



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

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Des Moines, Iowa 50319-0004

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David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE February 18, 2005

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the South Central Iowa Regional E-911 Service Board.

Vaudt reported the Service Board had total receipts of \$442,308 for the year ended June 30, 2004, a 4.5% decrease from 2003. The receipts included \$429,588 in surcharge fees, \$4,366 in insurance recovery and \$8,354 in interest on investments.

Disbursements for the year ended June 30, 2004 totaled \$648,641, a 22% increase over 2003, which included \$311,964 for signs and equipment, \$124,761 for E-911 phone calls and cable expansion, \$114,428 for administration and \$97,488 for debt service.

A copy of the audit report is available for review in the Office of Auditor of State and the South Central Iowa Regional E-911 Service Board's Secretary's office.

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SOUTH CENTRAL REGIONAL E-911 SERVICE BOARD

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2004

Table of Contents

South Central Iowa Regional E-911 Service Board**Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Bob Derrickson (Deceased)	Board Chairman	Madison County
Lynn Eddy	Board Member	Adair County
John Van Fleet	Board Member	Adair County
Merlin Dixon	Board Member	Adams County
Phyllis Mullen	Board Member	Adams County
Karen Benson	Board Member	Clarke County
Stephen L. Niebur	Board Member	Clarke County
Charles Cleveland	Board Member	Guthrie County
Paul D. Welch	Board Member	Madison County
Mick Ware	Board Member	Taylor County
Lonnie Weed	Board Member	Taylor County
Roger Nurnberg	Board Member	Union County
Curt Turner	Board Member	Union County
Stephen Patterson	Board Secretary/Treasurer	Guthrie County
Joni Jackson	Administrator	

South Central Iowa Regional E-911 Service Board



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David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report

To the Members of the South Central
Iowa Regional E-911 Service Board:

We have audited the accompanying financial statement of the South Central Iowa Regional E-911 Service Board as of and for the year ended June 30, 2004. This financial statement is the responsibility of the Service Board's officials. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the South Central Iowa Regional E-911 Service Board as of June 30, 2004, and the changes in cash basis financial position for the year ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 6, during the year ended June 30, 2004, the South Central Iowa Regional E-911 Service Board 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; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2004 on the South Central Iowa Regional E-911 Service Board'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.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 9 and 18 through 19 are not required parts of the financial statement, but are supplementary information required by the Governmental Accounting Standards Board. We applied 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 an opinion on the financial statement of the South Central Iowa Regional E-911 Service Board. Other supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in our audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 5, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The South Central Iowa Regional E-911 Service Board provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Board is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Board's financial statement, which follows.

2004 FINANCIAL HIGHLIGHTS

- ◆ The Service Board's operating receipts decreased 4%, or approximately \$19,000, from fiscal year 2003 to fiscal year 2004.
- ◆ The Service Board's total operating disbursements increased approximately \$117,000, or 22%, from fiscal year 2003 to fiscal year 2004.
- ◆ The Service Board's cash basis net assets decreased 34%, or approximately \$206,000, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The South Central Iowa Regional E-911 Service Board has elected to present its financial statement on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the Board's cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Board's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the South Central Iowa Regional E-911 Service Board's financial statement. The annual report consists of a financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Board's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the South Central Iowa Regional E-911 Service Board's receipts and disbursements and whether the Board's cash basis financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.
- Required Supplementary Information further explains and supports the financial statement with a comparison of the Board's budget for the year.
- The Schedule of Indebtedness provides details of the Board's debt at June 30, 2004.

FINANCIAL ANALYSIS OF THE BOARD

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the South Central Iowa Regional E-911 Service Board and the disbursements paid by the Board. The statement also presents a fiscal snapshot of the Board's cash balances at year end. Over time, readers of the financial statement are able to determine the Board's financial position by analyzing the increases and decreases in net assets.

Receipts are received on a quarterly basis for a surcharge added to each land phone line from the telephone companies within the participating counties of the Board. Disbursements are paid to operate the E-911 emergency telephone assistance system. Other receipts and disbursements are for interest on investments, repayment of debt and administration. A summary of cash receipts, disbursements and changes in net assets for the years ended June 30, 2004 and June 30, 2003 are presented below:

	Year ended June 30	
	2004	2003
Operating receipts:		
Charges for service	\$ 429,588	448,564
Operating disbursements:		
Signs and equipment	311,964	215,801
Administration	114,428	95,841
E-911 phone calls and cable expansion	124,761	119,904
Total operating disbursements	551,153	431,546
Excess (deficiency) of operating receipts over (under) operating disbursements	(121,565)	17,018
Non-operating receipts (disbursements):		
Interest on investments	8,354	14,528
Insurance recovery	4,366	-
Miscellaneous	-	33
Debt service	(97,488)	(100,218)
Total non-operating disbursements	(84,768)	(85,657)
Change in cash basis net assets	(206,333)	(68,639)
Cash basis net assets beginning of year	599,579	668,218
Cash basis net assets end of year	\$ 393,246	599,579

The Service Board's net assets are used in the routine operations of the Board and for capital improvements to the E-911 system.

In fiscal year 2004, operating receipts decreased by \$18,976, or 4%. The decrease was primarily a result of a decrease in the number of land line telephone customers. In fiscal year 2004, operating disbursements increased by \$116,877, or 22%, from fiscal year 2003. The increase is primarily a result of E-911 upgrades.

LONG-TERM DEBT

At June 30, 2004, the Board had \$650,000 of loan indebtedness outstanding. The loan was entered into during fiscal year 1999 to finance the costs of upgrading to an enhanced E-911 System.

ECONOMIC FACTORS

The South Central Iowa Regional E-911 Service Board is continuing to improve its financial position during the current fiscal year. A large factor in this was the approval of surcharge income from wireless phones. Some of the realities that may potentially become challenges for the Board to meet are:

- ◆ Facilities require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- ◆ Increase in monthly maintenance costs.
- ◆ Mapping changes to include cities, rural and county information, as well as bordering counties in which our emergency services answer.
- ◆ Increase in monthly rental costs over fiscal year 2003.
- ◆ Change in number of phone companies or number of lines covered.

The Board anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Board's ability to react to unknown issues.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the South Central Iowa Regional E-911 Service Board, Attn: Joni Jackson, Administrator, 208 West Taylor Street, P.O. Box 257, Creston, Iowa 50801.

South Central Iowa Regional E-911 Service Board

Financial Statement

Exhibit A

South Central Iowa Regional E-911 Service Board

Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net Assets

As of and for the year ended June 30, 2004

Operating receipts:	
Charges for service	\$ 429,588
Operating disbursements:	
Signs and equipment	311,964
Administration	114,428
E-911 phone calls and cable expansion	124,761
Total operating disbursements	551,153
Deficiency of operating receipts under operating disbursements	(121,565)
Non-operating receipts (disbursements):	
Interest on investments	8,354
Insurance recovery	4,366
Debt service:	
Principal	(65,000)
Interest	(32,188)
Registrar fees	(300)
Total non-operating disbursements	(84,768)
Change in cash basis net assets	(206,333)
Cash basis net assets beginning of year	599,579
Cash basis net assets end of year	\$ 393,246
Cash Basis Net Assets	
Restricted:	
E-911 services	\$ 393,246

See notes to financial statement.

South Central Iowa Regional E-911 Service Board

Notes to Financial Statement

June 30, 2004 and 2003

(1) Summary of Significant Accounting Policies

The South Central Iowa Regional E-911 Service Board was formed in 1991 pursuant to the provisions of Chapters 28E and 34A of the Code of Iowa. The Service Board is to provide public safety service to the citizens of the region which includes Adair, Adams, Clarke, Guthrie, Madison, Taylor and Union Counties.

The Service Board is composed of two representatives from each participating County.

One shall be a representative of the County Board of Supervisors and the other shall be a representative of the County E-911 Service Board. Each representative has one vote and each representative may have an alternate who can vote in the member's absence.

A. Reporting Entity

For financial reporting purposes, the South Central Iowa Regional E-911 Service Board has included all funds and organizations. The Service Board 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 Service Board are such that exclusion would cause the Service Board'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 Service Board 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 Service Board. The Service Board has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Service Board are organized as an Enterprise Fund. Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

The South Central Iowa Regional E-911 Service Board maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Service Board is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

(2) Cash and Investments

The Service Board's deposits in banks at June 30, 2004 were entirely covered by Federal depository insurance or by 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 Service Board 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 Service Board; 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 Service Board had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Loan Agreement

On April 15, 1999, the South Central Iowa Regional E-911 Service Board entered into a loan agreement with Guthrie County for assistance in financing the repayment of debt and specific improvements and upgrades for the E-911 service system. The agreement provided for Guthrie County to sell \$955,000 of general obligation E-911 notes on behalf of the Service Board. The Service Board received \$936,402 under the loan agreement.

The loan agreement was entered into pursuant to authority contained in Chapters 331.402 and 331.443 of the Code of Iowa. The intention of the South Central Iowa Regional E-911 Service Board and the County is to repay the loan exclusively from the E-911 service surcharge fees.

The Service Board is required to make semi-annual payments due on June 1 and December 1 in each of the years 1999 to 2012.

A summary of the South Central Iowa Regional E-911 Service Board's June 30, 2004 loan indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2005	4.30%	\$ 70,000	29,425	99,425
2006	4.35	75,000	26,415	101,415
2007	4.40	75,000	23,152	98,152
2008	4.45	80,000	19,853	99,853
2009	4.55	80,000	16,293	96,293
2010-2012	4.60-4.75	<u>270,000</u>	<u>25,908</u>	<u>295,908</u>
Total		<u>\$ 650,000</u>	<u>141,046</u>	<u>791,046</u>

During the year ended June 30, 2004, \$65,000 of the loan was repaid to Guthrie County.

(4) Risk Management

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

(5) Contracts

The Service Board has entered into a contract for \$571,199 for replacement of equipment.

As of June 30, 2004, costs of \$360,714 had been incurred against the contract. The balance of \$210,485 remaining at June 30, 2004 will be paid as work on the project progresses.

(6) Accounting Change

For the year ended June 30, 2004, the South Central Iowa Regional E-911 Service Board implemented 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.

Implementation of these standards had no effect on the beginning balance of the Service Board.

South Central Iowa Regional E-911 Service Board

Required Supplementary Information

South Central Iowa Regional E-911 Service Board

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis)

Year ended June 30, 2004

	Original and Final Budget	Final to Actual Variance
	Actual	
Receipts:		
Telephone surcharge fees	\$ 429,588	459,000 (29,412)
Miscellaneous	12,720	1,000 11,720
Total receipts	442,308	460,000 (17,692)
 Disbursements:		
Signs and equipment	311,964	140,340 (171,624)
Administration	114,428	102,160 (12,268)
E-911 phone calls and cable expansion	124,761	120,000 (4,761)
Debt service	97,488	97,500 12
Total disbursements	648,641	460,000 (188,641)
 Deficiency of receipts under expenditures	(206,333)	- <u>(206,333)</u>
 Balance beginning of year	<u>599,579</u>	<u>23,088</u>
 Balance end of year	<u>\$ 393,246</u>	<u>23,088</u>

See accompanying independent auditor's report.

South Central Iowa Regional E-911 Service Board

Notes to Required Supplementary Information–Budgetary Reporting

June 30, 2004 and 2003

In accordance with the Code of Iowa, the Service Board annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutory prescribed procedures. Formal and legal budgetary control is based on total disbursements.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted.

South Central Iowa Regional E-911 Service Board

Other Supplementary Information

South Central Iowa Regional E-911 Service Board

Schedule of Indebtedness

Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates
Loan agreement–Guthrie County: E-911 Operating	April 15, 1999	4–4.75%

See accompanying independent auditor's report.

Amount Originally Issued	Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 955,000	<u>715,000</u>	65,000	<u>650,000</u>	32,188

South Central Iowa Regional E-911 Service Board



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David A. Vaudt, CPA
Auditor of State

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

To the Members of the South Central
Iowa Regional E-911 Service Board:

We have audited the financial statement of the South Central Iowa Regional E-911 Service Board as of and for the year ended June 30, 2004, and have issued our report thereon dated November 5, 2004. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. 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 the South Central Iowa Regional E-911 Service Board's financial statement is 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 an immaterial instance of noncompliance that is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Service Board's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Service Board. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the South Central Iowa Regional E-911 Service Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the South Central Iowa Regional E-911 Service Board and other parties to whom the Service Board 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 the South Central Iowa Regional E-911 Service Board 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

November 5, 2004

South Central Iowa Regional E-911 Service Board

Schedule of Findings

Year ended June 30, 2004

Findings Related to the Financial Statement:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over financial reporting were noted.

Other Findings Related to Required Statutory Reporting:

- (1) Official Depository—A resolution naming official depositories has been adopted by the Board. The maximum deposit amount stated in the resolution was not exceeded during the year ended June 30, 2004.
- (2) Certified Budget—Disbursements exceeded the amounts budgeted.

Recommendation – The budget should have been amended in accordance with Chapter 24 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response—The Service Board made a mistake in completion of the 03-04 budgets. We did not properly calculate the cost of the upgrade into our budget. This problem was brought to our attention and our 04-05 budgets will be monitored more closely so that any amendments can be made when necessary.

Conclusion—Response accepted.

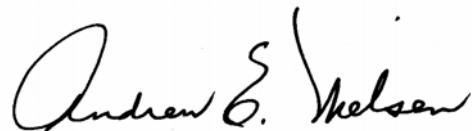
- (3) Questionable Disbursements—No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No disbursements of Service Board money for travel expenses of spouses of Service Board officials or employees were noted.
- (5) Business Transactions – No business transactions between the Service Board and Service Board officials or employees were noted.
- (6) Bond Coverage—Surety bond coverage of Service Board 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.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Service Board minutes but were not.
- (8) 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 Service Board's investment policies were noted.

South Central Iowa Regional E-911 Service Board

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
M. Crystal A. Berg, CPA, Staff Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State