



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

March 26, 2009

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 \$7,987,383 for the year ended June 30, 2008, which included \$483,492 in tax credits from the state. The County forwarded \$5,944,412 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,042,971 of the local tax revenue to finance County operations, a 1.0% increase over the prior year. Other revenues included charges for service of \$1,063,507, operating grants, contributions and restricted interest of \$3,832,656, capital grants, contributions and restricted interest of \$193,044, local option sales tax of \$210,406, grants and contributions not restricted to specific purpose of \$31,371, unrestricted investment earnings of \$81,012 and other general revenues of \$64,328.

Expenses for County operations totaled \$7,551,362, a 4.2% increase over the prior year. Expenses included \$3,099,392 for roads and transportation, \$1,210,352 for physical health and social services and \$1,189,977 for mental health.

A copy of the audit report is available for review in 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, 2008**

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**Decatur County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
J. R. Cornett	Board of Supervisors	Jan 2009
Gary Coffelt	Board of Supervisors	Jan 2009
Larry Eastin	Board of Supervisors	Jan 2011
Bill Greenwood	County Auditor	Resigned
Tiffani M. Edwards (Appointed)	County Auditor	Nov 2008
Mary Andrew	County Treasurer	Jan 2011
Gale Norman	County Recorder	Jan 2011
Herbert Muir	County Sheriff	Jan 2009
Lisa Hynden Jeanes	County Attorney	Jan 2011
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, 2008, 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.

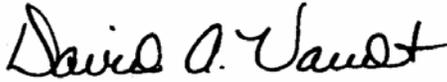
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2008, and the respective changes in financial position 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 March 10, 2009 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 13 and 38 through 41 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 seven years ended June 30, 2007 (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

March 10, 2009

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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, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- The County's governmental activities revenues increased 1.1%, or approximately \$83,000, from fiscal 2007 to fiscal 2008. Capital grants, contributions and restricted interest decreased approximately \$322,000 while operating grants, contributions and restricted interest increased approximately \$351,000 and charges for service increased approximately \$79,000.
- The County's governmental activities expenses increased 4.2%, or approximately \$303,000, from fiscal 2007 to fiscal 2008.
- The County's net assets decreased 0.25%, or approximately \$32,000, from June 30, 2007 to June 30, 2008.
- During the course of the year, the County issued general obligation debt of \$80,669. Proceeds from this issuance were used to finance the purchase of an upgrade to the County's data processing system.
- Expenses in the physical health and social services function increased 18.7%, or approximately \$191,000, and mental health function expenses increased 8.6%, or approximately \$94,000.

### **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 two 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) 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 few.

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 were virtually unchanged from a year ago, decreasing from \$12,678,806 to \$12,646,739. The analysis that follows focuses on the changes in the net assets of governmental activities.

	Net Assets of Governmental Activities	
	(Expressed in Thousands)	
	June 30,	
	2008	2007
Current and other assets	\$ 4,972	4,713
Capital assets	10,450	10,561
Total assets	15,422	15,274
Long-term liabilities	128	107
Other liabilities	2,647	2,488
Total liabilities	2,775	2,595
Net assets:		
Invested in capital assets, net of related debt	10,450	10,561
Restricted	1,443	1,223
Unrestricted	754	895
Total net assets	\$ 12,647	12,679

Net assets of Decatur County's governmental activities decreased 0.25% (\$12.65 million compared to \$12.68 million). The largest portion of the County's net assets is invested in capital assets (land, infrastructure, buildings and equipment).

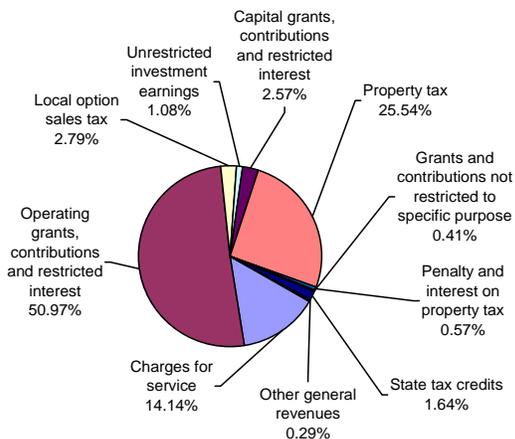
Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net assets increased 18%, or approximately \$220,000, primarily due to an increase in the amount restricted for road purposes.

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 \$894,769 at June 30, 2007 to \$753,602 at the end of this year, a decrease of 15.8%. This decrease is primarily due to a decrease in the General and Rural Services Fund balances.

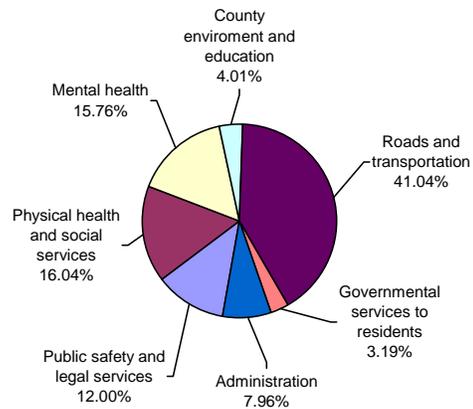
Changes in Net Assets of Governmental Activities  
(Expressed in Thousands)

	Year ended June 30,	
	2008	2007
Revenues:		
Program revenues:		
Charges for service	\$ 1,063	984
Operating grants, contributions and restricted interest	3,833	3,482
Capital grants, contributions and restricted interest	193	515
General revenues:		
Property tax	1,920	1,880
Penalty and interest on property tax	43	32
State tax credits	123	142
Local option sales tax	210	222
Grants and contributions not restricted to specific purpose	31	-
Unrestricted investment earnings	81	104
Gain on disposition of capital assets	-	45
Other general revenues	22	30
Total revenues	<u>7,519</u>	<u>7,436</u>
Program expenses:		
Public safety and legal services	906	843
Physical health and social services	1,211	1,020
Mental health	1,190	1,096
County environment and education	303	310
Roads and transportation	3,099	3,158
Governmental services to residents	241	220
Administration	601	600
Interest on long-term debt	-	1
Total expenses	<u>7,551</u>	<u>7,248</u>
Increase (decrease) in net assets	(32)	188
Net assets beginning of year	<u>12,679</u>	<u>12,491</u>
Net assets end of year	<u>\$ 12,647</u>	<u>12,679</u>

**Revenues by Source**



**Expenses by Function**



For the fiscal year ended June 30, 2008, the revenues from governmental activities totaled approximately \$7,519,000, an increase of 1.1% from the prior year. An increase in charges for service and operating grants, contributions and restricted interest, primarily related to public health services was offset by a decrease in capital grants, contributions and restricted interest due to fewer road projects that utilized farm to market funding. Property tax revenues account for 25.5% of the governmental activities revenues.

In fiscal 2008, the urban tax rate was \$8.09471 per \$1,000 of taxable valuation compared to the fiscal 2007 rate of \$8.1574 per \$1,000 of taxable valuation. The rural tax rate in fiscal 2008 was \$10.86695 per \$1,000 of taxable valuation compared to the fiscal 2007 tax rate of \$10.7879 per \$1,000 of taxable valuation.

The cost of all governmental activities this year was approximately \$7.6 million compared to approximately \$7.2 million last year. Most of the increase can be attributed to an increase in DECAT and other public health spending. Special funding was made available to the local DECAT Board to provide additional services to children and families. Additional funding was also provided for tobacco enforcement, bio-terrorism and medicaid services.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Decatur County completed the year, its governmental funds reported a combined fund balance of \$2,277,513, an increase of \$90,028 over last year's total of \$2,187,485. Following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund balance decreased \$96,439, or 11.5%, from the prior year, primarily due to expenditures exceeding revenues during the year. The County also transferred \$37,500 during the year to the Special Revenue, SIRWA Water Grid Fund. The transfer was pursuant to a joint financing agreement between the Southern Iowa Rural Water Association (SIRWA) and nine counties, including Decatur County, for improvements to the water utility system at Gooseberry Lake. Decatur County's share of the improvement is \$62,500.
- The Mental Health Fund balance decreased \$6,212, or 9%, from the prior year. Mental Health Fund expenditures increased from \$1,099,423 in fiscal 2007 to \$1,176,131 in fiscal 2008, primarily due to the negotiated payment of disputed billings that date back several years.
- The Rural Services Fund balance decreased \$55,628. An increase in revenues of 1.5% was offset by an increase in expenditures of 9.5%. The Board has opted to utilize the existing fund balance to keep increases in tax askings to a minimum.
- The Secondary Roads Fund balance increased \$167,598, or 18.3%, over the prior year. Revenues from road use tax and FEMA grants increased, causing an overall increase of 3.7% in revenues, while expenditures decreased 4.9%.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Decatur County amended its budget two times. The first amendment was made in August 2007 and resulted in an increase in budgeted disbursements of \$490,141. The primary reason for this amendment was to allow for the expansion of the juvenile tracking program and other public health services and to allow for depot restoration disbursements in the Secondary Roads Department.

The second amendment was made in April 2008 and resulted in an increase in budgeted disbursements of \$334,944. This amendment was primarily to allow for replacement of a Sheriff's vehicle and increased fuel costs in the Sheriff's Department, increased cost related to the DECAT program and payment of settled disputed mental health claims.

The County's receipts were \$70,710 less than budgeted, a variance of approximately .94%. Total disbursements were \$416,397 less than the amended budget. Actual disbursements for all functions came in less than budgeted. This was partially due to disbursements for various grants budgeted at the maximum allowed under the grant, while some programs did not require the full amount of the grant. In other cases, potential projects initially planned were later scrapped because of timing and/or staffing issues.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2008, Decatur County had \$10,450,325 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 \$111,049, or 1.1%, below last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2008	2007
Land	\$ 2,612	2,612
Construction in progress	-	287
Buildings and improvements	1,417	1,246
Equipment and vehicles	1,486	1,734
Infrastructure	4,935	4,682
Total	<u>\$ 10,450</u>	<u>10,561</u>

The County had depreciation expense of \$551,835 in fiscal 2008 and total accumulated depreciation of \$3,937,553 at June 30, 2008. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### **Long-Term Debt**

At June 30, 2008, Decatur County had no general obligation debt outstanding. During the year, the County issued new debt to finance continued upgrades to the County's data processing system. This upgrade was part of a two year project that included other general and essential purpose activities. The County was able to retire that debt in the current year. This practice of borrowing funds when needed and paying off as funds are available was authorized by the Board of Supervisors at the start of the project in 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, 2006 valuations, Decatur County's constitutional debt limit is \$15,306,899. 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 2009 budget, tax rates and the fees charged for various County activities. Property valuations are key to what services the County can provide. The Board of Supervisors has always been mindful of the need to provide cost efficient services with the resources available.

## **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.

**Decatur County**

## **Basic Financial Statements**

**Exhibit A**

Decatur County  
Statement of Net Assets  
June 30, 2008

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 2,085,106
Receivables:	
Property tax:	
Delinquent	13,438
Succeeding year	2,140,000
Interest and penalty on property tax	33,001
Accounts	15,065
Accrued interest	3,191
Due from other governments	421,726
Inventories	260,079
Capital assets - nondepreciable	2,611,644
Capital assets - depreciable (net)	7,838,681
<b>Total assets</b>	<u>15,421,931</u>
<b>Liabilities</b>	
Accounts payable	122,573
Salaries and benefits payable	148,204
Due to other governments	236,880
Deferred revenue:	
Succeeding year property tax	2,140,000
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	102,130
Portion due or payable after one year:	
Compensated absences	25,405
<b>Total liabilities</b>	<u>2,775,192</u>
<b>Net Assets</b>	
Invested in capital assets	10,450,325
Restricted for:	
Supplemental levy purposes	216,205
Mental health purposes	62,561
Secondary roads purposes	1,022,989
Debt service	7,203
Other purposes	133,854
Unrestricted	753,602
<b>Total net assets</b>	<u>\$ 12,646,739</u>

See notes to financial statements.

Decatur County  
Statement of Activities  
Year ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 906,207	61,246	9,786	-	(835,175)
Physical health and social services	1,210,352	400,823	788,971	-	(20,558)
Mental health	1,189,977	248,908	599,811	-	(341,258)
County environment and education	302,797	42,796	35,697	-	(224,304)
Roads and transportation	3,099,372	124,918	2,398,391	193,044	(383,019)
Governmental services to residents	241,301	175,684	-	-	(65,617)
Administration	601,289	9,132	-	-	(592,157)
Interest on long-term debt	67	-	-	-	(67)
<b>Total</b>	<b>\$ 7,551,362</b>	<b>1,063,507</b>	<b>3,832,656</b>	<b>193,044</b>	<b>(2,462,155)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					1,849,951
Debt service					70,321
Penalty and interest on property tax					42,524
State tax credits					122,699
Local option sales tax					210,406
Grants and contributions not restricted to specific purpose					31,371
Unrestricted investment earnings					81,012
Miscellaneous					21,804
<b>Total general revenues</b>					<b>2,430,088</b>
Change in net assets					(32,067)
Net assets beginning of year					12,678,806
Net assets end of year					<b>\$ 12,646,739</b>

See notes to financial statements.

Decatur County  
Balance Sheet  
Governmental Funds

June 30, 2008

	General	Mental Health
<b>Assets</b>		
Cash and pooled investments	\$ 645,007	284,886
Receivables:		
Property tax:		
Delinquent	8,830	2,229
Succeeding year	1,491,000	301,000
Interest and penalty on property tax	33,001	-
Accounts	13,699	-
Accrued interest	2,795	-
Due from other funds	-	-
Due from other governments	198,601	17,993
Inventories	-	-
	<b>Total assets</b>	<b>606,108</b>
	<b>\$ 2,392,933</b>	<b>606,108</b>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 30,212	5,727
Salaries and benefits payable	73,434	13,879
Due to other funds	905	96
Due to other governments	11,145	220,534
Deferred revenue:		
Succeeding year property tax	1,491,000	301,000
Other	41,829	2,228
Total liabilities	1,648,525	543,464
Fund balances:		
Reserved for:		
Supplemental levy purposes	223,067	-
Debt service	-	-
Unreserved, reported in:		
General fund	521,341	-
Special revenue funds	-	62,644
Total fund balances	744,408	62,644
	<b>Total liabilities and fund balances</b>	<b>606,108</b>
	<b>\$ 2,392,933</b>	<b>606,108</b>

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
229,964	776,802	148,447	2,085,106
1,862	-	517	13,438
347,000	-	1,000	2,140,000
-	-	-	33,001
12	1,339	15	15,065
-	240	156	3,191
-	2,262	-	2,262
24,178	177,147	3,807	421,726
-	260,079	-	260,079
<u>603,016</u>	<u>1,217,869</u>	<u>153,942</u>	<u>4,973,868</u>
2,871	78,623	5,140	122,573
3,838	54,115	2,938	148,204
1,261	-	-	2,262
-	1,394	3,807	236,880
347,000	-	1,000	2,140,000
1,862	-	517	46,436
<u>356,832</u>	<u>134,132</u>	<u>13,402</u>	<u>2,696,355</u>
-	-	-	223,067
-	-	6,686	6,686
-	-	-	521,341
246,184	1,083,737	133,854	1,526,419
<u>246,184</u>	<u>1,083,737</u>	<u>140,540</u>	<u>2,277,513</u>
<u>603,016</u>	<u>1,217,869</u>	<u>153,942</u>	<u>4,973,868</u>

**Decatur County**

Decatur County

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

June 30, 2008

**Total governmental fund balances (page 19)** \$ 2,277,513

***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 governmental funds. The cost of assets is \$14,387,878 and the accumulated depreciation is \$3,937,553. 10,450,325

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 46,436

Compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds. (127,535)

**Net assets of governmental activities (page 16)** \$ 12,646,739

See notes to financial statements.

Decatur County

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

Year ended June 30, 2008

	General	Mental Health
Revenues:		
Property and other county tax	\$ 1,193,877	301,338
Interest and penalty on property tax	34,997	-
Intergovernmental	1,224,335	851,169
Licenses and permits	2,659	-
Charges for service	257,242	1,323
Use of money and property	74,709	16,010
Miscellaneous	35,243	79
Total revenues	<u>2,823,062</u>	<u>1,169,919</u>
Expenditures:		
Operating:		
Public safety and legal services	761,270	-
Physical health and social services	1,230,851	-
Mental health	-	1,176,131
County environment and education	159,018	-
Roads and transportation	-	-
Governmental services to residents	232,955	-
Administration	578,576	-
Debt service	-	-
Capital projects	-	-
Total expenditures	<u>2,962,670</u>	<u>1,176,131</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(139,608)</u>	<u>(6,212)</u>
Other financing sources (uses):		
General obligation loan proceeds	80,669	-
Operating transfers in	-	-
Operating transfers out	(37,500)	-
Total other financing sources (uses)	<u>43,169</u>	<u>-</u>
Net change in fund balances	(96,439)	(6,212)
Fund balances beginning of year	840,847	68,856
Fund balances end of year	<u>\$ 744,408</u>	<u>62,644</u>

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
560,005	-	72,570	2,127,790
-	-	-	34,997
26,635	2,399,781	73,553	4,575,473
-	830	-	3,489
-	413	38,962	297,940
-	4,356	1,948	97,023
636	122,862	20,988	179,808
587,276	2,528,242	208,021	7,316,520
125,570	-	9,953	896,793
-	-	10,593	1,241,444
-	-	-	1,176,131
80,548	-	62,353	301,919
36,798	2,689,724	-	2,726,522
5,972	-	1,177	240,104
-	-	-	578,576
-	-	80,736	80,736
-	64,936	-	64,936
248,888	2,754,660	164,812	7,307,161
338,388	(226,418)	43,209	9,359
-	-	-	80,669
-	394,016	37,500	431,516
(394,016)	-	-	(431,516)
(394,016)	394,016	37,500	80,669
(55,628)	167,598	80,709	90,028
301,812	916,139	59,831	2,187,485
246,184	1,083,737	140,540	2,277,513

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, 2008

**Net change in fund balances - Total governmental funds (page 23)** \$ 90,028

***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 and contributed capital assets in the current year, as follows:

Expenditures for capital assets	\$ 247,742	
Capital assets contributed by the Iowa Department of Transportation	193,044	
Depreciation expense	<u>(551,835)</u>	(111,049)

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

Property tax	2,204	
Other	<u>7,527</u>	9,731

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. 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. Current year repayments and issues are as follows:

Issued	(80,669)	
Repaid	<u>80,669</u>	-

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 the governmental funds.

(20,777)

**Change in net assets of governmental activities (page 17)** \$ (32,067)

See notes to financial statements.

Decatur County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2008

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 459,343
Other County officials	2,276
Receivables:	
Property tax:	
Delinquent	40,774
Succeeding year	5,630,000
Accounts	10,703
Accrued interest	162
Assessments	14,285
<b>Total assets</b>	<b>6,157,543</b>

**Liabilities**

Accounts payable	16,300
Salaries and benefits payable	5,771
Due to other governments	6,123,790
Trusts payable	11,682
<b>Total liabilities</b>	<b>6,157,543</b>

<b>Net assets</b>	\$ -
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See notes to financial statements.

Decatur County

Notes to Financial Statements

June 30, 2008

**(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 that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: 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 jointly governed organizations: the Wayne, Ringgold and Decatur County Solid Waste Management Commission, Southern Iowa Resource Conservation and Development Area, Inc., Southern Iowa Rural Water Association 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 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:

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 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 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 financial statements:

Cash and Pooled Investments – 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.

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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

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, 2008, 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 acquired after July 1, 2003 (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 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 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, 2008. 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 financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. 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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2008 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.

Investments are stated at fair value. Securities traded on a national or international exchange are value at the last reported sales price at current exchange rates.

At June 30, 2008, the County had the following investments:

Type	Fair Value	Maturity
Equity Index Annuity	<u>\$ 418,981</u>	October 2027

The above investment does not appear to be an allowable investment in accordance with Chapter 12B.10 of the Code of Iowa.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,553,156 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, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Secondary Roads	General	\$ 905
	Special Revenue: Mental Health	96
	Rural Services	<u>1,261</u>
Total		<u>\$ 2,262</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, 2008 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: SIRWA Water Grid	General	\$ 37,500
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>394,016</u>
Total		<u>\$ 431,516</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, 2008 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	287,222	351,286	638,508	-
Total capital assets not being depreciated	<u>2,898,866</u>	<u>351,286</u>	<u>638,508</u>	<u>2,611,644</u>
Capital assets being depreciated:				
Buildings	1,238,267	208,291	-	1,446,558
Improvements other than buildings	364,897	-	-	364,897
Equipment and vehicles	4,453,354	70,500	10,693	4,513,161
Infrastructure, road network	5,002,401	449,217	-	5,451,618
Total capital assets being depreciated	<u>11,058,919</u>	<u>728,008</u>	<u>10,693</u>	<u>11,776,234</u>
Less accumulated depreciation for:				
Buildings	299,264	29,462	-	328,726
Improvements other than buildings	57,565	8,620	-	66,185
Equipment and vehicles	2,719,098	318,146	10,693	3,026,551
Infrastructure, road network	320,484	195,607	-	516,091
Total accumulated depreciation	<u>3,396,411</u>	<u>551,835</u>	<u>10,693</u>	<u>3,937,553</u>
Total capital assets being depreciated, net	<u>7,662,508</u>	<u>176,173</u>	<u>-</u>	<u>7,838,681</u>
Governmental activities capital assets, net	<u>\$ 10,561,374</u>	<u>527,459</u>	<u>638,508</u>	<u>10,450,325</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 28,525
Physical health and social services	12,667
Mental health	13,538
County environment and education	14,748
Roads and transportation	461,535
Administration	<u>20,822</u>
Total depreciation expense - governmental activities	<u>\$ 551,835</u>

**(6) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 11,145
Special Revenue:		
Mental Health	Services	220,534
Secondary Roads		1,394
Emergency Medical Systems		3,807
		<u>225,735</u>
Total for governmental funds		\$ <u>236,880</u>
Agency:		
County Assessor	Collections	\$ 231,738
Schools		3,546,288
Community Colleges		144,725
Corporations		1,185,272
Townships		117,227
Auto License and Use Tax		117,345
All other		781,195
Total for agency funds		\$ <u>6,123,790</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	General Obligation Loan	Compen- sated Absences	Total
Balance beginning of year	\$ -	106,758	106,758
Increases	80,669	171,654	252,323
Decreases	80,669	150,877	231,546
Balance end of year	\$ -	127,535	127,535
Due within one year	\$ -	102,130	102,130

General Obligation Loan

In February 2006, the County entered into a general obligation loan agreement, not to exceed \$225,000, with a June 30, 2007 initial maturity date and interest of 4.25% per annum, which was extended through June 30, 2008, for the acquisition of computer equipment for county offices.

During the year ended June 30, 2008, the County borrowed \$80,669 to purchase computer equipment and made principal and interest payments of \$80,669 and \$67, respectively.

**(8) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% of covered salary during the current year. 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, 2008, 2007 and 2006 were \$181,117, \$155,496 and \$144,401, respectively, equal to the required contributions for each year.

**(9) 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, 2008, which covers exposures of specific losses in excess of \$750,000, with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers compensation, and in excess of \$400,000 per occurrence, up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general liability, police professional, errors and omissions 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, 2008, 2007 and 2006, 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, 2008, 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, 2008 were \$235,367.

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.

**(10) Southern Iowa Rural Water Association (SIRWA) Agreement**

On May 23, 2005, the County entered into a 28E agreement with SIRWA and nine other counties to provide joint financing of certain water development facilities at Gooseberry Lake to enable SIRWA to withdraw water sufficient to supply treated water to portions of SIRWA's rural water distribution system. Pursuant to the agreement, SIRWA will obtain a loan for \$500,000 to cover the initial costs. Liability for repayment of the loan will be borne by the respective parties (counties) to the agreement. Decatur County's share of the debt is 12.5%, or \$62,500. Each participant is required to establish a SIRWA Grid sinking and reserve fund, into which there shall be appropriated from the participant's General Fund sufficient funds to pay the principal and interest on the loan. During the year ended June 30, 2008, the County established the Special Revenue, SIRWA Water Grid Fund and transferred \$37,500 from the General Fund to this fund in compliance with the 28E agreement. At June 30, 2008, no debt has been issued by SIRWA and, accordingly, a liability has not been reflected in the County's financial statements.

**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, 2008

	<u>Actual</u>
Receipts:	
Property and other county tax	\$ 2,143,109
Interest and penalty on property tax	35,138
Intergovernmental	4,682,923
Licenses and permits	3,489
Charges for service	285,249
Use of money and property	102,881
Miscellaneous	183,983
Total receipts	<u>7,436,772</u>
Disbursements:	
Public safety and legal services	911,351
Physical health and social services	1,356,424
Mental health	1,243,112
County environment and education	214,883
Roads and transportation	2,691,635
Governmental services to residents	240,033
Administration	585,254
Debt service	80,736
Capital projects	67,339
Total disbursements	<u>7,390,767</u>
Excess (deficiency) of receipts over (under) disbursements	46,005
Other financing sources, net	<u>80,669</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	126,674
Balance beginning of year	<u>1,958,432</u>
Balance end of year	<u>\$ 2,085,106</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
2,083,073	2,083,073	60,036
30,600	30,600	4,538
3,959,690	4,839,722	(156,799)
2,963	2,963	526
255,030	255,030	30,219
133,700	134,000	(31,119)
146,175	162,094	21,889
<u>6,611,231</u>	<u>7,507,482</u>	<u>(70,710)</u>
897,277	928,305	16,954
1,077,137	1,410,210	53,786
991,437	1,281,474	38,362
317,934	319,809	104,926
2,513,732	2,722,232	30,597
257,966	271,766	31,733
601,086	622,858	37,604
75,000	100,000	19,264
250,510	150,510	83,171
<u>6,982,079</u>	<u>7,807,164</u>	<u>416,397</u>
(370,848)	(299,682)	345,687
-	75,670	4,999
(370,848)	(224,012)	350,686
1,902,022	1,953,440	4,992
<u>1,531,174</u>	<u>1,729,428</u>	<u>355,678</u>

Decatur County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,436,772	(120,252)	7,316,520
Expenditures	7,390,767	(83,606)	7,307,161
Net	46,005	(36,646)	9,359
Other financing sources, net	80,669	-	80,669
Beginning fund balances	1,958,432	229,053	2,187,485
Ending fund balances	\$ 2,085,106	192,407	2,277,513

See accompanying independent auditor's report.

Decatur County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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 ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, 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, two budget amendments increased budgeted disbursements by \$825,085. 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, 2008, disbursements did not exceed the amounts budgeted.

**Decatur County**

**Other Supplementary Information**

Decatur County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2008

	Special Revenue				
	County Recorder's Records Management	Resource Enhance- ment and Protection	Little River Lake Improvement	Structure Operation and Main- tenance	Emergency Medical Systems
<b>Assets</b>					
Cash and pooled investments	\$ 7,544	13,479	35,692	5,085	1,851
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	-	-	-	-	10
Accrued interest	12	2	-	-	-
Due from other governments	-	-	-	-	3,807
<b>Total assets</b>	<b>\$ 7,556</b>	<b>13,481</b>	<b>35,692</b>	<b>5,085</b>	<b>5,668</b>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Accounts payable	\$ -	-	5,140	-	-
Salaries and benefits payable	-	-	2,938	-	-
Due to other governments	-	-	-	-	3,807
Deferred revenue:					
Succeeding year property tax	-	-	-	-	-
Other	-	-	-	-	-
Total liabilities	-	-	8,078	-	3,807
Fund equity:					
Fund balances:					
Reserved for debt service	-	-	-	-	-
Unreserved	7,556	13,481	27,614	5,085	1,861
Total fund equity	7,556	13,481	27,614	5,085	1,861
<b>Total liabilities and fund equity</b>	<b>\$ 7,556</b>	<b>13,481</b>	<b>35,692</b>	<b>5,085</b>	<b>5,668</b>

See accompanying independent auditor's report.

Special Law Enforcement Proceeds	TIF #1	County Attorney Forfeiture	JRC Asset	SIRWA Water Grid	Courthouse Repair	Debt Service	Total
3,207	-	1,746	31,072	38,031	4,121	6,619	148,447
-	-	-	-	-	-	517	517
-	1,000	-	-	-	-	-	1,000
5	-	-	-	-	-	-	15
-	-	-	-	68	7	67	156
-	-	-	-	-	-	-	3,807
<u>3,212</u>	<u>1,000</u>	<u>1,746</u>	<u>31,072</u>	<u>38,099</u>	<u>4,128</u>	<u>7,203</u>	<u>153,942</u>
-	-	-	-	-	-	-	5,140
-	-	-	-	-	-	-	2,938
-	-	-	-	-	-	-	3,807
-	1,000	-	-	-	-	-	1,000
-	-	-	-	-	-	517	517
-	<u>1,000</u>	-	-	-	-	<u>517</u>	<u>13,402</u>
-	-	-	-	-	-	6,686	6,686
<u>3,212</u>	-	<u>1,746</u>	<u>31,072</u>	<u>38,099</u>	<u>4,128</u>	-	<u>133,854</u>
<u>3,212</u>	-	<u>1,746</u>	<u>31,072</u>	<u>38,099</u>	<u>4,128</u>	<u>6,686</u>	<u>140,540</u>
<u>3,212</u>	<u>1,000</u>	<u>1,746</u>	<u>31,072</u>	<u>38,099</u>	<u>4,128</u>	<u>7,203</u>	<u>153,942</u>

Decatur County

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

Year ended June 30, 2008

	Special Revenue				
	County Recorder's Records Management	Resource Enhancement and Protection	Little River Lake Improvement	Structure Operation and Maintenance	Emergency Medical Systems
Revenues:					
Property and other county tax	\$ -	-	-	-	-
Intergovernmental	-	15,052	11,395	-	10,448
Charges for service	1,866	-	37,096	-	-
Use of money and property	219	343	-	-	-
Miscellaneous	-	-	10,635	-	900
Total revenues	2,085	15,395	59,126	-	11,348
Expenditures:					
Operating:					
Public safety and legal services	-	-	-	-	-
Physical health and social services	-	-	-	-	10,593
County environment and education	-	2,920	57,105	-	-
Governmental services to residents	1,177	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	1,177	2,920	57,105	-	10,593
Excess (deficiency) of revenues over (under) expenditures	908	12,475	2,021	-	755
Other financing sources:					
Operating transfers in	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	908	12,475	2,021	-	755
Fund balances beginning of year	6,648	1,006	25,593	5,085	1,106
Fund balances end of year	\$ 7,556	13,481	27,614	5,085	1,861

See accompanying independent auditor's report.

Special Law Enforcement Proceeds	TIF #1	County Attorney Forfeiture	JRC Asset	SIRWA Water Grid	Courthouse Repair	Debt Service	Total
-	2,328	-	-	-	-	70,242	72,570
1,000	-	-	31,072	-	-	4,586	73,553
-	-	-	-	-	-	-	38,962
-	-	-	-	599	149	638	1,948
6,928	-	2,525	-	-	-	-	20,988
7,928	2,328	2,525	31,072	599	149	75,466	208,021
9,174	-	779	-	-	-	-	9,953
-	-	-	-	-	-	-	10,593
-	2,328	-	-	-	-	-	62,353
-	-	-	-	-	-	-	1,177
-	-	-	-	-	-	80,736	80,736
9,174	2,328	779	-	-	-	80,736	164,812
(1,246)	-	1,746	31,072	599	149	(5,270)	43,209
-	-	-	-	37,500	-	-	37,500
(1,246)	-	1,746	31,072	38,099	149	(5,270)	80,709
4,458	-	-	-	-	3,979	11,956	59,831
3,212	-	1,746	31,072	38,099	4,128	6,686	140,540

Decatur County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	1,157	91,418	73,423	2,795
Other County officials	2,276	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	386	982	24,865	930
Succeeding year	-	60,000	144,000	3,448,000	141,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 2,276</b>	<b>61,543</b>	<b>236,400</b>	<b>3,546,288</b>	<b>144,725</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	2	-	-
Salaries and benefits payable	-	-	4,660	-	-
Due to other governments	639	61,543	231,738	3,546,288	144,725
Trusts payable	1,637	-	-	-	-
<b>Total liabilities</b>	<b>\$ 2,276</b>	<b>61,543</b>	<b>236,400</b>	<b>3,546,288</b>	<b>144,725</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Other	Total
24,494	2,500	117,345	146,211	459,343
-	-	-	-	2,276
8,778	727	-	4,106	40,774
1,152,000	114,000	-	571,000	5,630,000
-	-	-	10,703	10,703
-	-	-	162	162
-	-	-	14,285	14,285
<u>1,185,272</u>	<u>117,227</u>	<u>117,345</u>	<u>746,467</u>	<u>6,157,543</u>
-	-	-	16,298	16,300
-	-	-	1,111	5,771
1,185,272	117,227	117,345	719,013	6,123,790
-	-	-	10,045	11,682
<u>1,185,272</u>	<u>117,227</u>	<u>117,345</u>	<u>746,467</u>	<u>6,157,543</u>

Decatur County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 4,149	53,169	228,361	3,459,719	129,748
Additions:					
Property and other county tax	-	60,347	144,130	3,455,307	141,217
State tax credits	-	3,427	8,720	220,321	8,269
Office fees and collections	208,602	-	-	-	-
Auto licenses, use tax, postage and driver license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	210,985	-	-	-	-
Miscellaneous	-	-	753	-	-
Total additions	419,587	63,774	153,603	3,675,628	149,486
Deductions:					
Agency remittances:					
To other funds	105,542	-	-	-	-
To other governments	103,490	55,400	145,564	3,589,059	134,509
Trusts paid out	212,428	-	-	-	-
Total deductions	421,460	55,400	145,564	3,589,059	134,509
Balances end of year	\$ 2,276	61,543	236,400	3,546,288	144,725

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Other	Total
1,177,368	112,977	111,099	745,820	6,022,410
1,106,919	115,151	-	560,548	5,583,619
76,690	6,918	-	36,448	360,793
-	-	-	-	208,602
-	-	1,565,874	-	1,565,874
-	-	-	14,285	14,285
-	-	-	-	210,985
-	-	-	524,365	525,118
1,183,609	122,069	1,565,874	1,135,646	8,469,276
-	-	66,142	-	171,684
1,175,705	117,819	1,493,486	985,006	7,800,038
-	-	-	149,993	362,421
1,175,705	117,819	1,559,628	1,134,999	8,334,143
1,185,272	117,227	117,345	746,467	6,157,543

Decatur County

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

For the Last Eight Years

	2008	2007	2006	Modified 2005
<b>Revenues:</b>				
Property and other county tax	\$ 2,127,790	2,104,850	1,999,784	1,877,163
Interest and penalty on property tax	34,997	31,338	32,839	34,739
Intergovernmental	4,575,473	4,199,531	3,887,731	3,443,926
Licenses and permits	3,489	4,431	2,182	1,423
Charges for service	297,940	270,620	291,073	201,075
Use of money and property	97,023	109,774	97,725	71,165
Miscellaneous	179,808	210,735	154,284	121,849
<b>Total</b>	<b>\$ 7,316,520</b>	<b>6,931,279</b>	<b>6,465,618</b>	<b>5,751,340</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 896,793	841,586	800,104	750,691
Physical health and social services	1,241,444	1,008,891	947,087	262,646
Mental health	1,176,131	1,099,423	1,036,031	984,180
County environment and education	301,919	300,666	246,993	294,236
Roads and transportation	2,726,522	2,808,097	2,709,029	2,333,815
Governmental services to residents	240,104	218,865	356,007	231,351
Administration	578,576	581,694	571,962	485,066
Debt service	80,736	68,090	76,325	73,226
Capital projects	64,936	123,954	130,190	116,314
<b>Total</b>	<b>\$ 7,307,161</b>	<b>7,051,266</b>	<b>6,873,728</b>	<b>5,531,525</b>

See accompanying independent auditor's report.

Accrual Basis			
2004	2003	2002	2001
1,876,026	1,799,344	1,792,627	1,661,809
35,514	35,918	41,588	34,660
3,692,694	3,642,197	3,487,548	3,457,653
1,928	1,088	1,258	2,138
215,488	171,324	148,214	128,807
47,470	52,372	93,532	164,907
145,044	168,066	171,776	98,268
6,014,164	5,870,309	5,736,543	5,548,242
729,783	713,309	762,979	600,532
241,225	222,525	282,426	287,817
1,401,743	1,569,514	1,393,662	876,500
271,347	242,942	226,864	296,113
2,863,419	2,408,685	2,166,778	2,225,251
203,776	192,437	190,211	169,997
503,373	471,991	487,619	445,162
74,972	75,000	75,138	75,000
100,150	88,127	95,925	330,855
6,389,788	5,984,530	5,681,602	5,307,227

**Decatur County**



**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, 2008, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 10, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Decatur County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Decatur County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Decatur County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Decatur County's financial statements that is more than inconsequential will not be prevented or detected by Decatur County's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Decatur County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A) and (B) are material weaknesses.

#### 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, 2008 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.

Decatur County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Decatur County's responses and, accordingly, we express no opinion on them.

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

March 10, 2009

Decatur County

Schedule of Findings

Year ended June 30, 2008

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- (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:
- (1) Treasurer – The duties of opening and listing mail receipts, collecting, depositing, posting, daily reconciling, maintaining the detailed accounts receivable listing and custodian of change fund are not segregated. Bank accounts are not reconciled monthly by an individual who does not handle cash and are not reviewed periodically by an independent person for propriety. Also, a list of checks received in the mail is not periodically completed and compared with receipts listed. A change fund for the Treasurer's Office is shared among employees.
  - (2) Recorder – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. Bank reconciliations are not reviewed periodically by an independent person for propriety. A list of receipts received in the mail is not prepared by the person opening the mail. Also, the person who signs checks is not independent of the person approving disbursements, handling cash, recording cash receipts and preparing checks.
  - (3) Sheriff – The duties of opening and listing mail receipts, collecting, depositing, posting, daily reconciling and custodian of change fund are not segregated. Bank accounts are reconciled monthly, but no evidence of review exists to identify an independent person has reviewed the reconciliation for propriety. Also, a list of checks received in the mail is periodically completed, but is not reviewed by an independent individual.
  - (4) Secondary Roads – The duties of collecting, depositing, posting and daily reconciling are not segregated. There is a lack of segregation of duties between purchasing, recording, reconciling and custody of assets.
  - (5) Conservation – Duties of collecting and listing receipts for camping fees are not segregated and an initial listing is not completed and used to reconcile the amount collected to the cash receipt recorded.
  - (6) Public Health – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. A restrictive endorsement is not placed on checks immediately upon receipt.

Decatur County

Schedule of Findings

Year ended June 30, 2008

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 –

Treasurer – The office will do its best with the limited number of employees to segregate duties in the Treasurer’s Office. Check listing will be done by different employees and reconciliation of bank accounts will be reviewed by financial administrator in Auditor’s Office.

Recorder – Since there are only two employees in the office, it is difficult to segregate duties. When both employees are in the office, the Recorder opens the mail. When checks are written, the Deputy writes the checks and the Recorder will sign the checks. Both employees write receipts and collect money from customers and from the mail. Every receipt is posted in the Fee Book, and in the computer. Both employees sell hunting and fishing license from the ELSI machine and the receipts are stapled to the daily receipts from the legal documents the Recorder’s office record. The bank statements will be reconciled by one employee and will be reviewed and initialed by the other employee.

Sheriff –A log will be made of incoming checks and on a random basis, will be checked against receipt records by someone other than the person preparing the list. The Sheriff will review and initial bank reconciliations after review.

Secondary Roads – The secondary roads office will continue to try to segregate these duties in the future.

Conservation – The Conservation Board will segregate duties as much as possible.

Public Health – The office will obtain and use a restrictive endorsement stamp and will work to create sufficient overview of the daily and monthly activities.

Conclusions –

Sheriff, Secondary Roads, Conservation and Public Health – Responses accepted.

Treasurer and Recorder – Responses acknowledged. Officials in these offices should continue to review the operating procedures to obtain the maximum internal control possible under the circumstances.

- (B) Financial Reporting – During the audit, we identified material amounts of capital asset additions not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Decatur County

Schedule of Findings

Year ended June 30, 2008

Recommendation – The County should implement procedures to ensure all capital asset additions are properly identified and included in the County’s financial statements.

Response – We will revisit our policies and tighten controls over existing policies.

Conclusion – Response accepted.

(C) Accounting Procedures Manuals – We encourage the development of office procedures and standardized accounting manuals for all County offices. These manuals should provide the following benefits:

- (1) Aid to training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so that they will not have to be made each time the same, or similar, situation arises.

Recommendation – Office procedures and accounting manuals should be prepared for all County offices.

Responses –

Treasurer – The Department of Transportation has online and written procedure manuals for both Motor Vehicle and Driver License. The software accounting procedures are well documented and available online and written. The office will develop job descriptions and document decisions made when procedural questions arise.

Auditor – We are currently working on an all office procedures manual which will include decisions made on specific procedural issues.

Recorder – The office will create a manual for each position.

Sheriff – The office will prepare a procedures manual for personnel, outlining the daily, weekly, monthly, quarterly, and year end procedures.

Conclusions –

Auditor, Recorder, Sheriff – Responses accepted.

Treasurer – Response acknowledged. A manual should be prepared addressing all office procedures, including decisions made on specific procedural issues.

(D) Capital Assets Inventory – The capital assets listing was not reviewed periodically during the year ended June 30, 2008 to verify whether assets on the listing existed or all assets were included on the capital asset list.

Decatur County

Schedule of Findings

Year ended June 30, 2008

Recommendation – A person who does not have responsibility for capital assets or maintenance of the capital asset listing should periodically verify assets on the list to ensure they exist and all capital assets are included on the list.

Response – An annual review of the capital assets list by the County Auditor and/or her designee for verification will be implemented.

Conclusion – Response accepted.

- (E) 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.
- ownership of in-house developed software and data.

Also, the County does not have a written disaster recovery plan or have written confirmation 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 the County’s system could be replaced in a timely manner.

Response – The County is currently working on a policy manual which includes the concerns listed above.

Conclusion – Response accepted.

- (F) County Sheriff – Book balances are not reconciled to the trust account listings.

Recommendation – Book balances should be reconciled at the end of each month to a list of trusts on hand.

Response – Employees will go back to find what is causing the balance not to be reconciled.

Conclusion – Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2008

- (G) Credit Cards – The County maintains credit cards for use by various employees while on County business. The County has not adopted a formal policy to regulate the use of credit cards and to establish procedures for acquiring new credit cards.

Recommendation – The County should adopt a formal written policy to regulate the use of County credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the procedures for acquiring credit cards.

Response – A policy will be put in place with the completion of the policy manual.

Conclusion – Response accepted.

- (H) Compensatory Time – County employees earn compensatory time for hours worked over forty hours per week. The County has not adopted a formal policy to regulate employee compensatory time earned and used.

Recommendation – The County should adopt a formal written policy to regulate earned compensatory time. The policy, at a minimum, should address who is eligible for compensatory time, how compensatory time can be earned, the maximum amount of compensatory time that can be carried at any one time and the amount of compensatory time that can be carried forward from one fiscal year to the next.

Response – The County is currently in the process of implementing a compensation time plan for all departments not already covered under a plan. This will be included with the completion of the policy manual.

Conclusion – Response accepted.

- (I) Grant Reimbursement – The County was awarded a grant for Phase 2 of the Leon Depot Transportation Enhancement project. As of January 8, 2009, a reimbursement request had not been submitted for eligible expenditures incurred between July 1, 2007 and June 30, 2008.

Recommendation – The County should develop and implement procedures to ensure grant reimbursement requests are filed timely.

Response – The Secondary Roads Department will review the grants and determine why the request for reimbursement was not done and correct the delay in the future.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Decatur County

Schedule of Findings

Year ended June 30, 2008

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.
- (2) 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.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Matt Boyd, owner of Boyd Construction LLC, nephew of Co. Supervisor Larry Eastin	Leon Train Depot Restoration Project	\$ 20,400
Johnny Boyd, owner of ORIS PLC, nephew of Co. Supervisor Larry Eastin	Architect for Leon Train Depot Restoration Project	8,383
Gary Boswell, Sheriff’s Reserve Officer, owner of Boswell Guns & Ammo	Ammunition and guns	2,366
Monte Hamilton, owner of Hamilton Service, brother of Secondary Road Department employee	Auto repair	1,247
Larry Richard, part owner of Decatur Medical Services, husband of Connie Richards, Public Health Home Care Aide	Medical services	568
Ronnie Joe Bethards, employee of Secondary Road Department	Lawn service	280
Dave Higdon, owner of Dave’s Auto Body, husband of Sandy Higdon, Deputy Auditor	Auto repair	261

In accordance with Chapter 331.342(3) of the Code of Iowa, the transactions with Matt Boyd do not appear to represent a conflict of interest since the transactions were competitively bid.

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with ORIS PLC and Boswell Guns & Ammo may represent conflicts of interest since the total transactions exceed \$1,500 during the year and the transactions were not competitively bid.

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Hamilton Service, Decatur Medical Services, Ronnie Joe Bethards and Dave’s Auto Body do not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the year.

Decatur County

Schedule of Findings

Year ended June 30, 2008

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

Response – Legal counsel is determining the disposition of this matter. For any transactions exceeding the value of \$1,500 where a relative of a County employee is a potential vendor, competitive bids will be sought.

Conclusion – Response accepted.

- (5) 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.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the official Conservation Board meeting minutes were not properly signed.

Recommendation – The official minutes of Conservation Board meetings should be signed to authenticate the actions taken.

Response – The minutes of each meeting will be signed after approval.

Conclusion – Response accepted.

- (7) Deposits and Investments – Except as noted, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

The County invested in an Equity Index Annuity with an original purchase price of \$350,000. The investment does not appear to be allowable in accordance with Chapter 12B.10 of the Code of Iowa.

Recommendation – The County should consult legal counsel to determine disposition of the annuity investment.

Response – The County has consulted with the County Attorney to determine disposition of this annuity investment. The Treasurers Office will be more informed with investments.

Conclusion – Response accepted.

- (8) 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).

Decatur County

Schedule of Findings

Year ended June 30, 2008

- (9) Nepotism and Potential Conflict of Interest – Chapter 71.1 of the Code of Iowa states, in part:

“It shall hereafter be unlawful for any person elected or appointed to any public office or position under the laws of the state or by virtue of the ordinance of any city in the state, to appoint as deputy, clerk, or helper in said office or position to be paid from the public funds, any person related by consanguinity or affinity, within the third degree, to the person elected, appointed, or making said appointment, unless such appointment shall first be approved by the officer, board, council or commission whose duty it is to approve the bond of the principal; provided this provision shall not apply in cases where such person appointed receives compensation at the rate of six hundred dollars per year or less. . . .”

The Conservation Board did not formally approve hiring the following relatives of the County Conservation Director as required by Chapter 71 of the Code of Iowa:

Name and County Relative	Position Held or Work Performed	Amount
Mark Erke, Father is Richard Erke, County Conservation Director	Brush clearing	\$ 850
April Erke, Father is Richard Erke, County Conservation Director	Website design and domain registration	650

Recommendation – The County should consult legal counsel to determine the disposition of this matter. The County should implement procedures to require Board approval prior to hiring relatives of County employees to ensure compliance with Chapter 71 of the Code of Iowa.

Response – Any hiring of County employees will be done with Board approval. Any potential job candidates having family relationship to existing County employees will be disclosed to ensure compliance with Chapter 71 of the Code of Iowa.

Conclusion – Response accepted.

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

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

Response – The Board of Supervisors is in the process of reviewing all the County ordinances. The Board plans to carry out the requirements set forth in Chapter 331.302(9) of Code of Iowa regarding the compilation of County ordinances for the current fiscal year.

Conclusion – Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2008

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

Disbursements during the year ended June 30, 2008 for the County Extension Office did not exceed the amount budgeted.

- (12) County Extension Office Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a standpoint, are not performed by the same employee. This segregation of duties help to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the County Extension Office may have control over collecting, depositing and reconciling receipts. Bank reconciliations are not prepared by an independent person. Also, reconciliations are not reviewed periodically by an independent person for propriety.

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

Response – The office will make every effort to segregate duties and review entries however, it is difficult to segregate duties with limited staff. The office will create a receipt log with overview. The office will also perform independent review of reconciliations and bank records.

Conclusion – Response accepted.

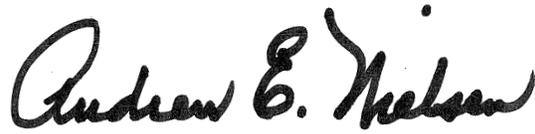
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Decatur County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Donald J. Lewis, CPA, Senior Auditor  
Timothy D. Houlette, CPA, Senior Auditor II  
Paula J. Smothers, Staff Auditor  
Jeana R. Muhlbauer, Assistant Auditor  
Stephanie A. Sissel, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State