapter 28E agreement, the County's participating share in the WRA was transferred in its entirety to the Greenfield Plaza Hills of Coventry Sanitary Sewer District and the Lakewood Benefited Sanitary Sewer District (City of Norwalk), giving these Districts a .60 percent and .82 percent share, respectively.

The WRA system is operated on a cost reimbursement basis whereby participating communities share in the costs of operations as set forth in the WRA Agreements. Services are billed to the members (Greenfield Plaza hills of Coventry Sanitary Sewer District and Lakewood Benefited Sanitary District (City of Norwalk)), and contract payments are made by the members directly to the WRA for operations and maintenance.

Selected information of the WRA as of and for the year ended June 30, 2003 is as follows:

| | | |
|------------------------|----|-------------|
| Results of operations: | | |
| Operating revenues | \$ | 9,729,765 |
| Operating loss | | (5,939,144) |
| Non-operating income | | 923,967 |
| Capital contributions | | 4,705,781 |
| Net loss | | (309,396) |
| Financial position: | | |
| Total assets | | 276,483,768 |
| Total liabilities | | 5,315,720 |
| Net assets | | 271,168,048 |

The financial statements for the Wastewater Reclamation Authority (WRA) can be obtained from the operating agency, the City of Des Moines.

(11) Jointly Governed Organizations

Warren County participates in the Child Support Recovery program, 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: | | |
| Iowa Department of Human Services | | \$ 709,364 |
| Deductions: | | |
| Salaries | \$ | 466,248 |
| Benefits | | 165,175 |
| Office supplies | | 758 |
| Postage and mailing | | 37,101 |
| Travel | | 526 |
| Office equipment | | 508 |
| Legal and court-related services | | 39,048 |
| | | <u>709,364</u> |
| Net | | - |
| Balance beginning of year | | <u>71,802</u> |
| Balance end of year | | <u><u>\$ 71,802</u></u> |

(12) Pending Litigation

The County is a defendant in a lawsuit seeking an unspecified amount of damages. The probability and amount of loss, if any, is undeterminable.

(13) Construction Commitment

The County has entered into a construction contract totaling \$477,904 for bridge construction. As of June 30, 2003, costs of \$228,493 have been incurred. The remaining \$249,411 will be paid as work on the project progresses.

(14) Subsequent Event

In July 2003, the County entered into a contract for \$665,761 for road construction. The contract will be funded with local funds and a voluntary assessment from a local business.

(15) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2003. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting. Beginning net assets were also restated to exclude the investment in Lakewood note reported in prior years.

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; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented during the year ended June 30, 2003. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

The government-wide financial statements report the County’s governmental activities. Beginning net assets for governmental activities has been restated to include capital assets, the Internal Service Fund and the changes in assets and liabilities at July 1, 2002 resulting from the conversion to the accrual basis of accounting.

| | <u>Total</u> |
|---|----------------------|
| Net assets, June 30, 2002, as previously reported | \$ 5,101,856 |
| Deletion of investment in Lakewood note | (400,363) |
| GASB Interpretation 6 adjustments | 86,923 |
| Net assets, July 1, 2002, as restated for governmental funds | <u>4,788,416</u> |
| GASB 34 adjustments: | |
| Capital assets, net of accumulated depreciation of \$11,032,857 | 27,183,860 |
| Internal Service Fund | 65,798 |
| Long-term liabilities | (3,318,417) |
| Deferral of long-term assets | 183,591 |
| Net assets, July 1, 2002, as restated | <u>\$ 28,903,248</u> |

Required Supplementary Information

Warren County
 Budgetary Comparison Schedule of
 Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds
 Required Supplementary Information
 Year ended June 30, 2003

| | Actual | Budgeted Amounts | | Final to Actual Variance |
|---|---------------------|-------------------|-------------------|--------------------------|
| | | Original | Final | |
| Receipts: | | | | |
| Property and other county tax | \$ 7,350,832 | 7,286,094 | 7,413,353 | (62,521) |
| Interest and penalty on property tax | 107,723 | 105,000 | 100,000 | 7,723 |
| Intergovernmental | 6,386,585 | 7,729,123 | 6,709,424 | (322,839) |
| Licenses and permits | 86,060 | 85,480 | 81,980 | 4,080 |
| Charges for service | 1,076,683 | 1,027,740 | 910,917 | 165,766 |
| Use of money and property | 197,150 | 324,500 | 232,800 | (35,650) |
| Miscellaneous | 529,946 | 306,400 | 738,222 | (208,276) |
| Total receipts | <u>15,734,979</u> | <u>16,864,337</u> | <u>16,186,696</u> | <u>(451,717)</u> |
| Disbursements: | | | | |
| Public safety and legal services | 3,120,420 | 3,132,874 | 3,204,521 | 84,101 |
| Physical health and social services | 1,806,166 | 1,915,441 | 1,854,414 | 48,248 |
| Mental health | 2,391,172 | 2,610,567 | 2,569,813 | 178,641 |
| County environment | 428,913 | 670,403 | 625,079 | 196,166 |
| Roads and transportation | 4,403,845 | 4,562,200 | 4,587,000 | 183,155 |
| Governmental services to residents | 505,246 | 538,947 | 534,048 | 28,802 |
| Administration | 1,696,452 | 1,669,035 | 1,815,187 | 118,735 |
| Debt service | 519,785 | 519,787 | 519,787 | 2 |
| Capital projects | 959,054 | 2,193,630 | 1,298,605 | 339,551 |
| Total disbursements | <u>15,831,053</u> | <u>17,812,884</u> | <u>17,008,454</u> | <u>1,177,401</u> |
| Deficiency of receipts under disbursements | (96,074) | (948,547) | (821,758) | (725,684) |
| Other financing sources, net | 6,275 | - | 10,000 | (3,725) |
| Deficiency of receipts and other financing sources under disbursements and other financing uses | (89,799) | (948,547) | (811,758) | (721,959) |
| Balance beginning of year | 4,748,061 | 4,590,385 | 4,589,836 | 158,225 |
| Balance end of year | <u>\$ 4,658,262</u> | <u>3,641,838</u> | <u>3,778,078</u> | <u>(880,184)</u> |

See accompanying independent auditor's report.

Warren County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2003

| | Governmental Funds | | |
|--------------------------------------|--------------------|-----------------------------|------------------------------|
| | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis |
| Revenues | \$ 15,734,979 | 137,470 | 15,872,449 |
| Expenditures | 15,831,053 | 5,029 | 15,836,082 |
| Net | (96,074) | 132,441 | 36,367 |
| Other financing sources, net | 6,275 | - | 6,275 |
| Beginning fund balances, as restated | 4,748,061 | 40,355 | 4,788,416 |
| Increase in reserve for: | | | |
| Inventories | - | 60,845 | 60,845 |
| Prepaid insurance | - | 15,742 | 15,742 |
| Ending fund balances | \$ 4,658,262 | 249,383 | 4,907,645 |

See accompanying independent auditor's report.

Warren County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2003

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 upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, nonprogram, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments decreased budgeted disbursements by \$804,430. These budget amendments are reflected in the final budgeted amounts.

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

The appropriations resolution for the year ended June 30, 2003 was not adopted by the Board of Supervisors prior to disbursement of County funds as required by Chapter 331.434(6) of the Code of Iowa

Other Supplementary Information

Warren County
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003

| | Special Revenue | |
|--|---|--|
| | County Recorder's Records Management | Resource Enhance- ment and Protection |
| Assets | | |
| Cash and pooled investments | \$ 24,249 | 51,376 |
| Receivables: | | |
| Property tax: | | |
| Delinquent | - | - |
| Succeeding year | - | - |
| Accrued interest | 14 | - |
| Due from other funds | - | 823 |
| | | |
| Total assets | \$ 24,263 | 52,199 |
| Liabilities and fund equity | | |
| Liabilities: | | |
| Deferred revenue: | | |
| Succeeding year property tax | \$ - | - |
| Other | - | - |
| Total liabilities | - | - |
| Fund equity: | | |
| Fund balances: | | |
| Reserved for debt service | - | - |
| Unreserved, reported in: | | |
| Special revenue funds | 24,263 | 52,199 |
| Capital projects fund | - | - |
| Total fund equity | 24,263 | 52,199 |
| Total liabilities and fund equity | \$ 24,263 | 52,199 |

See accompanying independent auditor's report.

| Debt Service | Capital Projects | Total |
|-----------------|---------------------|----------------|
| 83,006 | 109,174 | 267,805 |
| 24 | - | 24 |
| 361,000 | - | 361,000 |
| - | - | 14 |
| 3,652 | - | 4,475 |
| <u>447,682</u> | <u>109,174</u> | <u>633,318</u> |
| 361,000 | - | 361,000 |
| 24 | - | 24 |
| <u>361,024</u> | <u>-</u> | <u>361,024</u> |
| 86,658 | - | 86,658 |
| - | - | 76,462 |
| - | 109,174 | 109,174 |
| <u>86,658</u> | <u>109,174</u> | <u>272,294</u> |
| <u>447,682</u> | <u>109,174</u> | <u>633,318</u> |

Warren County
 Combining Schedule of Revenues, Expenditures and
 Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2003

| | Special Revenue | |
|---|--|--|
| | County Recorder's Records Management | Resource Enhance- ment Protection |
| Revenues: | | |
| Property and other county tax | \$ - | - |
| Intergovernmental | - | 340 |
| Charges for service | 16,609 | - |
| Use of money and property | 483 | 823 |
| Total revenues | 17,092 | 1,163 |
| Expenditures: | | |
| Operating: | | |
| Governmental services to residents | 14,962 | - |
| Debt service | - | - |
| Capital projects | - | 2,800 |
| Total expenditures | 14,962 | 2,800 |
| Excess (deficiency) of revenues over (under) expenditures | 2,130 | (1,637) |
| Fund balances beginning of year | 22,133 | 53,836 |
| Fund balances end of year | \$ 24,263 | 52,199 |

See accompanying independent auditor's report.

| Debt Service | Capital Projects | Total |
|-----------------|---------------------|----------|
| 405,820 | - | 405,820 |
| 21,028 | - | 21,368 |
| - | - | 16,609 |
| 3,652 | - | 4,958 |
| 430,500 | - | 448,755 |
| - | - | 14,962 |
| 435,974 | - | 435,974 |
| - | 8,823 | 11,623 |
| 435,974 | 8,823 | 462,559 |
| (5,474) | (8,823) | (13,804) |
| 92,132 | 117,997 | 286,098 |
| 86,658 | 109,174 | 272,294 |

Warren County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2003

| | County Offices | | Agricultural Extension Education | County Assessor | Schools |
|-------------------------------|--------------------|-------------------|--|--------------------|-------------------|
| | County Recorder | County Sheriff | | | |
| Assets | | | | | |
| Cash and pooled investments: | | | | | |
| County Treasurer | \$ - | - | 1,208 | 178,426 | 277,865 |
| Other County officials | 26,747 | 31,004 | - | - | - |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | - | - | 691 | 4,282 | 159,511 |
| Succeeding year | - | - | 86,000 | 365,000 | 21,358,000 |
| Accounts | - | - | - | - | - |
| Special assessments | - | - | - | - | - |
| Due from other governments | - | - | - | - | - |
| Total assets | \$ 26,747 | 31,004 | 87,899 | 547,708 | 21,795,376 |
| Liabilities | | | | | |
| Accounts payable | \$ - | - | - | 471 | - |
| Salaries and benefits payable | - | - | - | 6,372 | - |
| Due to other governments | 26,747 | 7,912 | 87,899 | 540,865 | 21,795,376 |
| Trusts payable | - | 23,092 | - | - | - |
| Total liabilities | \$ 26,747 | 31,004 | 87,899 | 547,708 | 21,795,376 |

| Community Colleges | Corporations | Townships | Auto License and Use Tax | Brucellosis and Tuberculosis Eradication | E911 | Emergency Management Services |
|--------------------|--------------|-----------|--------------------------|--|---------|-------------------------------|
| 8,305 | 75,221 | 6,280 | 764,627 | 61 | 238,088 | 88,463 |
| - | - | - | - | - | - | - |
| 4,752 | 28,915 | 5,102 | - | 35 | - | - |
| 648,000 | 7,563,000 | 400,000 | - | 4,000 | - | - |
| - | - | - | - | - | 80,985 | 1,887 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | 12,418 |
| 661,057 | 7,667,136 | 411,382 | 764,627 | 4,096 | 319,073 | 102,768 |
| - | - | - | - | - | 2,197 | 130 |
| - | - | - | - | - | 958 | 958 |
| 661,057 | 7,667,136 | 411,382 | 764,627 | 4,096 | 315,918 | 101,680 |
| - | - | - | - | - | - | - |
| 661,057 | 7,667,136 | 411,382 | 764,627 | 4,096 | 319,073 | 102,768 |

Warren County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2003

| | Condemna- tions | Benefited Fire Districts | Hills of Coventry Lights | Lakewood Benefited Lake | Grant Pass-through |
|-------------------------------|--------------------|--------------------------------|--------------------------------|-------------------------------|-----------------------|
| Assets | | | | | |
| Cash and pooled investments: | | | | | |
| County Treasurer | 12,258 | 875 | 54 | 286 | 869 |
| Other County officials | - | - | - | - | - |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | - | 384 | - | - | - |
| Succeeding year | - | 40,000 | 3,000 | 78,000 | - |
| Accounts | - | - | - | - | - |
| Special assessments | - | - | - | - | - |
| Due from other governments | - | - | - | - | - |
| Total assets | 12,258 | 41,259 | 3,054 | 78,286 | 869 |
| Liabilities | | | | | |
| Accounts payable | - | - | - | - | - |
| Salaries and benefits payable | - | - | - | - | - |
| Due to other governments | - | 41,259 | 3,054 | 78,286 | 869 |
| Trusts payable | 12,258 | - | - | - | - |
| Total liabilities | 12,258 | 41,259 | 3,054 | 78,286 | 869 |

See accompanying independent auditor's report.

| City Special Assessments | Tax Sale Redemption | Permit Deposits | Greenfield Plaza Benefited Lights | Child Support Recovery | Advanced Taxes | Empowerment | Total |
|--------------------------|---------------------|-----------------|-----------------------------------|------------------------|----------------|---------------|-------------------|
| 39,257 | 29,075 | 1,500 | 133 | - | 3,604 | 42,699 | 1,769,154 |
| - | - | - | - | - | - | - | 57,751 |
| - | - | - | - | - | - | - | 203,672 |
| - | - | - | 11,000 | - | - | - | 30,556,000 |
| - | - | - | - | - | - | - | 82,872 |
| 701,000 | - | - | - | - | - | - | 701,000 |
| - | - | - | - | 71,802 | - | - | 84,220 |
| 740,257 | 29,075 | 1,500 | 11,133 | 71,802 | 3,604 | 42,699 | 33,454,669 |
| - | - | - | - | 445 | - | 8,444 | 11,687 |
| - | - | - | - | 12,853 | - | 1,564 | 22,705 |
| 740,257 | - | 1,500 | 11,133 | 58,504 | - | 32,691 | 33,352,248 |
| - | 29,075 | - | - | - | 3,604 | - | 68,029 |
| 740,257 | 29,075 | 1,500 | 11,133 | 71,802 | 3,604 | 42,699 | 33,454,669 |

Warren County
 Combining Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year ended June 30, 2003

| | County Offices | | Agricultural | County Assessor | Schools |
|------------------------------------|--------------------|-------------------|------------------------|--------------------|------------|
| | County Recorder | County Sheriff | Extension Education | | |
| Assets and Liabilities | | | | | |
| Balances beginning of year | \$ 50,578 | 46,213 | 87,681 | 678,403 | 20,692,018 |
| Additions: | | | | | |
| Property and other county tax | - | - | 85,948 | 367,247 | 21,416,403 |
| E911 surcharge | - | - | - | - | - |
| State tax credits | - | - | 4,495 | 27,848 | 1,057,473 |
| Office fees and collections | 785,020 | 89,415 | - | - | - |
| Auto licenses, use tax and postage | - | - | - | - | - |
| Assessments | - | - | - | - | - |
| Trusts | - | 699,766 | - | - | - |
| Miscellaneous | - | - | - | 7,858 | - |
| Total additions | 785,020 | 789,181 | 90,443 | 402,953 | 22,473,876 |
| Deductions: | | | | | |
| Agency remittances: | | | | | |
| To other funds | 516,789 | 92,050 | - | - | - |
| To other governments | 292,062 | 1,040 | 90,225 | 533,648 | 21,370,518 |
| Trusts paid out | - | 711,300 | - | - | - |
| Total deductions | 808,851 | 804,390 | 90,225 | 533,648 | 21,370,518 |
| Balances end of year | \$ 26,747 | 31,004 | 87,899 | 547,708 | 21,795,376 |

| Community Colleges | Corporations | Townships | Auto License and Use Tax | Brucellosis and Tuberculosis Eradication | E911 | Emergency Management Services |
|--------------------|--------------|-----------|--------------------------|--|---------|-------------------------------|
| 601,218 | 6,946,025 | 400,491 | 746,019 | 4,103 | 404,253 | 89,545 |
| 649,114 | 7,519,207 | 404,796 | - | 4,324 | - | - |
| - | - | - | - | - | 348,681 | - |
| 30,908 | 330,624 | 20,408 | - | 227 | - | - |
| - | - | - | - | - | - | - |
| - | - | - | 9,246,406 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 6,397 | 93,837 |
| 680,022 | 7,849,831 | 425,204 | 9,246,406 | 4,551 | 355,078 | 93,837 |
| - | - | - | 335,432 | - | - | - |
| 620,183 | 7,128,720 | 414,313 | 8,892,366 | 4,558 | 440,258 | 80,614 |
| - | - | - | - | - | - | - |
| 620,183 | 7,128,720 | 414,313 | 9,227,798 | 4,558 | 440,258 | 80,614 |
| 661,057 | 7,667,136 | 411,382 | 764,627 | 4,096 | 319,073 | 102,768 |

Warren County
Combining Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year ended June 30, 2003

| | Condemna- tions | Benefited Fire Districts | Hills of Coventry Lights | Lakewood Benefited Lake | Grant Pass-through |
|------------------------------------|--------------------|--------------------------------|--------------------------------|-------------------------------|-----------------------|
| Assets and Liabilities | | | | | |
| Balances beginning of year | 12,258 | 45,182 | 3,013 | 78,784 | 661 |
| Additions: | | | | | |
| Property and other county tax | - | 41,798 | 2,613 | 79,914 | - |
| E911 surcharge | - | - | - | - | - |
| State tax credits | - | 2,668 | 203 | 4,533 | - |
| Office fees and collections | - | - | - | - | - |
| Auto licenses, use tax and postage | - | - | - | - | - |
| Assessments | - | - | - | - | - |
| Trusts | - | - | - | - | - |
| Miscellaneous | - | - | - | - | 208 |
| Total additions | - | 44,466 | 2,816 | 84,447 | 208 |
| Deductions: | | | | | |
| Agency remittances: | | | | | |
| To other funds | - | - | - | - | - |
| To other governments | - | 48,389 | 2,775 | 84,945 | - |
| Trusts paid out | - | - | - | - | - |
| Total deductions | - | 48,389 | 2,775 | 84,945 | - |
| Balances end of year | 12,258 | 41,259 | 3,054 | 78,286 | 869 |

See accompanying independent auditor's report.

| City Special Assessments | Tax Sale Redemption | Permit Deposits | Greenfield Plaza Benefited Lights | Child Support Recovery | Advanced Taxes | Empowerment | Total |
|--------------------------|---------------------|-----------------|-----------------------------------|------------------------|----------------|-------------|------------|
| 780,741 | 30,997 | 2,000 | 11,124 | 71,802 | 4,946 | - | 31,788,055 |
| - | - | - | 10,444 | - | - | - | 30,581,808 |
| - | - | - | - | - | - | - | 348,681 |
| - | - | - | 864 | - | - | - | 1,480,251 |
| - | - | - | - | 709,364 | - | - | 1,583,799 |
| - | - | - | - | - | - | - | 9,246,406 |
| 211,081 | - | - | - | - | - | - | 211,081 |
| - | 481,633 | - | - | - | - | - | 1,181,399 |
| - | - | - | - | - | - | 199,231 | 307,531 |
| 211,081 | 481,633 | - | 11,308 | 709,364 | - | 199,231 | 44,940,956 |
| - | - | - | - | - | - | - | 944,271 |
| 251,565 | - | 500 | 11,299 | 709,364 | - | 156,532 | 41,133,874 |
| - | 483,555 | - | - | - | 1,342 | - | 1,196,197 |
| 251,565 | 483,555 | 500 | 11,299 | 709,364 | 1,342 | 156,532 | 43,274,342 |
| 740,257 | 29,075 | 1,500 | 11,133 | 71,802 | 3,604 | 42,699 | 33,454,669 |

Schedule 5

Warren County

Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds

For the Last Four Years

| | Modified Accrual Basis | | | |
|--------------------------------------|------------------------|------------|------------|------------|
| | 2003 | 2002 | 2001 | 2000 |
| Revenues: | | | | |
| Property and other county tax | \$ 7,349,911 | 6,928,811 | 6,691,491 | 6,751,879 |
| Interest and penalty on property tax | 108,385 | 113,333 | 105,104 | 96,392 |
| Intergovernmental | 6,613,117 | 6,994,414 | 6,316,292 | 6,722,733 |
| Licenses and permits | 82,103 | 88,101 | 73,116 | 76,277 |
| Charges for service | 1,016,699 | 992,117 | 895,048 | 864,602 |
| Use of money and property | 166,901 | 283,568 | 515,158 | 514,812 |
| Miscellaneous | 535,449 | 359,014 | 554,778 | 269,277 |
| Total | \$ 15,872,565 | 15,759,358 | 15,150,987 | 15,295,972 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | \$ 3,096,633 | 3,130,057 | 2,619,902 | 2,505,636 |
| Physical health and social services | 1,638,876 | 1,717,513 | 1,621,645 | 1,465,731 |
| Mental health | 2,338,950 | 2,503,407 | 2,408,904 | 2,253,426 |
| County environment and education | 637,735 | 701,880 | 737,095 | 656,531 |
| Roads and transportation | 4,434,541 | 4,469,042 | 3,970,136 | 4,061,271 |
| Governmental services to residents | 504,071 | 508,399 | 534,893 | 454,228 |
| Administration | 1,699,790 | 1,576,445 | 1,536,685 | 1,494,406 |
| Debt service | 519,787 | 521,130 | 521,785 | 568,880 |
| Capital projects | 965,699 | 1,576,974 | 1,337,019 | 2,069,471 |
| Total | \$ 15,836,082 | 16,704,847 | 15,288,064 | 15,529,580 |

See accompanying independent auditor's report.

Warren County

Schedule 6

Warren County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

| Grantor/Program | CFDA Number | Agency or Pass-through Number | Program Expenditures |
|---|----------------|-------------------------------------|-------------------------|
| Indirect: | | | |
| U.S. Department of Agriculture: | | | |
| Iowa Department of Elder Affairs: | | | |
| Aging Resources of Central Iowa: | | | |
| Nutrition Services Incentive (Commodities) | 10.570 | | \$ 28,898 |
| Nutrition Services Incentive (Cash) | 10.570 | | 21,857 |
| | | | 50,755 |
| Iowa Department of Public Health: | | | |
| Marion County Public Health: | | | |
| Special Supplemental Nutrition Program for Women, Infants and Children | 10.557 | | 14,391 |
| Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursements: | | | |
| State Administrative Matching Grants for Food Stamp Program | 10.561 | | 10,900 |
| U.S. Department of Justice: | | | |
| Iowa Department of Public Health: | | | |
| Tobacco Surveillance | 16.000 | | 1,300 |
| Iowa Department of Justice: | | | |
| Crime Victim Assistance Division: | | | |
| Crime Victim Assistance | 16.575 | VA-03-45 | 21,584 |
| Violence Against Women Formula Grants | 16.588 | VW-02-0203 | 31,394 |
| Governor's Office on Drug Control Policy: | | | |
| Polk County Sheriff: | | | |
| Byrne Formula Grant Program | 16.579 | | 84,766 |
| U.S. Department of Transportation: | | | |
| Iowa Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | BROS-CO91(43)-8J-91 | 71,027 |
| Highway Planning and Construction | 20.205 | BROS-CO91(45)-8J-91 | 316,448 |
| Highway Planning and Construction | 20.205 | BROS-CO91(48)-8J-91 | 177,311 |
| Federal Emergency Management Agency: | | | |
| Iowa Department of Public Safety: | | | |
| Safety Incentive Grants for Use of Seatbelts | 20.604 | PAP 03-04, Task 40 | 19,547 |
| Iowa Department of Public Defense: | | | |
| Emergency Management Division: | | | |
| Emergency Management Performance Grants | 83.552 | | 23,510 |

Warren County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2003

| Grantor/Program | CFDA Number | Agency or Pass-through Number | Program Expenditures |
|--|----------------|-------------------------------------|-------------------------|
| Indirect (continued): | | | |
| U.S. Environmental Protection Agency: | | | |
| Iowa Department of Public Health: | | | |
| Linn County Health Department: | | | |
| State Indoor Radon Grants | 66.032 | | <u>3,000</u> |
| U.S. Department of Education: | | | |
| Iowa Department of Public Health: | | | |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186 | 5883LE02 | <u>22,021</u> |
| U.S. Department of Health and Human Services: | | | |
| Iowa Department of Elder Affairs: | | | |
| Aging Resources of Central Iowa: | | | |
| Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers | 93.044 | | <u>10,000</u> |
| Special Programs for the Aging - Title III, Part C - Nutrition Services | 93.045 | | <u>55,530</u> |
| Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services | 93.043 | | <u>3,581</u> |
| Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursements: | | | |
| Temporary Assistance for Needy Families | 93.558 | | <u>16,160</u> |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | | <u>49</u> |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | | <u>3,112</u> |
| Foster Care - Title IV-E | 93.658 | | <u>5,503</u> |
| Adoption Assistance | 93.659 | | <u>1,801</u> |
| Social Services Block Grant | 93.667 | | <u>103,275</u> |
| Social Services Block Grant | 93.667 | | <u>10,523</u> |
| | | | <u>113,798</u> |
| Medical Assistance Program | 93.778 | | <u>15,659</u> |
| Iowa Department of Public Health: | | | |
| Centers for Disease Control and Prevention - Investigations and Technical Assistance | 93.283 | 5883BT93 | <u>6,090</u> |
| Centers for Disease Control and Prevention - Investigations and Technical Assistance | 93.283 | 5883EHC17 | <u>6,175</u> |
| | | | <u>12,265</u> |

Schedule 6

Warren County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2003

| Grantor/Program | CFDA Number | Agency or Pass-through Number | Program Expenditures |
|---|----------------|-------------------------------------|-------------------------|
| Indirect (continued): | | | |
| U.S. Department of Health and Human Services: | | | |
| Iowa Department of Public Health: | | | |
| Clarke County Public Health: | | | |
| Immunization Grants | 93.268 | | <u>9,341</u> |
| Marion County Public Health: | | | |
| Maternal and Child Health Services | | | |
| Block Grant to the States | 93.994 | | <u>5,089</u> |
| Total | | | <u>\$ 1,099,842</u> |

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

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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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 Warren County:

We have audited the financial statements of Warren County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated February 13, 2004. 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 Warren County's 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items IV-B-03, IV-E-03, IV-G-03, IV-J-03 and IV-K-03.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Warren 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 Warren County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

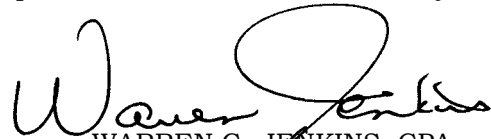
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-03 is a material weakness. Prior year reportable conditions have been resolved except for items II-A-03, II-B-03 and II-C-03.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Warren County and other parties to whom Warren 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 Warren 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

February 13, 2004

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

Warren County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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

To the Officials of Warren County:

Compliance

We have audited the compliance of Warren County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. Warren County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Warren County's management. Our responsibility is to express an opinion on Warren County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Warren County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Warren County's compliance with those requirements.

In our opinion, Warren County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

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

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Warren County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described as item III-A-03 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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 do not believe the reportable condition described above is a material weakness.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 13, 2004

Warren County
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over one of the major programs was disclosed by the audit of the financial statements. No material weaknesses in internal control over compliance were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 10.570 – Nutrition Services Incentive
 - CFDA Number 20.205 – Highway Planning and Construction
 - CFDA Number 93.045 – Special Programs for the Aging – Title III, Part C – Nutrition Services.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Warren County did not qualify as a low-risk auditee.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Part II: Findings Related to the Financial Statements:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-03 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

| | Applicable Offices |
|--|-----------------------|
| (1) Receipts – opening and listing mail receipts, collecting, depositing and posting. | Sheriff |
| (2) Bank reconciliation is not prepared by someone who does not sign checks, handle or record cash. | Recorder |
| (3) Bank reconciliations were not reviewed periodically by an independent person for propriety. Any review was not evidenced with the signature of the reviewer. | Sheriff, Recorder |
| (4) Payroll rates and payrolls are not reviewed and approved by an independent person | Auditor |

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Responses:

County Recorder – I have read the report on findings of the Recorder’s audit. We will have an independent person who does not write checks or handle money review the bank reconciliation.

County Sheriff – We try to segregate duties the best we can with two employees. We have started a file to record mail checks. We will start to check for deposit. The Deputy Auditor or Sheriff will perform an independent review.

County Auditor – The Budget Assistant will independently review payroll rates at the beginning of the fiscal year and will review payroll quarterly.

Conclusion – Responses accepted.

II-B-03 County Sheriff – Book balances were not reconciled to bank account balances and trust account listings. The trust list does not reconcile to recorded receipts and disbursements.

Receipts from the State of Iowa are not always deposited timely.

The jail commissary bank account balances were not reconciled to the total of the individual inmate balances.

Separate bank accounts were maintained for the collections and expenditures of the D.A.R.E. program.

Recommendation – Book balances should be reconciled at the end of each month to bank account balances. Also, a list of trusts on hand should be prepared and reconciled to this balance monthly.

Receipts should be deposited timely.

To improve financial accountability and control in the commissary, a journal should be prepared to reconcile cash on hand to sales.

All collections for the D.A.R.E. program should be remitted to the County Treasurer and all expenditures should be reflected in the County’s accounting system, annual budget and financial reports.

Response – We have started a trust list from calculated balance from audit which will be balanced to bank account. We will try to get receipts to Treasurer quicker. Jail Administrator will rectify. D.A.R.E. funds may be eliminated due to lack of funding. We will retain these funds until they are eliminated.

Conclusion – Response accepted, except that D.A.R.E. funds currently on hand should be remitted to the County Treasurer for expenditure in the same manner as all other County disbursements.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

II-C-03 Fuel Station Deficit Balance – The Internal Service, Fuel Station Fund had a deficit cash balance at June 30, 2003.

Recommendation – The County should continue to investigate alternatives to eliminate this deficit and return this fund to a sound financial position.

Response – Unless we are successful in establishing an escrow account of some type, we will never be able to have a positive balance. My goal is to maintain a balance plus or minus \$5,000.

Conclusion – Response acknowledged.

II-D-03 Information Systems – During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- requiring user profiles to help limit access to programs to those who have a legitimate need.
- requiring time out/log off functions or screen saver passwords to be used when computers are left unattended for extended periods of time.
- requiring terminals to be logged off overnight and on the weekends.
- requiring critical files on workstations located on the local area network to be regularly backed up.

Also, policies for password privacy and confidentiality are not being followed.

Recommendation – The County should develop written policies addressing the above items in order to improve the County's control over computer based systems. Also, policies established for password security should be followed.

Response – IT department will make appropriate policy/procedure changes to correct deficiencies noted above. Where compliance issues exist, IT department will continue training and encourage department heads to enforce compliance.

Conclusion – Response accepted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

**CFDA Number 93.045: Special Programs for the Aging – Title III, Part C – Nutrition Services
Federal Award Year: 2003
U.S. Department of Health and Human Services
Passed through Aging Resources of Central Iowa**

III-A-03 Monthly Reports – The County was unable to support the revenue amounts submitted on the monthly reports for local contributions received. Also, the year-to-date amounts on the monthly reports were not an accurate summary of the monthly reports submitted.

Recommendation – The County should review these undocumented revenues with Aging Resources of Central Iowa.

Also, to improve financial accountability and control, a monthly reconciliation of Federal reports to the County's revenue records should be prepared. Any differences should be investigated and resolved in a timely manner.

Response and Corrective Action Plan – The County will consult Aging Resources on their revenue reporting procedures and implement monthly reconciliations.

Conclusion – Response accepted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-03 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.

IV-B-03 Certified Budget – Disbursements during the year ended June 30, 2003 did not exceed the amounts budgeted.

Although the Board of Supervisors properly adopted the budget, the corresponding appropriation resolution was not adopted prior to the disbursement of County funds in accordance with Chapter 331.434(6) of the Code of Iowa.

Recommendation – The appropriation resolution should be adopted before any disbursements are made.

Response – The County is aware of the annual requirement to certify budget appropriations but due to a vacant budget position it was overlooked. The appropriations resolution will be adopted in accordance with the Code in the future.

Conclusion – Response accepted.

IV-C-03 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-03 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-03 Business Transactions – The following business transactions between the County and County officials or employees were noted:

| Name, Title and Business Connection | Transaction Description | Amount |
|---|---|---------|
| Mary Taylor, Secretary to County Attorney, husband is part owner of Copy Plus | Supplies for various County departments | \$7,596 |
| Jeff Tonelli, Sheriff Department employee, owner of Otter Creek Arms | Ammunition | 388 |
| David Squier, Secondary Roads employee, owner of Squier Electrical | Services | 50 |
| Tom George, Secondary Roads employee, brother is owner of Jim George Excavating | Rock Hauling | 346,884 |

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Recommendation – The transactions with Jeff Tonelli and David Squier do not appear to represent conflicts of interest as defined in Chapter 331.342(10) since the transactions with each business did not exceed \$1,500 during the fiscal year.

The transactions with Copy Plus and Jim George Excavating may represent conflicts of interest as defined in Chapter 331.342 of the Code of Iowa since transactions with each business exceeded \$1,500 during the fiscal year. Although the County took bids for the rock hauling services provided by Jim George Excavating, the bids were not publicly invited and opened as required by Chapter 331.342(3) of the Code of Iowa. The County should consult legal counsel to determine the disposition of these matters.

Response – The County will continue to consult the County Attorney on this matter. In order to comply with the Code of Iowa, the Engineer will implement a sealed bidding process for the rock hauling contract.

Conclusion – Response accepted.

IV-F-03 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-G-03 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

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

Recommendation – The County should ensure that all board proceedings are published as required.

Response – In order to publish timely, the County will send minutes to the newspaper prior to board approval.

Conclusion – Response accepted.

IV-H-03 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-I-03 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).

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

IV-J-03 County Sheriff Reports – The Sheriff did not file a quarterly report of fees collected with the Board of Supervisors as required by Chapter 331.655(3) of the Code of Iowa. Also, the Sheriff did not file a report of condemnation funds with the Board of Supervisors and County Treasurer as required by Chapter 331.656(2) of the Code of Iowa.

Recommendation – The required reports should be completed and filed with the Board of Supervisors.

Response – Reports have been prepared but not forwarded. We will forward.

Conclusion – Response accepted.

IV-K-03 County Code of Ordinances – The County Code has not been recodified within the past five years.

Recommendation – Chapter 331.302(9) of the Code of Iowa states in part, “At least once every five years, the Board shall compile a code of ordinances containing all of the county ordinances in effect.” The County should review this for compliance.

Response – The County plans to codify ordinances by resolution during fiscal year 2004.

Conclusion – Response accepted.

IV-L-03 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

The County Extension Office issued a check to itself for a prepayment of an educational reimbursement that had not been earned by the individual. As a result, receipts and disbursements were overstated.

Recommendation – Invoices should not be paid prior to the activity taking place.

Response – We are aware and will not do this again. The invoice was done this way because a grant required the funds to be expended by June 30th.

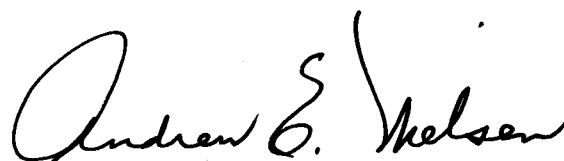
Conclusion – Response acknowledged. However, the County Extension office should consult the grantor of these funds to determine whether the grant was expended timely in accordance with grant requirements or a refund to the grantor is required.

Warren County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Katherine L. Rupp, CPA, Senior Auditor II
Jennifer Campbell, CPA, Staff Auditor
Nicole B. Tenges, Staff Auditor
Gary D. Van Lengen, CPA, Staff Auditor
Dustin S. Boxa, CPA, 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 a distinct 'E'.

Andrew E. Nielsen, CPA
Deputy Auditor of State