



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE June 25, 2004

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

The County had local tax revenue of \$6,712,943 for the year ended June 30, 2003, which included \$535,305 in tax credits from the state. The County forwarded \$4,794,488 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$1,918,455 of the local tax revenue to finance County operations, a nine percent increase from the prior year. Other revenues included \$4,372,981 from other governments and \$40,848 in interest on investments.

Expenditures for County operations totaled \$5,232,226, a thirteen percent decrease from the prior year. Expenditures included \$2,161,540 for roads and transportation, \$829,081 for physical health and social services and \$618,784 for public safety and legal services.

The report contains recommendations to the Board of Supervisors and other County officials. For example, the County should establish policies and procedures regarding the use and operation of its computer system and segregate accounting duties within the County Recorder's office to the extent possible with existing personnel. The County responded favorably to the comments.

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

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**Taylor County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2003)</b>		
Robert Lundquist	Board of Supervisors	Jan 2003
Drexal Wall	Board of Supervisors	Jan 2005
Leland Little	Board of Supervisors	Jan 2005
Bonny Baker	County Auditor	Jan 2005
Pam Sprague	County Treasurer	Jan 2003
Pamela S. Calfee	County Recorder	Jan 2003
Lonnie Weed	County Sheriff	Jan 2005
Ronald D. Bonnett	County Attorney	Jan 2003
Rosalyn Cummings	County Assessor	Jan 2004
<b>(After January 2003)</b>		
Drexal Wall	Board of Supervisors	Jan 2005
Leland Little	Board of Supervisors	Jan 2005
Robert Lundquist	Board of Supervisors	Jan 2007
Bonny Baker	County Auditor	Jan 2005
Pam Sprague	County Treasurer	Jan 2007
Rick Sheley	County Recorder	Jan 2007
Lonnie Weed	County Sheriff	Jan 2005
Ronald D. Bonnett	County Attorney	Jan 2007
Rosalyn Cummings	County Assessor	Jan 2004

**Taylor County**



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Independent Auditor's Report

To the Officials of Taylor County:

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

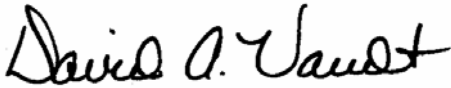
We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require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

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

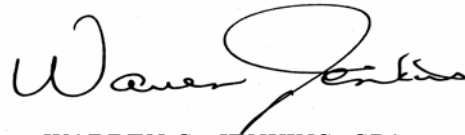
As discussed in Note 10 to the financial statements, Taylor County intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the County's financial statements and related notes in the year of implementation. The revised requirements include the use of the economic resources measurement focus and full accrual accounting, as well as an analytical overview of the County's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2004 on our consideration of Taylor County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 9 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 17, 2004

## **Financial Statements**



Taylor County  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits</b>				
Cash and pooled deposits:				
County Treasurer	\$ 499,442	2,448,982	443	51,928
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	1,014	152	19	-
Succeeding year	1,225,000	592,000	22,000	-
Interest and penalty on property tax	1,053	-	-	-
Accounts	7,528	587	-	-
Accrued interest	1,849	-	-	-
Due from other funds (note 3)	15,877	1,585	-	-
Due from other governments	95,354	3,287,372	-	-
Inventories	-	175,817	-	-
Prepaid items	168,849	2,234	-	-
Property and equipment (note 4)	-	-	-	-
Amount available in Debt Service Fund	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
<b>Total assets and other debits</b>	<b>\$2,015,966</b>	<b>6,508,729</b>	<b>22,462</b>	<b>51,928</b>

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Debt	
570,940	-	-	3,571,735
16,511	-	-	16,511
4,807	-	-	5,992
4,206,000	-	-	6,045,000
-	-	-	1,053
100	-	-	8,215
-	-	-	1,849
-	-	-	17,462
2,589	-	-	3,385,315
-	-	-	175,817
-	-	-	171,083
-	5,085,423	-	5,085,423
-	-	445	445
-	-	533,717	533,717
<u>4,800,947</u>	<u>5,085,423</u>	<u>534,162</u>	<u>19,019,617</u>

Taylor County  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Liabilities, Fund Equity and Other Credits</b>				
Liabilities:				
Accounts payable	\$ 42,876	51,071	-	405
Salaries and benefits payable	376	25,764	-	-
Due to other funds (note 3)	1,033	60	-	-
Due to other governments (note 5)	12,300	71,290	-	-
Trusts payable	-	-	-	-
Deferred revenue:				
Succeeding year property tax	1,225,000	592,000	22,000	-
Other	40,901	3,155,076	17	-
Capital lease purchase agreements (note 6)	-	-	-	-
Notes payable (note 6)	-	-	-	-
Compensated absences	12,199	20,677	-	-
<b>Total liabilities</b>	<b>1,334,685</b>	<b>3,915,938</b>	<b>22,017</b>	<b>405</b>
Fund equity and other credits:				
Investment in general fixed assets	-	-	-	-
Fund balances:				
Reserved for:				
Supplemental levy purposes	156,565	-	-	-
Inventories	-	175,817	-	-
Prepaid items	168,849	2,234	-	-
Medicaid contingencies	10,132	-	-	-
Debt service	-	-	445	-
Resource enhancement and protection	10,083	-	-	-
Unreserved:				
Designated for projects	-	90,389	-	-
Undesignated	335,652	2,324,351	-	51,523
<b>Total fund equity and other credits</b>	<b>681,281</b>	<b>2,592,791</b>	<b>445</b>	<b>51,523</b>
<b>Total liabilities, fund equity and other credits</b>	<b>\$2,015,966</b>	<b>6,508,729</b>	<b>22,462</b>	<b>51,928</b>

See notes to financial statements.

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Debt	
Trust and Agency	2,474	-	96,826
	-	-	26,140
	16,369	-	17,462
	4,764,101	-	4,847,691
	7,889	-	7,889
	-	-	1,839,000
	-	-	3,195,994
	-	297,810	297,810
	-	110,000	110,000
	3,611	126,352	162,839
	4,794,444	534,162	10,601,651
	-	5,085,423	5,085,423
	-	-	156,565
	-	-	175,817
	-	-	171,083
	-	-	10,132
	-	-	445
	-	-	10,083
	-	-	90,389
	6,503	-	2,718,029
	6,503	5,085,423	8,417,966
	4,800,947	5,085,423	19,019,617

Taylor County

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

Year ended June 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Revenues:</b>				
Property and other county tax	\$ 1,162,546	588,155	14,688	-
Interest and penalty on property tax	30,749	-	-	-
Intergovernmental	673,751	3,844,990	1,306	-
Licenses and permits	6,549	968	-	-
Charges for service	166,098	1,815	-	-
Use of money and property	42,748	1	232	-
Miscellaneous	16,790	19,054	-	-
Total revenues	2,099,231	4,454,983	16,226	-
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	581,095	37,689	-	-
Physical health and social services	828,371	710	-	-
Mental health	-	561,049	-	-
County environment and education	80,439	21,605	-	-
Roads and transportation	-	2,161,540	-	-
Governmental services to residents	223,961	4,938	-	-
Administration	499,680	-	-	-
Debt service	4,115	110,883	16,051	-
Capital projects	-	41,623	-	58,477
Total expenditures	2,217,661	2,940,037	16,051	58,477
Excess (deficiency) of revenues over (under) expenditures	(118,430)	1,514,946	175	(58,477)

Fiduciary Fund Type	Total (Memorandum Only)
Expendable Trust	
-	1,765,389
-	30,749
6,000	4,526,047
-	7,517
-	167,913
50	43,031
-	35,844
<u>6,050</u>	<u>6,576,490</u>

-	618,784
-	829,081
-	561,049
-	102,044
-	2,161,540
-	228,899
-	499,680
-	131,049
-	100,100
<u>-</u>	<u>5,232,226</u>

<u>6,050</u>	<u>1,344,264</u>
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Taylor County

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

Year ended June 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Other financing sources (uses):				
Sale of general fixed assets	11,343	1,103	-	-
General obligation note proceeds		-	-	110,000
Operating transfers in	8,000	469,902	-	-
Operating transfers out	-	(469,902)	-	-
Total other financing sources (uses)	19,343	1,103	-	110,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(99,087)	1,516,049	175	51,523
Fund balances beginning of year	758,800	1,054,204	270	-
Increase in reserve for:				
Inventories	-	2,234	-	-
Prepaid items	21,568	20,304	-	-
Fund balances end of year	\$ 681,281	2,592,791	445	51,523

See notes to financial statements.

<u>Fiduciary Fund Type</u>	<u>Total</u>
<u>Expendable Trust</u>	<u>(Memorandum Only)</u>
-	12,446
-	110,000
-	477,902
<u>(8,000)</u>	<u>(477,902)</u>
<u>(8,000)</u>	<u>122,446</u>
(1,950)	1,466,710
8,453	1,821,727
-	2,234
-	<u>41,872</u>
<u>6,503</u>	<u>3,332,543</u>



**Exhibit C**

## Taylor County

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

Year ended June 30, 2003

	Actual	Amended Budget	Variance - Favorable (Unfavorable)	Actual as % of Amended Budget
<b>Receipts:</b>				
Property and other county tax	\$ 1,795,966	1,750,926	45,040	103%
Intergovernmental	4,494,388	2,864,217	1,630,171	157%
Licenses and permits	7,510	6,233	1,277	120%
Charges for service	165,156	73,600	91,556	224%
Use of money and property	43,024	91,830	(48,806)	47%
Miscellaneous	87,714	16,469	71,245	533%
Total receipts	<u>6,593,758</u>	<u>4,803,275</u>	<u>1,790,483</u>	<u>137%</u>
<b>Disbursements:</b>				
Public safety and legal services	617,731	676,963	59,232	91%
Physical health and social services	802,896	864,503	61,607	93%
Mental health	556,868	556,950	82	100%
County environment and education	97,737	123,943	26,206	79%
Roads and transportation	2,223,887	2,229,917	6,030	100%
Governmental services to residents	225,066	234,051	8,985	96%
Administration	498,891	538,859	39,968	93%
Debt service	131,048	131,048	-	100%
Capital projects	99,695	152,000	52,305	66%
Total disbursements	<u>5,253,819</u>	<u>5,508,234</u>	<u>254,415</u>	<u>95%</u>
Excess (deficiency) of receipts over (under) disbursements	1,339,939	(704,959)		
Other financing sources, net	<u>122,446</u>	<u>110,000</u>		
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,462,385	(594,959)		
Balance beginning of year	<u>1,544,913</u>	<u>1,322,299</u>		
Balance end of year	<u>\$ 3,007,298</u>	<u>727,340</u>		

See notes to financial statements.

Taylor County

Notes to Financial Statements

June 30, 2003

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

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

A. Reporting Entity

For financial reporting purposes, Taylor County has included all funds, organizations, account groups, 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. Taylor County has no component units which meet the Governmental Accounting Standards Board criteria.

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

The County also participates in the following jointly governed organizations: Prairie Solid Waste Agency (formerly Adams and Taylor Counties Regional Service Agency), 5B Judicial District Juvenile Group Home and Shelter Care, South Iowa Area Crime Commission, Innovative Industries Sheltered Workshop, Matura, Southern Iowa Council of Governments, Southern Iowa Rural Water Association and Southern Iowa Regional Housing Authority.

B. Fund Accounting

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

Governmental Funds

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

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

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

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

Fiduciary Funds

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

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

Account Groups

General Fixed Assets – This account group is established to account for the general fixed assets of the County.

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

C. Measurement Focus

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

D. Basis of Accounting

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

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

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

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

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

E. Assets, Liabilities and Fund Equity

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

Cash and Pooled Deposits – 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 non-negotiable certificates of deposit which are stated at cost.

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

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

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

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

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

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

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

General Fixed Assets – General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost. Assets acquired by gift are accounted for at fair market value at the date of the gift. The General Fixed Assets Account Group excludes public domain or “infrastructure” general fixed assets such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation expense is not recorded on the balance sheet for general fixed assets. At the time an asset is removed from service, the cost is removed from the General Fixed Assets Account Group. Maintenance and repair are recorded as expenditures in the Governmental Funds as incurred and are not capitalized.

During the year ended June 30, 2003, no interest costs were capitalized since there were no qualifying assets.

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

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

F. Budgets and Budgetary Accounting

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Expendable Trust Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department.

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

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

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 2,090,949	8,282	2,099,231	4,480,534	(25,551)	4,454,983
Expenditures	2,184,241	33,420	2,217,661	2,995,455	(55,418)	2,940,037
Net	(93,292)	(25,138)	(118,430)	1,485,079	29,867	1,514,946
Other financing sources (uses)	19,343	-	19,343	1,103	-	1,103
Beginning fund balances	573,391	185,409	758,800	962,800	91,404	1,054,204
Increase in reserve for:						
Inventories	-	-	-	-	2,234	2,234
Prepaid items	-	21,568	21,568	-	20,304	20,304
Ending fund balances	\$ 499,442	181,839	681,281	2,448,982	143,809	2,592,791

	Governmental Fund Types					
	Debt Service			Capital Projects		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	16,225	1	16,226	-	-	-
Expenditures	16,051	-	16,051	58,072	405	58,477
Net	174	1	175	(58,072)	(405)	(58,477)
Other financing sources (uses)	-	-	-	110,000	-	110,000
Beginning fund balances	269	1	270	-	-	-
Increase in reserve for:						
Inventories	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Ending fund balances	443	2	445	51,928	(405)	51,523

	Fiduciary Fund Type					
	Expendable Trust			Total		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 6,050	-	6,050	6,593,758	(17,268)	6,576,490
Expenditures	-	-	-	5,253,819	(21,593)	5,232,226
Net	6,050	-	6,050	1,339,939	4,325	1,344,264
Other financing sources (uses)	(8,000)	-	(8,000)	122,446	-	122,446
Beginning fund balances	8,453	-	8,453	1,544,913	276,814	1,821,727
Increase in reserve for:						
Inventories	-	-	-	-	2,234	2,234
Prepaid items	-	-	-	-	41,872	41,872
Ending fund balances	\$ 6,503	-	6,503	3,007,298	325,245	3,332,543

G. Total (Memorandum Only)

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

**(2) Cash and Pooled Deposits**

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 no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

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

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

Receivable Fund	Payable Fund	Amount
General	Trust and Agency:	
	County Recorder	\$ 11,088
	County Sheriff	1,095
	Auto License and Use Tax	3,694
		<u>15,877</u>
Special Revenue:		
Secondary Roads	General	1,033
	Special Revenue:	
	Rural services	60
County Recorder's	Trust and Agency:	
Records Management	County Recorder	492
Total		<u>\$ 17,462</u>

**(4) Property and Equipment**

A summary of changes in property and equipment comprising general fixed assets for the year ended June 30, 2003 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land	\$ 83,214	-	-	83,214
Buildings	1,183,008	30,000	-	1,213,008
Equipment	3,797,205	92,303	100,307	3,789,201
Total	<u>\$ 5,063,427</u>	<u>122,303</u>	<u>100,307</u>	<u>5,085,423</u>

Equipment includes \$386,431 of assets acquired under capital leases.



**(5) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 12,300
Special Revenue:		
Secondary Roads	Services	211
Mental Health		71,079
		<u>71,290</u>
Trust and Agency:		
County Assessor	Collections	259,364
Schools		3,118,781
Community Colleges		134,011
Corporations		781,062
Auto License and Use Tax		100,990
Advance Tax		19,705
Empowerment Area		185,055
All other		165,133
		<u>4,764,101</u>
Total		<u>\$4,847,691</u>

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

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

	Capital Lease Purchase Agreements	General Obligation Notes	Compensated Absences	Total
Balance beginning of year	\$ 390,290	15,000	128,242	533,532
Additions	-	110,000	-	110,000
Reductions	92,480	15,000	1,890	109,370
Balance end of year	<u>\$ 297,810</u>	<u>110,000</u>	<u>126,352</u>	<u>534,162</u>

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease a dozer and four motor graders. The following is a schedule of the future minimum lease payments, including interest of 5.761% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2003:

Year Ending June 30,	Dozer and Motor Graders
2004	\$ 110,883
2005	110,883
2006	110,883
Total minimum lease payments	<u>332,649</u>
Less amount representing interest	<u>(34,839)</u>
Present value of net minimum lease payments	<u>\$ 297,810</u>

Payments under capital lease purchase agreements, including those paid off during the year ended June 30, 2003, totaled \$114,998.

Notes Payable

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2004	4.75%	\$ 15,000	713	15,713
2005	4.75	20,000	950	20,950
2006	4.75	25,000	1,187	26,187
2007	4.75	25,000	1,187	26,187
2008	4.75	25,000	1,188	26,188
		<u>\$ 110,000</u>	<u>5,225</u>	<u>115,225</u>

During the year ended June 30, 2003, the County issued \$110,000 in general obligation notes and retired \$15,000 of notes.

**(7) 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 \$117,076, \$113,637 and \$113,294, respectively, equal to the required contributions for each year.

**(8) Risk Management**

Taylor 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 \$93,481.

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 aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an individual-member basis. 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 claims 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 workers compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for workers compensation and employee blanket bond claims in excess of \$500,000 and \$100,000, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) County Assisted Living Facility Revenue Bonds**

On April 1, 1999, the County entered into a loan agreement and issued \$3,000,000 of Assisted Living Facility Revenue Bonds to provide funds to loan to Taylor Ridge Estates, Inc. The proceeds were to be used to finance the costs of acquiring, constructing and equipping a 30-unit assisted living facility. The bonds were terminated pursuant to the Bondholder Direction Letter dated March 12, 2003 and are no longer outstanding.

**(10) Prospective Accounting Change**

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

**(11) Deficit Fund Balance**

The Special Revenue, Mental Health Fund had a deficit fund balance of \$51,520 at June 30, 2003. The deficit balance was a result of costs incurred prior to availability of funds. The deficit will be eliminated with future state funding.

**(12) Special Investigation**

Taylor County officials requested the Office of Auditor of State conduct a special investigation as a result of concerns with certain financial transactions in the County Sanitarian’s Office. The report, dated May 13, 2004, covers the period July 29, 2002 through December 31, 2003. The report identified \$15,703.37 of undeposited collections, \$3,814.83 of improper disbursements and \$204.30 of unsupported disbursements. Of these amounts, undeposited collections of \$6,180.57, improper disbursements of \$1,626.32 and unsupported disbursements of \$141.60 relate to the year ended June 30, 2003.

Copies of the Auditor of State’s special investigation report were filed with the Taylor County Attorney’s Office, the Division of Criminal Investigation and the Attorney General’s Office.

**Taylor County**

## **Supplemental Information**

**Schedule 1**

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## Taylor County

## General Fund

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

Year ended June 30, 2003

## Revenues:

## Property and other county tax:

Property tax	\$ 1,107,963	
Utility tax replacement excise tax	54,569	
Other	<u>14</u>	\$1,162,546

Interest and penalty on property tax

30,749

## Intergovernmental:

## State shared revenues:

Franchise tax	3,294	
Other	<u>618</u>	
	<u>3,912</u>	

## State tax replacements:

State tax credits	103,675	
State allocation	<u>45,614</u>	
	<u>149,289</u>	

## State and federal pass-thru revenues:

Human services administrative reimbursement	18,468	
Immunization grants	5,782	
Childhood lead poisoning grants	17,667	
Maternal and child health grants	56,902	
Other	<u>45,444</u>	
	<u>144,263</u>	

Contributions and reimbursements from  
other governmental units:

Prisoner care	860	
Other	<u>24,993</u>	
	<u>25,853</u>	

## State grants and entitlements:

Home care aide grant	42,411	
Public health nursing grant	16,234	
Well testing and abandonment	13,874	
Other	<u>4,563</u>	
	<u>77,082</u>	

## Direct federal grants and entitlements:

Medicare and medicaid	266,825	
Other	<u>6,527</u>	
	<u>273,352</u>	673,751

## Taylor County

## General Fund

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

Year ended June 30, 2003

Revenues (continued):		
Licenses and permits		6,549
Charges for service:		
Office fees and collections	56,533	
Auto registration, use tax, drivers license and mailing	44,384	
Recreation fees	4,603	
Health fees	48,665	
Miscellaneous	11,913	166,098
Use of money and property:		
Interest on investments	40,615	
Land rent	2,133	42,748
Miscellaneous:		
Contributions and donations	8,604	
Miscellaneous	8,186	16,790
Total revenues		<u>2,099,231</u>
Expenditures:		
Operating:		
Public safety and legal services		581,095
Physical health and education		828,371
County environment and education		80,439
Governmental services to residents		223,961
Administration		499,680
Debt service		4,115
Total expenditures		<u>2,217,661</u>
Deficiency of revenues under expenditures		<u>(118,430)</u>
Other financing sources:		
Sale of general fixed assets		11,343
Operating transfers in:		
Expendable Trust:		
Conservation Land Acquisition Trust		8,000
Total other financing sources		<u>19,343</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses		(99,087)
Fund balance beginning of year		758,800
Increase in reserve for prepaid items		21,568
Fund balance end of year		<u>\$ 681,281</u>

See accompanying independent auditor's report.



**Schedule 2**

## Taylor County

## General Fund

## Statement of Expenditures

Year ended June 30, 2003

Public safety and legal services:			
Law enforcement:			
Uniformed patrol services	\$	14,142	
Investigations		572	
Law enforcement communication		165,213	
Adult correctional services		36,277	
Administration		246,342	
		<u>462,546</u>	
Legal services:			
Criminal prosecution		90,240	
Medical examinations		5,822	
		<u>96,062</u>	
Emergency services:			
Emergency management		14,624	
		<u>14,624</u>	
Assistance to district court system:			
Research and other assistance		361	
		<u>361</u>	
Court proceedings:			
Detention services		1,186	
		<u>1,186</u>	
Juvenile justice administration:			
Juvenile victim restitution		3,686	
Court-appointed attorneys and court costs for juveniles		2,630	
		<u>6,316</u>	\$ 581,095
Physical health and social services:			
Physical health services:			
Personal and family health services		454,286	
Communicable disease prevention and control services		40,067	
Sanitation		45,736	
		<u>540,089</u>	
Services to the poor:			
Administration		14,174	
General welfare services		11,999	
Care in County Care Facility		45,527	
		<u>71,700</u>	
Services to military veterans:			
Administration		815	
General services to veterans		583	
		<u>1,398</u>	
Services to other adults:			
Services to the elderly		171,068	
Other social services		34,964	
		<u>206,032</u>	
Chemical dependency:			
Preventive services		9,152	828,371

## Taylor County

## General Fund

## Statement of Expenditures

Year ended June 30, 2003

County environment and education:		
Conservation and recreation services:		
Administration	26,367	
Maintenance and operations	11,303	
Recreation and environmental education	25,131	
	<u>62,801</u>	
County development:		
Economic development	1,750	
	<u>1,750</u>	
Educational services:		
Historic preservation	1,500	
Fairgrounds	10,000	
Other educational services	4,388	
	<u>15,888</u>	80,439
Governmental services to residents:		
Representation services:		
Elections administration	62,201	
Local elections	1,556	
	<u>63,757</u>	
State administrative services:		
Motor vehicle registrations and licensing	73,865	
Recording of public documents	86,339	
	<u>160,204</u>	223,961
Administration:		
Policy and administration:		
General County management	100,623	
Administration management services	41,660	
Treasury management services	77,837	
Other policy and administration	1,465	
	<u>221,585</u>	
Central services:		
General services	96,139	
Data processing services	28,503	
	<u>124,642</u>	
Risk management services:		
Tort liability	92,728	
Safety of the workplace	56,930	
Unemployment compensation	3,795	
	<u>153,453</u>	499,680
Debt service:		
Principal	3,468	
Interest and fiscal charges	647	4,115
Total		<u>\$ 2,217,661</u>

See accompanying independent auditor's report.

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

	Rural Services	Secondary Roads	County Recorder's Records Management
<b>Assets</b>			
Cash and pooled deposits	\$ 170,570	2,156,840	9,168
Receivables:			
Property tax:			
Delinquent	45	-	-
Succeeding year	464,000	-	-
Accounts	-	587	-
Due from other funds	-	1,093	492
Due from other governments	-	3,287,372	-
Inventories	-	175,817	-
Prepaid Items		2,234	-
<b>Total assets</b>	<b>\$ 634,615</b>	<b>5,623,943</b>	<b>9,660</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ 616	27,738	1,804
Salaries and benefits payable	1,170	24,458	-
Due to other funds	60	-	-
Due to other governments		211	-
Deferred revenue:			
Succeeding year property tax	464,000	-	-
Other	45	3,154,934	-
Compensated absences	743	19,934	-
Total liabilities	466,634	3,227,275	1,804
Fund equity:			
Fund balance:			
Reserved for:			
Inventories	-	175,817	-
Prepaid items	-	2,234	-
Unreserved:			
Designated for projects	-	40,000	-
Undesignated	167,981	2,178,617	7,856
Total fund equity	167,981	2,396,668	7,856
<b>Total liabilities and fund equity</b>	<b>\$ 634,615</b>	<b>5,623,943</b>	<b>9,660</b>

See accompanying independent auditor's report.

Forfeitures	Mental Health	Child Empowerment Transfer	County Government Assistance	Total
17,371	40,598	50,389	4,046	2,448,982
-	107	-	-	152
-	128,000	-	-	592,000
-	-	-	-	587
-	-	-	-	1,585
-	-	-	-	3,287,372
-	-	-	-	175,817
-	-	-	-	2,234
<u>17,371</u>	<u>168,705</u>	<u>50,389</u>	<u>4,046</u>	<u>6,508,729</u>
-	20,913	-	-	51,071
-	136	-	-	25,764
-	-	-	-	60
-	71,079	-	-	71,290
-	128,000	-	-	592,000
-	97	-	-	3,155,076
-	-	-	-	20,677
-	<u>220,225</u>	-	-	<u>3,915,938</u>
-	-	-	-	175,817
-	-	-	-	2,234
-	-	50,389	-	90,389
<u>17,371</u>	<u>(51,520)</u>	-	<u>4,046</u>	<u>2,324,351</u>
<u>17,371</u>	<u>(51,520)</u>	<u>50,389</u>	<u>4,046</u>	<u>2,592,791</u>
<u>17,371</u>	<u>168,705</u>	<u>50,389</u>	<u>4,046</u>	<u>6,508,729</u>

Taylor County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	County Recorder's Records Management
<b>Revenues:</b>			
Property and other county tax:			
Property tax	\$ 435,398	-	-
Utility tax replacement excise tax	24,289	-	-
Other	-	-	-
	<u>459,687</u>	<u>-</u>	<u>-</u>
<b>Intergovernmental:</b>			
State shared revenues:			
Road use tax	-	1,856,063	-
	<u>-</u>	<u>1,856,063</u>	<u>-</u>
State tax replacements:			
State tax credits	36,628	-	-
State allocation	-	-	-
Mental health property tax relief	-	-	-
	<u>36,628</u>	<u>-</u>	<u>-</u>
State and federal pass-thru revenues:			
Social services block grant	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Contributions from other intergovernmental units	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
State grants and entitlements:			
Transfer of jurisdiction	-	1,577,467	-
Other	-	5,613	-
	<u>-</u>	<u>1,583,080</u>	<u>-</u>
	<u>36,628</u>	<u>3,439,143</u>	<u>-</u>
Licenses and permits	-	968	-
	<u>-</u>	<u>968</u>	<u>-</u>
Charges for service	-	-	1,815
	<u>-</u>	<u>-</u>	<u>1,815</u>
Use of money and property:			
Interest on investments	-	-	1
	<u>-</u>	<u>-</u>	<u>1</u>
<b>Miscellaneous:</b>			
Sale of material and equipment	-	10,816	-
Miscellaneous	117	8,121	-
	<u>117</u>	<u>18,937</u>	<u>-</u>
Total revenues	<u>496,432</u>	<u>3,459,048</u>	<u>1,816</u>

Forfeitures	Mental Health	Child Empowerment Transfer	County Government Assistance	Total
-	122,436	-	-	557,834
-	6,030	-	-	30,319
-	2	-	-	2
-	128,468	-	-	588,155
-	-	-	-	1,856,063
-	11,457	-	-	48,085
-	-	-	15,669	15,669
-	186,268	-	-	186,268
-	197,725	-	15,669	250,022
-	45,295	-	-	45,295
-	-	50,389	-	50,389
-	-	-	-	1,577,467
-	60,141	-	-	65,754
-	60,141	-	-	1,643,221
-	303,161	50,389	15,669	3,844,990
-	-	-	-	968
-	-	-	-	1,815
-	-	-	-	1
-	-	-	-	10,816
-	-	-	-	8,238
-	-	-	-	19,054
-	431,629	50,389	15,669	4,454,983

Taylor County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	County Recorder's Records Management
Expenditures:			
Operating:			
Public safety and legal services:			
Law enforcement:			
Uniformed patrol services	25,189	-	-
Emergency services:			
Ambulance services	12,500	-	-
	37,689	-	-
Physical health and social services:			
Physical health services:			
Sanitation	710	-	-
Mental health:			
Persons with mental health problems - mental illness:			
Treatment services	-	-	-
Institutional, hospital, and commitment services	-	-	-
	-	-	-
Persons with chronic mental illness:			
Coordination services	-	-	-
Personal and environmental support	-	-	-
Treatment services	-	-	-
Vocational and day services	-	-	-
Licensed or certified living arrangements	-	-	-
Institutional, hospital, and commitment services	-	-	-
	-	-	-
Persons with mental retardation:			
General administration	-	-	-
Coordination services	-	-	-
Personal and environmental support	-	-	-
Vocational and day services	-	-	-
Licensed or certified living arrangements	-	-	-
Institutional, hospital and commitment services	-	-	-
	-	-	-

Forfeitures	Mental Health	Child Empowerment Transfer	County Government Assistance	Total
-	-	-	-	25,189
-	-	-	-	12,500
-	-	-	-	37,689
-	-	-	-	710
-	40,674	-	-	40,674
-	10,591	-	-	10,591
-	51,265	-	-	51,265
-	1,569	-	-	1,569
-	1,410	-	-	1,410
-	9,233	-	-	9,233
-	4,739	-	-	4,739
-	68,965	-	-	68,965
-	1,831	-	-	1,831
-	87,747	-	-	87,747
-	18,304	-	-	18,304
-	3,943	-	-	3,943
-	5,444	-	-	5,444
-	56,765	-	-	56,765
-	256,135	-	-	256,135
-	64,969	-	-	64,969
-	405,560	-	-	405,560



Taylor County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	County Recorder's Records Management
Expenditures (continued):			
Operating:			
Mental health:			
Persons with other developmental disabilities:			
Coordination services	-	-	-
Vocational and day services	-	-	-
Licensed or certified living arrangements	-	-	-
Institutional, hospital and commitment services	-	-	-
	-	-	-
	-	-	-
County environment and education:			
Environmental quality:			
Weed eradication	14,855	-	-
County development:			
Economic development	1,750	-	-
Educational services:			
Libraries	5,000	-	-
	21,605	-	-
Roads and transportation:			
Secondary roads administration and engineering:			
Administration	-	127,178	-
Engineering	-	133,019	-
	-	260,197	-
Roadway maintenance:			
Bridges and culvert	-	126,650	-
Roads	-	1,110,393	-
Snow and ice control	-	29,380	-
Traffic controls	-	14,667	-
Road clearing	31,015	111,271	-
	31,015	1,392,361	-
General roadway:			
Equipment	-	25,726	-
Equipment operation	-	298,246	-
Tools, materials, and supplies	-	125,028	-
Real estate and buildings	-	9,967	-
	-	458,967	-
	31,015	2,111,525	-

Forfeitures	Mental Health	Child Empowerment Transfer	County Government Assistance	Total
-	374	-	-	374
-	5,174	-	-	5,174
-	10,925	-	-	10,925
-	4	-	-	4
-	16,477	-	-	16,477
-	561,049	-	-	561,049
-	-	-	-	14,855
-	-	-	-	1,750
-	-	-	-	5,000
-	-	-	-	21,605
-	-	-	-	127,178
-	-	-	-	133,019
-	-	-	-	260,197
-	-	-	-	126,650
-	-	-	19,000	1,129,393
-	-	-	-	29,380
-	-	-	-	14,667
-	-	-	-	142,286
-	-	-	19,000	1,442,376
-	-	-	-	25,726
-	-	-	-	298,246
-	-	-	-	125,028
-	-	-	-	9,967
-	-	-	-	458,967
-	-	-	19,000	2,161,540

Taylor County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	County Recorder's Records Management
Expenditures (continued):			
Operating:			
Governmental services to residents:			
Representation services program:			
Township officials	3,134	-	-
State administrative services:			
Recording of public documents	-	-	1,804
	<u>3,134</u>	<u>-</u>	<u>1,804</u>
Debt service:			
Capital lease purchase agreement:			
Principal	-	88,663	-
Interest	-	22,220	-
	<u>-</u>	<u>110,883</u>	<u>-</u>
Capital projects:			
Roadway construction	-	41,623	-
Total expenditures	<u>94,153</u>	<u>2,264,031</u>	<u>1,804</u>
Excess (deficiency) of revenues over (under) expenditures	<u>402,279</u>	<u>1,195,017</u>	<u>12</u>
Other financing sources (uses):			
Sale of general fixed assets	-	1,103	-
Operating transfers in (out):			
Special Revenue:			
Rural Services	-	469,902	-
Secondary Roads	(469,902)	-	-
Total other financing sources (uses)	<u>(469,902)</u>	<u>471,005</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(67,623)</u>	<u>1,666,022</u>	<u>12</u>
Fund balances beginning of year	235,604	708,108	7,844
Increase in reserve for:			
Inventories	-	20,304	-
Prepaid items	-	2,234	-
Fund balances end of year	<u>\$ 167,981</u>	<u>2,396,668</u>	<u>7,856</u>

See accompanying independent auditor's report.

Forfeitures	Mental Health	Child Empowerment Transfer	County Government Assistance	Total
-	-	-	-	3,134
-	-	-	-	1,804
-	-	-	-	4,938
-	-	-	-	88,663
-	-	-	-	22,220
-	-	-	-	110,883
-	-	-	-	41,623
-	561,049	-	19,000	2,940,037
-	(129,420)	50,389	(3,331)	1,514,946
-	-	-	-	1,103
-	-	-	-	469,902
-	-	-	-	(469,902)
-	-	-	-	1,103
-	(129,420)	50,389	(3,331)	1,516,049
17,371	77,900	-	7,377	1,054,204
-	-	-	-	20,304
-	-	-	-	2,234
17,371	(51,520)	50,389	4,046	2,592,791

**Schedule 5**

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Taylor County

Debt Service Fund

Statement of Revenues, Expenditures and  
Changes in Fund Balance

Year ended June 30, 2003

Revenues:

Property and other county tax:

Property tax	\$ 14,002	
Utility tax replacement excise tax	<u>686</u>	\$ 14,688

Intergovernmental:

State tax replacements:

State tax credits		1,306
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Use of money and property:

Interest on investments		<u>232</u>
Total revenues		<u>16,226</u>

Expenditures:

Debt service:

Note principal	15,000	
Interest and fiscal charges	<u>1,051</u>	<u>16,051</u>

Excess of revenues over expenditures		175
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Fund balance beginning of year		<u>270</u>
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Fund balance end of year		<u><u>\$ 445</u></u>
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See accompanying independent auditor's report.

Taylor County  
 Capital Projects Fund  
 Statement of Revenues, Expenditures and  
 Changes in Fund Balance

Year ended June 30, 2003

Revenues:			
None			\$ -
Expenditures:			
Capital projects:			
Jail improvements	\$ 35,398		
Sheriff's vehicle	18,300		
Other	4,779	<u>58,477</u>	
Deficiency of revenues under expenditures			(58,477)
Other financing sources:			
General obligation note proceeds		<u>110,000</u>	
Excess of revenues and other financing sources over expenditures			51,523
Fund balance beginning of year			<u>-</u>
Fund balance end of year			<u><u>\$ 51,523</u></u>

See accompanying independent auditor's report.

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

	Expendable Trust Fund			
	Conservation Land Acquisition Trust	County Offices		
	County Auditor	County Recorder	County Sheriff	
<b>Assets</b>				
Cash and pooled deposits:				
County Treasurer	\$ 6,503	-	-	-
Other County officials	-	561	14,855	1,095
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	92	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 6,503</b>	<b>561</b>	<b>14,947</b>	<b>1,095</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	-	-	-
Due to other funds	-	-	11,580	1,095
Due to other governments	-	-	3,367	-
Trusts payable	-	561	-	-
Compensated absences	-	-	-	-
Total liabilities	-	561	14,947	1,095
Fund equity:				
Unreserved fund balance	6,503	-	-	-
<b>Total liabilities and fund equity</b>	<b>\$ 6,503</b>	<b>561</b>	<b>14,947</b>	<b>1,095</b>

Agency Funds						
Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations	Townships	City Special Assess- ments
1,819	117,873	89,255	3,904	16,065	2,984	456
-	-	-	-	-	-	-
50	120	2,526	107	1,997	6	-
60,000	145,000	3,027,000	130,000	763,000	80,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
61,869	262,993	3,118,781	134,011	781,062	82,990	456
-	18	-	-	-	-	-
-	-	-	-	-	-	-
61,869	259,364	3,118,781	134,011	781,062	82,990	456
-	-	-	-	-	-	-
-	3,611	-	-	-	-	-
61,869	262,993	3,118,781	134,011	781,062	82,990	456
-	-	-	-	-	-	-
61,869	262,993	3,118,781	134,011	781,062	82,990	456



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

	Agency Funds			
	Auto License and Use Tax	Emergency Management Services	E911 Data Base Manager	Brucellosis and Tuberculosis Eradication
<b>Assets</b>				
Cash and pooled deposits:				
County Treasurer	104,684	2,477	11,155	24
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	1
Succeeding year	-	-	-	1,000
Accounts	-	-	-	-
Due from other governments	-	2,589	-	-
<b>Total assets</b>	104,684	5,066	11,155	1,025
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	-	1,479	12	-
Due to other funds	3,694	-	-	-
Due to other governments	100,990	3,587	11,143	1,025
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	104,684	5,066	11,155	1,025
Fund equity:				
Unreserved fund balance	-	-	-	-
<b>Total liabilities and fund equity</b>	104,684	5,066	11,155	1,025

See accompanying independent auditor's report.

Tax Sale Redemp- tion	Advance Tax	Child Car Seat	Empower- ment Area	Flexible Benefits	Anatomical Gift Public Awareness and Transportation	Total
7,038	19,705	688	186,020	290	-	570,940
-	-	-	-	-	-	16,511
-	-	-	-	-	-	4,807
-	-	-	-	-	-	4,206,000
-	-	-	-	-	8	100
-	-	-	-	-	-	2,589
<b>7,038</b>	<b>19,705</b>	<b>688</b>	<b>186,020</b>	<b>290</b>	<b>8</b>	<b>4,800,947</b>
-	-	-	965	-	-	2,474
-	-	-	-	-	-	16,369
-	19,705	688	185,055	-	8	4,764,101
7,038	-	-	-	290	-	7,889
-	-	-	-	-	-	3,611
<b>7,038</b>	<b>19,705</b>	<b>688</b>	<b>186,020</b>	<b>290</b>	<b>8</b>	<b>4,794,444</b>
-	-	-	-	-	-	6,503
<b>7,038</b>	<b>19,705</b>	<b>688</b>	<b>186,020</b>	<b>290</b>	<b>8</b>	<b>4,800,947</b>

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Taylor County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	County Offices		
	County Auditor	County Recorder	County Sheriff
<b>Assets and Liabilities</b>			
Balances beginning of year	\$ 2,692	11,813	1,095
Additions:			
Property and other county tax	-	-	-
State tax credits	-	-	-
State allocation	-	-	-
Drivers license fees	-	-	-
Office fees and collections	748	88,792	14,535
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Trusts	25,989	-	-
Miscellaneous	22	116	-
Total additions	26,759	88,908	14,535
Deductions:			
Agency remittances:			
To other funds	901	40,871	14,293
To other governments	-	44,787	242
Trusts paid out	27,989	116	-
Total deductions	28,890	85,774	14,535
Balances end of year	\$ 561	14,947	1,095

Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations	Townships	City Special Assess- ments
56,655	230,807	2,788,222	122,542	769,678	77,771	335
63,751	152,194	3,197,639	137,080	774,267	86,541	-
5,237	11,783	259,342	11,913	87,492	6,402	-
-	1,892	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,352
-	-	-	-	-	-	-
-	479	-	-	-	-	-
68,988	166,348	3,456,981	148,993	861,759	92,943	1,352
-	-	-	-	-	-	-
63,774	134,162	3,126,422	137,524	850,375	87,724	1,231
-	-	-	-	-	-	-
63,774	134,162	3,126,422	137,524	850,375	87,724	1,231
61,869	262,993	3,118,781	134,011	781,062	82,990	456

Taylor County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	Auto License and Use Tax	Emergency Management Services	E911 Data Base Manager	Brucellosis and Tuberculosis Eradication
<b>Assets and Liabilities</b>				
Balances beginning of year	110,051	8,469	30	1,027
Additions:				
Property and other county tax	-	-	-	777
State tax credits	-	-	-	70
State allocation	-	-	-	-
Drivers license fees	20,723	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	1,318,826	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	17,457	48,596	-
Total additions	1,339,549	17,457	48,596	847
Deductions:				
Agency remittances:				
To other funds	45,846	-	-	-
To other governments	1,299,070	20,860	37,471	849
Trusts paid out	-	-	-	-
Total deductions	1,344,916	20,860	37,471	849
Balances end of year	104,684	5,066	11,155	1,025

See accompanying independent auditor's report.

Tax Sale Redemption	Advance Tax	Child Car Seat	Empowerment Area	Flexible Benefits	Anatomical Gift Public Awareness and Transportation	Total
1,548	13,912	688	156,142	-	3	4,353,480
-	-	-	-	-	-	4,412,249
-	-	-	-	-	-	382,239
-	-	-	-	-	-	1,892
-	-	-	-	-	-	20,723
-	-	-	-	-	-	104,075
-	-	-	-	-	-	1,318,826
-	-	-	-	-	-	1,352
99,269	19,467	-	-	16,176	24	160,925
-	-	-	273,661	-	-	340,331
99,269	19,467	-	273,661	16,176	24	6,742,612
-	-	-	-	-	-	101,911
-	13,674	-	243,783	-	27	6,061,975
93,779	-	-	-	15,886	-	137,770
93,779	13,674	-	243,783	15,886	27	6,301,656
7,038	19,705	688	186,020	290	-	4,794,436

**Schedule 9**

## Taylor County

## Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2003	2002	2001	2000
Taxes:				
Property tax	\$ 1,679,799	1,500,521	1,375,569	1,629,052
Utility tax replacement excise tax	85,574	80,068	82,369	-
Other	16	903	31	-
	<u>1,765,389</u>	<u>1,581,492</u>	<u>1,457,969</u>	<u>1,629,052</u>
State shared revenues:				
Road use tax	1,856,063	1,870,018	1,793,212	1,819,287
Other	3,912	4,679	2,481	3,225
State tax replacements:				
State tax credits	153,066	181,230	177,139	199,095
State allocation	61,283	48,060	50,172	108,470
Mental health property tax relief	186,268	186,268	186,268	186,268
Other	-	16,393	70,928	47,009
State and federal pass-thru revenues:				
Social services block grant	45,295	50,112	50,486	51,170
Human services administrative reimbursement	18,468	14,935	23,581	23,766
Maternal and child health grants	56,902	50,841	40,520	51,641
Highway planning and construction	-	318,818	-	-
Other	68,893	234,351	96,073	155,192
Contributions from other intergovernmental units	82,242	13,821	153,876	111,261
State grants and entitlements:				
Home care aide grant	42,411	47,708	47,368	41,360
Public health nursing grant	16,234	17,174	19,254	24,165
Transfer of jurisdiction	1,577,467	-	-	-
Other	84,191	10,058	12,277	18,799
Federal grants and entitlements:				
Medicare and medicaid	266,825	145,513	123,395	259,262
Other	6,527	20,259	165,845	16,800
Total intergovernmental	<u>4,526,047</u>	<u>3,230,238</u>	<u>3,012,875</u>	<u>3,116,770</u>
Total	<u>\$ 6,291,436</u>	<u>4,811,730</u>	<u>4,470,844</u>	<u>4,745,822</u>

See accompanying independent auditor's report.



**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  
and on Internal Control over Financial Reporting

To the Officials of Taylor County:

We have audited the general purpose financial statements of Taylor County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated February 17, 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 Taylor County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items (5) and (10).

Internal Control Over Financial Reporting

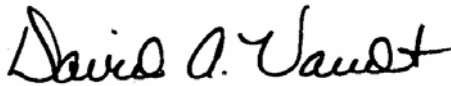
In planning and performing our audit, we considered Taylor County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 Taylor County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.



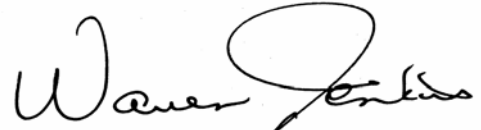
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected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

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Taylor County and other parties to whom Taylor 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 Taylor 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 17, 2004

Taylor County  
Schedule of Findings  
Year ended June 30, 2003

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

(A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine whether 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 County Recorder's office may have control over the following areas for which no compensating controls exist:

- (1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared.
- (2) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks.

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

Response – After evaluating our offices operating procedures over the past year, I have come to the conclusion that we are limited to our options because of our low number of office employees, but will attempt to segregate our duties as much as possible.

Conclusion – Response acknowledged. In many instances the segregation of duties can be improved by seeking assistance from other County offices.

(B) 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 whether activities, from a control standpoint, were designed to provide reasonable assurances regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The County Auditor and the County Treasurer have adopted a policy covering most areas of activities for the use and operation of their office computers. However, the following weaknesses in the County's computer based systems were noted:

Taylor County  
Schedule of Findings  
Year ended June 30, 2003

The County does not have written policies covering all County systems for:

- providing a formal data processing security policy to all employees.
- addressing ownership of in-house developed software.
- instructing employees to run anti-virus software.
- ensuring only software licensed to the County is installed on computers.
- usage of the internet.

Also, the County does not have a written disaster recovery plan covering the County's computer system.

Response – The County will establish policies concerning the computer system. We will also develop a written disaster recovery plan.

Conclusion – Response accepted.

Taylor County  
Schedule of Findings  
Year ended June 30, 2003

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

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.
- (2) Certified Budget – Disbursements during the year ended June 30, 2003 did not exceed the amounts budgeted.
- (3) Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lonnie Weed, County Sheriff, part owner of Bedford Country Store	Gasoline	\$ 361 (a)
Lori Hughes, Deputy Recorder, spouse owns Hughes Feed and Supply and is County Auditor's brother	Seed and supplies	1,474 (a)
	Culverts	12,675 (b)
	Culverts, per bid	15,497 (a)

In accordance with Chapters 331.342(10) and 331.342(3), respectively, of the Code of Iowa, the transactions designated with an (a) do not appear to represent conflicts of interest since the cumulative amount for each individual was less than \$1,500 during the fiscal year or the County made the contract through open, competitive bid.

The transactions designated with a (b) may represent a conflict of interest since the total transactions exceeded \$1,500 during the fiscal year without being competitively bid.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – The County will consult legal counsel, but the Board of Supervisors feel that there is not a conflict at this time.

Conclusion – Response accepted.

Taylor County  
Schedule of Findings  
Year ended June 30, 2003

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) Emergency Management Services Budget – The budget was not adopted, certified and submitted to the Board of Supervisors by February 28, as required by Chapter 29C.17(5) of the Code of Iowa.

Recommendation – The budget should be adopted, certified and submitted to the Board of Supervisors on or before February 28, as required by Chapter 29C.17(5) of the Code of Iowa.

Response – I will have the budget adopted, certified and submitted to the Board on or before February 28 each year.

Conclusion – Response accepted.

- (11) Deficit Fund Balance – The Special Revenue, Mental Health Fund had a deficit fund balance of \$51,520 at June 30, 2003.

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

Response – The County will investigate alternatives.

Conclusion – Response accepted.

- (12) 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.

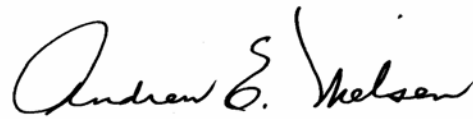
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Taylor County

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager  
Nancy F. Curtis, CPA, Senior Auditor II  
Deborah J. Moser, CPA, Senior Auditor II  
Paul F. Kearney, CGFM, Senior Auditor  
Corrine M. Widen, 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