



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

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ April 12, 2006 \_\_\_\_\_

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$7,339,741 for the year ended June 30, 2005, which included \$760,762 in tax credits from the state. The County forwarded \$5,500,096 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$1,839,645 of the local tax revenue to finance County operations, a 2.6% decrease from the prior year. Other revenues included charges for service of \$436,165, operating grants, contributions and restricted interest of \$2,906,589, local option sales tax of \$197,900, unrestricted investment earnings of \$61,037 and other general revenues of \$314,949.

Expenses for County operations totaled \$5,585,071, a 23.6% increase over the prior year. Expenses included \$2,447,756 for roads and transportation, \$1,000,485 for mental health and \$799,276 for public safety and legal services.

A copy of the report is available for review at the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**DECATUR COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2005**

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**Decatur County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2005)</b>		
Gary Stripe	Board of Supervisors	Jan 2005
J. R. Cornett	Board of Supervisors	Jan 2005
Larry Eastin	Board of Supervisors	Jan 2007
Bill Greenwood	County Auditor	Jan 2005
Mary Andrew	County Treasurer	Jan 2007
Gale Norman	County Recorder	Jan 2007
Herbert Muir	County Sheriff	Jan 2005
Carol Clark	County Attorney	Jan 2007
James Fleming	County Assessor	Jan 2010
<b>(After January 2005)</b>		
Larry Eastin	Board of Supervisors	Jan 2007
Gary Coffelt	Board of Supervisors	Jan 2009
J. R. Cornett	Board of Supervisors	Jan 2009
Bill Greenwood	County Auditor	Jan 2009
Mary Andrew	County Treasurer	Jan 2007
Gale Norman	County Recorder	Jan 2007
Herbert Muir	County Sheriff	Jan 2009
Carol Clark	County Attorney	Jan 2007
James Fleming	County Assessor	Jan 2010

**Decatur County**



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Independent Auditor's Report

To the Officials of Decatur County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Decatur County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Decatur County's management. Our responsibility is to express opinions on these financial statements based on our audit.

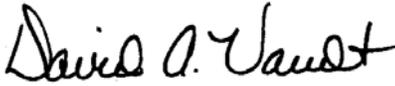
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Decatur County at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2006 on our consideration of Decatur County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 40 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Decatur County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 23, 2006

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Decatur County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- The County's governmental activities revenues decreased 3.9%, or approximately \$232,000, from fiscal 2004 to fiscal 2005. Property taxes decreased approximately \$58,000, operating grants and contributions increased approximately \$383,000 and capital grants and contributions decreased approximately \$520,000.
- The County's governmental activities expenses increased 23.6%, or approximately \$1,065,000, from fiscal 2004 to fiscal 2005.
- The County's net assets increased 1.8%, or approximately \$171,000, from June 30, 2004 to June 30, 2005.
- During fiscal 2005, the County retired all existing general obligation debt. In addition, there were no new general obligation issues during fiscal 2005.
- In March 2005, the County assumed responsibility for a Juvenile Tracking and Monitoring Supervision Program that was previously operated by the Lamoni Shelter (5B Judicial District).

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

2) Proprietary funds account for the County's Internal Service, Medical Co-Payment Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Decatur County's combined net assets increased from \$9,514,355 to \$9,685,569. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2005	2004
Current and other assets	4,646,372	4,459,168
Capital assets	7,243,556	7,315,017
Total assets	11,889,928	11,774,185
Long-term liabilities	101,469	142,366
Other liabilities	2,102,890	2,117,464
Total liabilities	2,204,359	2,259,830
Net assets:		
Invested in capital assets	7,243,556	7,243,683
Restricted	1,466,759	1,237,271
Unrestricted	975,254	1,033,401
Total net assets	\$ 9,685,569	9,514,355

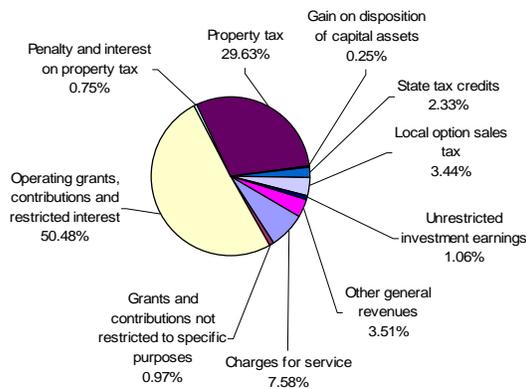
Net assets of Decatur County's governmental activities increased by 1.8% (\$9.69 million compared to \$9.51 million). The largest portion of the County's net assets is invested in capital assets (land, infrastructure, buildings and equipment). Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements—decreased from \$1,033,401 at June 30, 2004 to \$975,254 at the end of this year, a decrease of about 5.6%.

This reduction of approximately \$58,000 in unrestricted net assets was a result of an overall decline in revenues. When setting the fiscal 2005 budget, Decatur County chose to reduce tax askings and use existing fund balances for operating expenses.

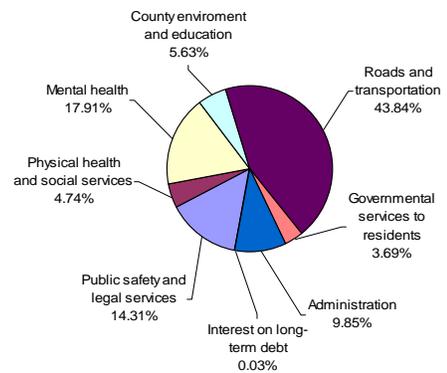
**Changes in Net Assets of Governmental Activities**

	Year ended June 30,	
	2005	2004
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 436,165	671,349
Operating grants, contributions and restricted interest	2,906,589	2,523,633
Capital grants, contributions and restricted interest	-	519,719
<b>General revenues:</b>		
Property tax	1,705,775	1,763,927
Penalty and interest on property tax	42,984	26,127
State tax credits	133,870	124,721
Local option sales tax	197,900	141,449
Grants and contributions not restricted to specific purposes	55,550	1,593
Unrestricted investment earnings	61,037	59,212
Gain on sale of capital assets	14,280	-
Other general revenues	202,135	156,603
<b>Total revenues</b>	<b>5,756,285</b>	<b>5,988,333</b>
<b>Program expenses:</b>		
Public safety and legal services	799,276	751,082
Physical health and social services	264,611	242,080
Mental health	1,000,485	1,403,542
County environment and education	314,523	292,948
Roads and transportation	2,447,756	1,110,954
Governmental services to residents	206,247	203,776
Administration	550,281	510,598
Interest on long-term debt	1,892	5,334
<b>Total expenses</b>	<b>5,585,071</b>	<b>4,520,314</b>
<b>Increase in net assets</b>	<b>171,214</b>	<b>1,468,019</b>
<b>Net assets beginning of year</b>	<b>9,514,355</b>	<b>8,046,336</b>
<b>Net assets end of year</b>	<b>\$ 9,685,569</b>	<b>9,514,355</b>

**Revenues by Source**



**Expenses by Function**



For the fiscal year ended June 30, 2005, the revenues from governmental activities totaled \$5,756,295, a decrease of 3.9% from the prior year. Property tax revenues account for 29.63% of the governmental fund revenues.

In fiscal 2005, the urban tax rate was \$7.17136 per \$1,000 of taxable valuation compared to the fiscal 2004 rate of \$6.88037 per \$1,000 of taxable valuation. The rural tax rate in fiscal 2005 was \$9.73946 per \$1,000 of taxable valuation compared to the fiscal 2004 tax rate of \$9.14207 per \$1,000 of taxable valuation. Despite the increase in tax rates, the additional revenue that one would expect from the rate increase was never realized due to an approximate \$17.5 million decrease in valuations.

The cost of all governmental activities this year was \$5.6 million compared to \$4.5 million last year. The increase was due primarily to an increase in roads and transportation expenses for construction projects.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Decatur County completed the year, its governmental funds reported a combined fund balance of \$2,516,756, an increase of \$224,241 above last year's total of \$2,292,515. The increase in fund balance is primarily attributable to decreased spending in Roads and Transportation and Mental Health. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues were \$1,656,399 while General Fund expenditures were \$1,736,848. The ending fund balance showed a decrease of \$80,449 to result in an ending balance of \$667,896.
- Mental Health Fund expenditures decreased from \$1,401,743 in fiscal 2004 to \$984,180 in fiscal 2005. This decrease is attributable to the discontinuance of the County operated Home and Community Based Services Program.
- The Rural Services Fund balance decreased by \$55,093. The County has held the tax asking constant despite increased expenditures to use accumulated balances within the fund.
- Secondary Roads Fund expenditures decreased from \$2,926,569 in fiscal 2004 to \$2,413,129 in fiscal 2005. Equipment purchases in fiscal 2004 accounted for much of this decrease in fiscal 2005 totals.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Decatur County amended its budget three times. The first amendment was made in December 2004 and resulted in an increase in budgeted disbursements of \$28,398. The primary reason for this amendment was to allow disbursements for the County Recorder CLRIS project and to allow for capital construction projects within the secondary roads system. Also within the amendment, budgeted disbursements in the county environment and education function were decreased to reflect the discontinuance of the Child Day Care and Education Project

The second amendment was made in February 2005. Budgeted disbursements increased \$83,770 under this amendment. The majority of this amendment, \$51,270, was for the implementation of a new Juvenile Tracking & Monitoring program. The county environment and education and administration functions were also amended at this time.

The third amendment was made in May 2005. This amendment decreased budgeted disbursements by \$314,184. The decrease was the result of removing budgeted disbursements from the Mental Health, MR & DD function. The amendment also allowed for the replacement of a sheriff's vehicle and bridge repairs.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2005, Decatur County had \$7,243,556 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of \$71,461, or less than 1%, below last year. The decrease is due primarily to depreciation expense. As a low tax base county, Decatur County typically does not have the financial resources available to increase its capital assets every year.

	Capital Assets of Governmental Activities at Year End	
	June 30,	
	2005	2004
Land	\$ 2,611,644	2,611,644
Construction in progress	-	100,150
Buildings and improvements	1,290,389	1,177,312
Equipment and vehicles	1,644,169	1,709,452
Infrastructure	1,697,354	1,716,459
Total	<u>\$ 7,243,556</u>	<u>7,315,017</u>

The County had depreciation expense of \$396,247 in fiscal 2005 and total accumulated depreciation of \$2,915,786 at June 30, 2005. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### **Long-Term Debt**

At June 30, 2005, Decatur County had no long-term debt. Debt decreased due to the retirement of the general obligation loan note of \$71,334 outstanding at June 30, 2004. There were no new debt issues during fiscal 2005.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Using January 1, 2004 valuations, Decatur County's constitutional debt limit is \$14,348,736. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Decatur County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and the fees that will be charged for various County activities. One critical aspect was the limited taxable valuation in the County. While the County experienced minimal growth (approximately .14376%) in taxable value, the County was still dealing with the impact from the valuation reduction from the prior year. At the same time, the County had to prepare for future mandates, including compliance with the federal legislation enacted in the Help America Vote Act.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Decatur County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Decatur County Auditor's Office, 207 N. Main Street, Leon, Iowa 50144.

## **Basic Financial Statements**

**Exhibit A**

Decatur County  
Statement of Net Assets  
June 30, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 2,377,663
Receivables:	
Property tax:	
Delinquent	7,643
Succeeding year	1,735,000
Interest and penalty on property tax	16,552
Accounts	12,318
Accrued interest	4,752
Due from other governments	277,117
Inventories	215,327
Capital assets - nondepreciable	2,611,644
Capital assets - depreciable (net)	4,631,912
<b>Total assets</b>	<u>11,889,928</u>
<b>Liabilities</b>	
Accounts payable	88,801
Salaries and benefits payable	82,440
Due to other governments	196,649
Deferred revenue:	
Succeeding year property tax	1,735,000
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	22,528
Portion due or payable after one year:	
Compensated absences	78,941
<b>Total liabilities</b>	<u>2,204,359</u>
<b>Net Assets</b>	
Invested in capital assets	7,243,556
Restricted for:	
Supplemental levy purposes	139,172
Mental health purposes	192,366
Secondary roads purposes	1,131,252
Debt service	3,969
Unrestricted	975,254
<b>Total net assets</b>	<u>\$ 9,685,569</u>

See notes to financial statements.

Decatur County  
Statement of Activities  
Year ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety and legal services	\$ 799,276	83,338	32,480	(683,458)
Physical health and social services	264,611	1,785	96,155	(166,671)
Mental health	1,000,485	61,263	613,618	(325,604)
County environment and education	314,523	26,227	49,720	(238,576)
Roads and transportation	2,447,756	94,186	2,095,318	(258,252)
Governmental services to residents	206,247	164,950	19,276	(22,021)
Administration	550,281	4,416	22	(545,843)
Interest on long-term debt	1,892	-	-	(1,892)
<b>Total</b>	<b>\$ 5,585,071</b>	<b>436,165</b>	<b>2,906,589</b>	<b>(2,242,317)</b>
<b>General Revenues:</b>				
Property and other county tax levied for:				
General purposes				1,636,750
Debt service				69,025
Penalty and interest on property tax				42,984
State tax credits				133,870
Local option sales tax				197,900
Grants and contributions not restricted to specific purpose				55,550
Unrestricted investment earnings				61,037
Gain on sale of capital assets				14,280
Miscellaneous				202,135
<b>Total general revenues</b>				<b>2,413,531</b>
Change in net assets				171,214
Net assets beginning of year				9,514,355
Net assets end of year				<b>\$ 9,685,569</b>

See notes to financial statements.

Decatur County  
Balance Sheet  
Governmental Funds  
June 30, 2005

	General	Mental Health
<b>Assets</b>		
Cash and pooled investments	\$ 698,283	354,516
Receivables:		
Property tax:		
Delinquent	4,867	1,476
Succeeding year	1,079,000	283,000
Interest and penalty on property tax	16,552	-
Accounts	116	6,735
Accrued interest	4,683	-
Due from other funds	866	11
Due from other governments	58,091	13,379
Inventories	-	-
	\$ 1,862,458	659,117
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 37,683	14,945
Salaries and benefits payable	32,023	3,883
Due to other funds	379	931
Due to other governments	24,058	159,583
Deferred revenue:		
Succeeding year property tax	1,079,000	283,000
Other	21,419	1,476
Total liabilities	1,194,562	463,818
Fund balances:		
Reserved for:		
Supplemental levy purposes	139,172	-
Debt service	-	-
Unreserved, reported in:		
General fund	528,724	-
Special revenue funds	-	195,299
Total fund balances	667,896	195,299
	\$ 1,862,458	659,117

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
364,318	889,899	66,451	2,373,467
958	-	342	7,643
307,000	-	66,000	1,735,000
-	-	-	16,552
17	975	-	7,843
-	15	36	4,734
-	1,029	-	1,906
25,915	179,732	4,475	281,592
-	215,327	-	215,327
698,208	1,286,977	137,304	4,644,064
778	25,431	8,281	87,118
4,052	42,014	468	82,440
596	-	-	1,906
-	10,614	2,394	196,649
307,000	-	66,000	1,735,000
958	-	342	24,195
313,384	78,059	77,485	2,127,308
-	-	-	139,172
-	-	3,969	3,969
-	-	-	528,724
384,824	1,208,918	55,850	1,844,891
384,824	1,208,918	59,819	2,516,756
698,208	1,286,977	137,304	4,644,064

**Decatur County**

Decatur County

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

June 30, 2005

**Total governmental fund balances (page 17)** \$ 2,516,756

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$10,159,342 and the accumulated depreciation is \$2,915,786. 7,243,556

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 24,195

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 2,531

Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (101,469)

**Net assets of governmental activities (page 14)** \$ 9,685,569

See notes to financial statements.

Decatur County

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

Year ended June 30, 2005

	General	Mental Health
<b>Revenues:</b>		
Property and other county tax	\$ 984,565	298,504
Interest and penalty on property tax	34,739	-
Intergovernmental	391,645	696,920
Licenses and permits	1,013	-
Charges for service	160,152	-
Use of money and property	60,426	10,378
Miscellaneous	23,859	10,524
Total revenues	<u>1,656,399</u>	<u>1,016,326</u>
<b>Expenditures:</b>		
Operating:		
Public safety and legal services	687,908	-
Physical health and social services	245,609	-
Mental health	-	984,180
County environment and education	117,262	-
Roads and transportation	-	-
Governmental services to residents	201,003	-
Administration	485,066	-
Debt service	-	-
Capital projects	-	-
Total expenditures	<u>1,736,848</u>	<u>984,180</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(80,449)</u>	<u>32,146</u>
<b>Other financing sources (uses):</b>		
Sale of capital assets	100	3,435
Operating transfers in	-	-
Operating transfers out	-	-
Total other financing sources (uses)	<u>100</u>	<u>3,435</u>
Net change in fund balances	(80,349)	35,581
Fund balances beginning of year	748,245	159,718
Fund balances end of year	<u>\$ 667,896</u>	<u>195,299</u>

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
524,504	-	69,590	1,877,163
-	-	-	34,739
29,227	2,249,560	76,574	3,443,926
-	410	-	1,423
-	49	40,874	201,075
-	124	237	71,165
345	81,450	5,671	121,849
554,076	2,331,593	192,946	5,751,340
61,633	-	1,150	750,691
-	-	17,037	262,646
-	-	-	984,180
86,375	-	90,599	294,236
37,000	2,296,815	-	2,333,815
2,663	-	27,685	231,351
-	-	-	485,066
-	-	73,226	73,226
-	116,314	-	116,314
187,671	2,413,129	209,697	5,531,525
366,405	(81,536)	(16,751)	219,815
-	891	-	4,426
-	421,498	-	421,498
(421,498)	-	-	(421,498)
(421,498)	422,389	-	4,426
(55,093)	340,853	(16,751)	224,241
439,917	868,065	76,570	2,292,515
384,824	1,208,918	59,819	2,516,756

Decatur County

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

Year ended June 30, 2005

**Net change in fund balances - Total governmental funds (page 21)** \$ 224,241

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

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

Expenditures for capital assets	\$ 314,932	
Depreciation expense	(396,247)	(81,315)

In the Statement of Activities, the gain on the sale of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 9,854

Because some property tax revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds. (5,376)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 71,334

Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (30,437)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (17,087)

**Change in net assets of governmental activities (page 15)** \$ 171,214

See notes to financial statements.

Decatur County  
 Statement of Net Assets  
 Proprietary Fund  
 June 30, 2005

	Internal Service - Medical Co-Payment
<b>Assets</b>	
Cash and cash equivalents	\$ 4,196
Accrued interest receivable	18
<b>Total assets</b>	<u>4,214</u>
<b>Liabilities</b>	
Accounts payable	<u>1,683</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 2,531</u></u>

See notes to financial statements.

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

Year ended June 30, 2005

	<u>Internal Service - Medical Co-Payment</u>
Operating revenues:	
Insurance reimbursements	\$ 14,870
Operating expenses:	
Medical claims	(32,196)
Operating loss	<u>(17,326)</u>
Non-operating revenues:	
Interest income	239
Net loss	<u>(17,087)</u>
Net assets beginning of year	<u>19,618</u>
Net assets end of year	<u>\$ 2,531</u>

See notes to financial statements.

Decatur County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2005

	Internal Service - Medical Co-Payment
Cash flows from operating activities:	
Cash received from insurance reimbursements	\$ 14,870
Cash paid to suppliers for services	(33,864)
Net cash used by operating activities	(18,994)
Cash flows from investing activities:	
Interest on investments	239
Net decrease in cash and cash equivalents	(18,755)
Cash and cash equivalents beginning of year	22,951
Cash and cash equivalents end of year	\$ 4,196
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (17,326)
Adjustment to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts payable	(1,668)
Net cash used by operating activities	\$ (18,994)

See notes to financial statements.

Decatur County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2005

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 410,434
Other County officials	5,296
Receivables:	
Property tax:	
Delinquent	26,277
Succeeding year	4,735,000
Accounts	13,242
Accrued interest	76
<b>Total assets</b>	<u>5,190,325</u>

**Liabilities**

Accounts payable	958
Salaries and benefits payable	7,473
Due to other governments	5,168,670
Trusts payable	13,224
<b>Total liabilities</b>	<u>5,190,325</u>

**Net assets** \$ -

See notes to financial statements.

Decatur County

Notes to Financial Statements

June 30, 2005

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

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

*Invested in capital assets* consists of capital assets net of accumulated depreciation.

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

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Asset Class	Amount
Infrastructure	\$ 65,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

Net Assets – The net assets of the Medical Co-Payment Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted by function and departmental disbursements did not exceed the amounts appropriated.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,408,203 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk. The investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk. The County places no limit on the amount that may be invested in any one issuer.

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

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Mental Health	\$ 866
Special Revenue: Mental Health	General	11
Secondary Roads	General	368
	Special Revenue: Rural Services	596
	Mental Health	65
Total		<u>\$ 1,906</u>

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

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>\$ 421,498</u>

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,611,644	-	-	2,611,644
Construction in progress	100,150	42,202	(142,352)	-
Total capital assets not being depreciated	2,711,794	42,202	(142,352)	2,611,644
Capital assets being depreciated:				
Buildings	1,095,915	142,352	-	1,238,267
Improvements other than buildings	340,182	-	-	340,182
Equipment and vehicles	4,118,656	298,825	(209,782)	4,207,699
Infrastructure, road network	1,761,550	-	-	1,761,550
Total capital assets being depreciated	7,316,303	441,177	(209,782)	7,547,698
Less accumulated depreciation for:				
Buildings	224,516	22,069	-	246,585
Improvements other than buildings	34,269	7,206	-	41,475
Equipment and vehicles	2,409,204	347,867	(193,541)	2,563,530
Infrastructure, road network	45,091	19,105	-	64,196
Total accumulated depreciation	2,713,080	396,247	(193,541)	2,915,786
Total capital assets being depreciated, net	4,603,223	44,930	(16,241)	4,631,912
Governmental activities capital assets, net	\$ 7,315,017	87,132	(158,593)	7,243,556

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 42,768
Physical health and social services	855
Mental health	16,338
County environment and education	24,468
Roads and transportation	289,990
Administration	21,827
Total depreciation expense - governmental activities	\$ 396,247

**(6) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 24,058
Special Revenue:		
Mental Health	Services	159,583
Secondary Roads		10,614
Emergency Medical Systems		1,880
Little River Lake Improvement		514
		<u>172,591</u>
Total for governmental funds		<u>\$ 196,649</u>
Agency:		
County Assessor	Collections	\$ 208,042
Schools		2,946,006
Community Colleges		119,996
Corporations		1,043,069
Townships		102,877
Auto License and Use Tax		127,941
County Hospital		531,693
All other		89,046
Total for agency funds		<u>\$ 5,168,670</u>

**(7) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	General Obligation Loan	Compen- sated Absences	Total
Balance beginning of year	\$ 71,334	71,032	142,366
Increase	-	80,473	80,473
Decreases	71,334	50,036	121,370
Balance end of year	\$ -	101,469	101,469
Due within one year	\$ -	22,528	22,528

## General Obligation Loan

In July 1999, the County entered into a general obligation loan agreement, not to exceed \$275,000, with a June 30, 2000 initial maturity date and interest of 4.85% per annum, for the acquisition and installation of an elevator in the courthouse. The loan was renewed to a June 30, 2005 maturity date with interest at 4.75% per annum.

During the year ended June 30, 2005, the County made principal and interest payments of \$71,334 and \$1,892, respectively. This loan was completely repaid at June 30, 2005.

### **(8) Medical Co-Payment Plan**

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

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

The County did not contribute to the fund during the year ended June 30, 2005.

### **(9) 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.

Most plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$119,065, \$135,023 and \$128,617, respectively, equal to the required contributions for each year.

### **(10) Risk Management**

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

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

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2005, which covers exposures of specific losses in excess of \$350,000 per occurrence for workers' compensation and in excess of \$250,000 per occurrence, up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general and automobile liability. The risk pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2005, 2004 and 2003, the risk pool reported a surplus of assets over liabilities.

Member Counties retain the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the risk pool by means of an assessment that would be charged to the member County in addition to the premium contributions. At June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since commencement of the risk pool.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2005 were \$178,483.

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

**(11) Contingent Liability**

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

**Required Supplementary Information**

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Decatur County

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

Required Supplementary Information

Year ended June 30, 2005

	<u>Actual</u>
Receipts:	
Property and other County tax	\$ 1,873,418
Interest and penalty on property tax	87,332
Intergovernmental	3,438,236
Licenses and permits	1,322
Charges for service	213,382
Use of money and property	67,401
Miscellaneous	126,437
Total receipts	<u>5,807,528</u>
Disbursements:	
Public safety and legal services	729,797
Physical health and social services	253,351
Mental health	950,188
County environment and education	305,332
Roads and transportation	2,598,984
Governmental services to residents	229,068
Administration	484,701
Debt service	73,226
Capital projects	116,314
Total disbursements	<u>5,740,961</u>
Excess (deficiency) of receipts over (under) disbursements	66,567
Other financing sources, net	<u>4,426</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	70,993
Balance beginning of year	<u>2,302,474</u>
Balance end of year	<u><u>\$ 2,373,467</u></u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance
Original	Final	
1,835,358	1,874,222	(804)
35,000	35,000	52,332
3,924,561	3,407,012	31,224
1,313	1,313	9
171,485	201,485	11,897
35,070	50,820	16,581
65,850	74,527	51,910
<u>6,068,637</u>	<u>5,644,379</u>	<u>163,149</u>
723,000	747,457	17,660
303,438	365,333	111,982
1,419,561	950,213	25
403,097	325,146	19,814
2,695,520	2,790,720	191,736
217,046	255,996	26,928
471,679	508,460	23,759
75,000	75,000	1,774
268,000	356,000	239,686
<u>6,576,341</u>	<u>6,374,325</u>	<u>633,364</u>
(507,704)	(729,946)	796,513
-	-	4,426
(507,704)	(729,946)	800,939
1,949,582	1,949,582	352,892
<u>1,441,878</u>	<u>1,219,636</u>	<u>1,153,831</u>

Decatur County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,807,528	(56,188)	5,751,340
Expenditures	5,740,961	(209,436)	5,531,525
Net	66,567	153,248	219,815
Other financing sources, net	4,426	-	4,426
Beginning fund balances	2,302,474	(9,959)	2,292,515
Ending fund balances	\$ 2,373,467	143,289	2,516,756

See accompanying independent auditor's report.

Decatur County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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. 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, the Special Revenue Funds and the Debt Service 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. During the year, three budget amendments decreased budgeted disbursements by \$202,016. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted by function and departmental disbursements did not exceed the amounts appropriated.

**Decatur County**

**Other Supplementary Information**

Decatur County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhance- ment and Protection	Special Little River Lake Improvement
<b>Assets</b>				
Cash and pooled investments	\$ 6,839	10,774	6,766	22,323
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accrued interest	14	-	6	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 6,853</b>	<b>10,774</b>	<b>6,772</b>	<b>22,323</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	-	161	5,525
Salaries and benefits payable	-	-	-	468
Due to other governments	-	-	-	514
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	-	-	161	6,507
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved	6,853	10,774	6,611	15,816
Total fund equity	6,853	10,774	6,611	15,816
<b>Total liabilities and fund equity</b>	<b>\$ 6,853</b>	<b>10,774</b>	<b>6,772</b>	<b>22,323</b>

See accompanying independent auditor's report.

Revenue						
Structure Operation and Main- tenance	Emergency Medical Systems	DARE	Courthouse Repair	Debt Service	Total	
9,090	951	1,810	3,936	3,962	66,451	
-	-	-	-	342	342	
-	-	-	-	66,000	66,000	
-	-	-	9	7	36	
-	4,475	-	-	-	4,475	
9,090	5,426	1,810	3,945	70,311	137,304	
-	2,595	-	-	-	8,281	
-	-	-	-	-	468	
-	1,880	-	-	-	2,394	
-	-	-	-	66,000	66,000	
-	-	-	-	342	342	
-	4,475	-	-	66,342	77,485	
-	-	-	-	3,969	3,969	
9,090	951	1,810	3,945	-	55,850	
9,090	951	1,810	3,945	3,969	59,819	
9,090	5,426	1,810	3,945	70,311	137,304	

Decatur County

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhance- ment and Protection	Little River Lake Improvement
<b>Revenues:</b>				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	-	8,740	-
Charges for service	3,715	-	-	37,159
Use of money and property	112	-	-	-
Miscellaneous	-	-	-	5,671
Total revenues	3,827	-	8,740	42,830
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	-	-	-	-
County environment and education	-	-	4,035	40,715
Governmental services to residents	1,574	26,111	-	-
Debt service	-	-	-	-
Total expenditures	1,574	26,111	4,035	40,715
Excess (deficiency) of revenues over (under) expenditures	2,253	(26,111)	4,705	2,115
Fund balances beginning of year	4,600	36,885	1,906	13,701
Fund balances end of year	\$ 6,853	10,774	6,611	15,816

See accompanying independent auditor's report.

Special Revenue							
Structure Operation and Main- tenance	Emergency Medical Systems	DARE	Community Development Block Grant	Courthouse Repair	Debt Service	Total	
-	-	-	-	-	69,590	69,590	
-	17,137	1,000	44,049	-	5,648	76,574	
-	-	-	-	-	-	40,874	
-	-	-	-	66	59	237	
-	-	-	-	-	-	5,671	
-	17,137	1,000	44,049	66	75,297	192,946	
-	-	1,150	-	-	-	1,150	
-	17,037	-	-	-	-	17,037	
300	-	-	45,549	-	-	90,599	
-	-	-	-	-	-	27,685	
-	-	-	-	-	73,226	73,226	
300	17,037	1,150	45,549	-	73,226	209,697	
(300)	100	(150)	(1,500)	66	2,071	(16,751)	
9,390	851	1,960	1,500	3,879	1,898	76,570	
9,090	951	1,810	-	3,945	3,969	59,819	

Decatur County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2005

	County Recorder	County Sheriff	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations	Townships	Auto License and Use Tax
<b>Assets</b>									
Cash and pooled investments:									
County Treasurer	\$ -	-	1,059	91,981	82,439	3,394	38,804	2,581	127,941
Other County officials	501	3,325	-	-	-	-	-	-	-
Receivables:									
Property tax:									
Delinquent	-	-	189	677	14,567	602	7,265	296	-
Succeeding year	-	-	36,000	122,000	2,849,000	116,000	997,000	100,000	-
Accounts	1,216	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,717</b>	<b>3,325</b>	<b>37,248</b>	<b>214,658</b>	<b>2,946,006</b>	<b>119,996</b>	<b>1,043,069</b>	<b>102,877</b>	<b>127,941</b>
<b>Liabilities</b>									
Accounts payable	\$ -	-	-	5	-	-	-	-	-
Salaries and benefits payable	-	-	-	6,611	-	-	-	-	-
Due to other governments	1,717	98	37,248	208,042	2,946,006	119,996	1,043,069	102,877	127,941
Trusts payable	-	3,227	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>\$ 1,717</b>	<b>3,325</b>	<b>37,248</b>	<b>214,658</b>	<b>2,946,006</b>	<b>119,996</b>	<b>1,043,069</b>	<b>102,877</b>	<b>127,941</b>

See accompanying independent auditor's report.

Brucellosis and Tuberculosis Eradication	Emergency Management Services	County Hospital	Tax Sale Redemption	Drivers License	E911 Service Board	Local Empowerment Board	Total
21	7,492	15,016	9,997	-	29,305	404	410,434
-	-	-	-	1,470	-	-	5,296
4	-	2,677	-	-	-	-	26,277
1,000	-	514,000	-	-	-	-	4,735,000
-	-	-	-	-	12,026	-	13,242
-	-	-	-	-	76	-	76
1,025	7,492	531,693	9,997	1,470	41,407	404	5,190,325
-	112	-	-	-	841	-	958
-	575	-	-	-	287	-	7,473
1,025	6,805	531,693	-	1,470	40,279	404	5,168,670
-	-	-	9,997	-	-	-	13,224
1,025	7,492	531,693	9,997	1,470	41,407	404	5,190,325

Decatur County  
 Combining Schedule of Changes in Fiduciary Assets and Liabilities  
 Agency Funds

Year ended June 30, 2005

	County Recorder	County Sheriff	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpora- tions	Townships	Auto License and Use Tax
<b>Assets and Liabilities</b>									
Balances beginning of year	\$ 1,573	2,215	37,471	193,743	2,953,077	120,702	980,791	99,119	115,415
Additions:									
Property and other county tax	-	-	36,222	209,556	2,843,792	115,709	996,725	103,813	-
State tax credits	-	-	4,929	17,673	386,380	15,741	119,675	12,516	-
Drivers license fees	-	-	-	-	-	-	-	-	-
Office fees and collections	134,743	30,989	-	-	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-	-	-	1,479,761
Assessments	-	-	-	-	-	-	-	-	-
Trusts	-	153,053	-	-	-	-	-	-	-
Miscellaneous	-	-	-	559	-	-	11,933	-	-
Total additions	134,743	184,042	41,151	227,788	3,230,172	131,450	1,128,333	116,329	1,479,761
Deductions:									
Agency remittances:									
To other funds	59,377	30,416	-	-	-	-	-	-	63,404
To other governments	73,613	563	41,374	206,873	3,237,243	132,156	1,066,055	112,571	1,403,831
Trusts paid out	1,609	151,953	-	-	-	-	-	-	-
Total deductions	134,599	182,932	41,374	206,873	3,237,243	132,156	1,066,055	112,571	1,467,235
Balances end of year	\$ 1,717	3,325	37,248	214,658	2,946,006	119,996	1,043,069	102,877	127,941

See accompanying independent auditor's report.

Brucellosis and Tuberculosis Eradication	Emergency Manage- ment Services	County Hospital	Tax Sale Redemption	Drivers License	E911 Service Board	Local Empower- ment Board	Emergency Medical Services	Other	Total
1,029	11,020	533,287	12,342	1,050	32,226	1,785	7,097	-	5,103,942
716	-	514,003	-	-	52,658	-	-	-	4,873,194
97	-	69,891	-	-	-	-	-	-	626,902
-	-	-	-	38,871	-	-	-	-	38,871
-	-	-	-	-	-	-	-	-	165,732
-	-	-	-	-	-	-	-	-	1,479,761
-	-	-	-	-	-	-	-	12,539	12,539
-	-	-	113,747	-	-	-	-	-	266,800
-	18,674	-	-	-	23,280	189,058	-	-	243,504
813	18,674	583,894	113,747	38,871	75,938	189,058	-	12,539	7,707,303
-	-	-	-	15,890	-	-	7,097	-	176,184
817	22,202	585,488	-	22,561	66,757	190,439	-	12,539	7,175,082
-	-	-	116,092	-	-	-	-	-	269,654
817	22,202	585,488	116,092	38,451	66,757	190,439	7,097	12,539	7,620,920
1,025	7,492	531,693	9,997	1,470	41,407	404	-	-	5,190,325

**Schedule 5**

## Decatur County

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

For the Last Five Years

	Modified Accrual Basis				
	2005	2004	2003	2002	2001
Revenues:					
Property and other county tax	\$ 1,877,163	1,876,026	1,799,344	1,792,627	1,661,809
Interest and penalty on property tax	34,739	35,514	35,918	41,588	34,660
Intergovernmental	3,443,926	3,692,694	3,642,197	3,487,548	3,457,653
Licenses and permits	1,423	1,928	1,088	1,258	2,138
Charges for service	201,075	215,488	171,324	148,214	128,807
Use of money and property	71,165	47,470	52,372	93,532	164,907
Miscellaneous	121,849	145,044	168,066	171,776	98,268
Total	\$ 5,751,340	6,014,164	5,870,309	5,736,543	5,548,242
Expenditures:					
Operating:					
Public safety and legal services	\$ 750,691	729,783	713,309	762,979	600,532
Physical health and social services	262,646	241,225	222,525	282,426	287,817
Mental health	984,180	1,401,743	1,569,514	1,393,662	876,500
County environment and education	294,236	271,347	242,942	226,864	296,113
Roads and transportation	2,333,815	2,863,419	2,408,685	2,166,778	2,225,251
Governmental services to residents	231,351	203,776	192,437	190,211	169,997
Administration	485,066	503,373	471,991	487,619	445,162
Debt service	73,226	74,972	75,000	75,138	75,000
Capital projects	116,314	100,150	88,127	95,925	330,855
Total	\$ 5,531,525	6,389,788	5,984,530	5,681,602	5,307,227

See accompanying independent auditor's report.



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

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Independent Auditor's Report on  
Internal Control over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Officials of Decatur County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Decatur County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 23, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness.

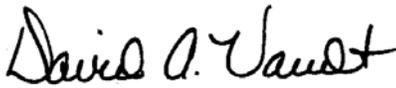
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Decatur County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 23, 2006

Decatur County  
 Schedule of Findings  
 Year ended June 30, 2005

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- (A) Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine 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. One or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

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

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

Responses –

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

County Recorder

- (1) We will trade duties so the same person is not doing the same thing every day.

Decatur County

Schedule of Findings

Year ended June 30, 2005

(2) One person will write the checks and one person will sign the checks.

(3) One person will reconcile and another will verify.

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

Conclusion – Responses accepted.

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

The County does not have written policies for:

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

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

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

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

Conclusion – Response accepted.

- (C) County Sheriff Inmate Phone Card Sales – A reconciliation of phone card sales and phone card receipts was not always performed. Receipts were not issued sequentially. Occasionally, phone cards are issued to inmates at no cost.

Recommendation – A reconciliation of phone card sales and receipts should be performed. One receipt book should be completed before starting a new book. This will make it easier to account for the numeric sequence of receipts. The County should develop a written policy regarding the issuance of free phone cards to inmates.

Decatur County

Schedule of Findings

Year ended June 30, 2005

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

Conclusion – Response accepted.

- (D) County Board of Supervisors – The Executive Director of the Conservation Board works full-time for the Conservation Board and part-time for the Emergency Management Board. The timesheets are signed by the Executive Director and submitted to the County Auditor's office for payroll processing. However, there is no evidence the timesheets are reviewed and approved by the respective boards.

Recommendation – Timesheets should be reviewed and signed by an official of each Board prior to submission to the County Auditor. This will help ensure timesheets are accurate and complete. Evidence of review and approval should be documented on each timesheet. The timesheets should support all hours worked and all hours taken as vacation, sick leave, compensatory time, holiday hours and personal days.

Response – A letter addressing this finding will be sent to the respective Board and Commission members with copies to the Conservation Board Director and Emergency Management Commission Director (who is one and the same employee) asking that this finding and recommendation be followed.

Conclusion – Response accepted.

- (E) County Board of Supervisors – The Board has adopted a resolution permitting the County Attorney to employ one full-time secretary (restricted to 40 hours per week) and one part-time secretary restricted to 1600 hours per year. The full-time secretary works primarily at the County Attorney's private law office and the part-time secretary works at the County courthouse. The full-time secretary worked in excess of 40 hours per week on several occasions in fiscal year 2006, with no official approval from the Board authorizing overtime.

Recommendation – The Board should review the existing resolution and monitor the hours worked to ensure they are in compliance with the resolution. If overtime is deemed necessary, official approval should be documented.

Response – The Board of Supervisors will take the necessary measure (motion) to approve overtime for the County Attorney's full-time legal secretary on a limited basis in fiscal year 2005-2006. When our audit for this year is performed, you may refer to the Board's minutes of February 13, 2006, whereby we (the Board) took official action in response to your finding and recommendation.

Conclusion – Response accepted.

Decatur County  
 Schedule of Findings  
 Year ended June 30, 2005

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

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005, except as follows:

Office	Depository	Maximum Authorized Deposit
County Treasurer	Great Western Bank	\$4,000,000
County Sheriff	Great Western Bank	25,000

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

Response – Decatur County will comply with your recommendation. Actually, on January 23, 2006, the Board passed a new resolution which increased the maximum amount for the Sheriff and to now be in compliance.

Conclusion – Response accepted.

- (2) Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed amounts budgeted.
- (3) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Larry Eastin, County Supervisor, nephew is owner of Oris PLC	Construction of building, per bid (depot)	\$ 21,016
J.R. Cornett, County Supervisor, nephew is owner of MDR Construction	Construction of building, per bid (DHS building restroom)	\$ 2,989
Total		<u>24,005</u>

The transactions with MDR Construction and Oris PLC do not represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa since they were entered into through competitive bidding and Supervisors Cornett and Eastin abstained from voting on the approval of the respective contracts.

Decatur County

Schedule of Findings

Year ended June 30, 2005

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – Except as noted above, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investments policy were noted.
- (9) Resource Enhancement and Protection (REAP) Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) Medical Co-Payment Plan – The County provides employees health insurance and other benefits through a partially self-insured benefit plan. Chapter 509A.15 of the Code of Iowa requires the County to obtain an actuarial opinion issued by a member of the American Academy of Actuaries which attests to the adequacy of reserves, rates and the financial condition of the plan and to file an annual financial report with the Insurance Commissioner.

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

Response – Our Medical Co-Insurance Fund has been dissolved.

Conclusion – Response accepted.

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

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

Response – Decatur County will comply with your recommendation.

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, 2005 for the County Extension Office did not exceed the amount budgeted.

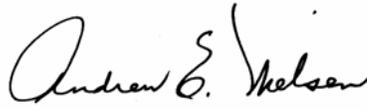
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Decatur County

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager  
Daniel L. Durbin, CPA, Staff Auditor  
Trevor L. Theulen, Staff Auditor  
Sheila M. Jensen, Staff Auditor  
Donald J. Lewis, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State