



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____

March 19, 2010

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 \$8,491,712 for the year ended June 30, 2009, which included \$538,653 in tax credits from the state. The County forwarded \$6,202,761 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,288,951 of the local tax revenue to finance County operations, a 12% increase over the prior year. Other revenues included charges for service of \$1,120,395, operating grants, contributions and restricted interest of \$3,838,903, capital grants, contributions and restricted interest of \$2,285,069, local option sales tax of \$194,886, unrestricted investment earnings of \$18,317 and other general revenues of \$125,969.

Expenses for County operations totaled \$7,657,877, a 1.4% increase over the prior year. Expenses included \$3,248,082 for roads and transportation, \$1,234,886 for physical health and social services and \$1,079,104 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/index.html>.

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DECATUR COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2009

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Decatur County

Officials

(Before January 2009)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------|----------------------|---------------------|
| Gary Coffelt | Board of Supervisors | Jan 2009 |
| J. R. Cornett | Board of Supervisors | Jan 2009 |
| Larry Eastin | Board of Supervisors | Jan 2011 |
| Tiffani M. Edwards | 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 |

(After January 2009)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------|----------------------|---------------------|
| Larry Eastin | Board of Supervisors | Jan 2011 |
| Morris Boswell | Board of Supervisors | Jan 2012 |
| J. R. Cornett | Board of Supervisors | Jan 2012 |
| Tiffani M. Edwards | County Auditor | Jan 2012 |
| Mary Andrew | County Treasurer | Jan 2011 |
| Gale Norman | County Recorder | Jan 2011 |
| Herbert Muir | County Sheriff | Jan 2012 |
| 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, 2009, 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.

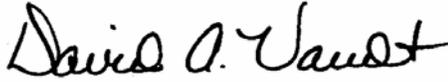
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2009, 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 4, 2010 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 40 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 eight years ended June 30, 2008 (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 4, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- The County's governmental activities revenues increased 31.29%, or approximately \$2,353,000, from fiscal 2008 to fiscal 2009. Capital grants, contributions and restricted interest increased approximately \$2,092,000 while property tax increased approximately \$232,000.
- The County's governmental activities expenses increased 1.42%, or approximately \$107,000, from fiscal 2008 to fiscal 2009. Roads and transportation expenses increased 4.81%, or approximately \$149,000, while mental health expenses decreased 9.33%, or approximately \$111,000.
- The County's net assets increased 17.51%, or approximately \$2,214,000, from June 30, 2008 to June 30, 2009.

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 increased from approximately \$12.6 million to approximately \$14.9 million. 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, | |
| | 2009 | 2008 |
| Current and other assets | \$ 5,156 | 4,972 |
| Capital assets | 12,445 | 10,450 |
| Total assets | <u>17,601</u> | <u>15,422</u> |
| Long-term liabilities | 136 | 128 |
| Other liabilities | 2,604 | 2,647 |
| Total liabilities | <u>2,740</u> | <u>2,775</u> |
| Net assets: | | |
| Invested in capital assets | 12,445 | 10,450 |
| Restricted | 1,777 | 1,443 |
| Unrestricted | <u>639</u> | <u>754</u> |
| Total net assets | <u>\$ 14,861</u> | <u>12,647</u> |

Net assets of Decatur County's governmental activities increased 17.51% (\$12,647,000 compared to \$14,861,000). The largest portion of the County's net assets is invested in capital assets (land, infrastructure, buildings and equipment). Net assets invested in capital assets increased approximately \$1,995,000.

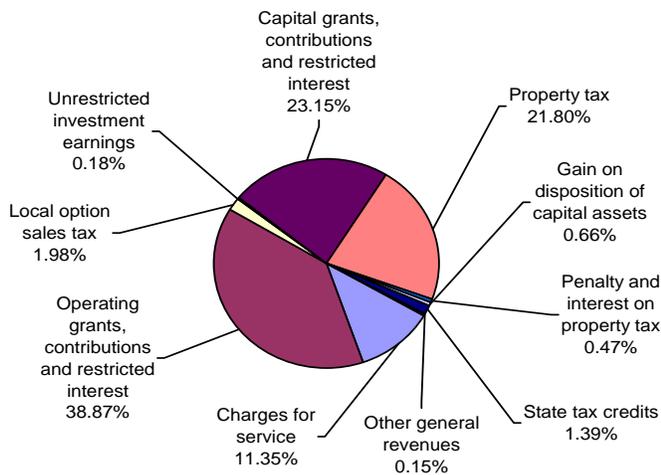
Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net assets increased 23.15%, or approximately \$334,000, primarily due to an increase in revenues associated with FEMA disaster grants and an increase in supplemental levy revenue.

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 approximately \$754,000 at June 30, 2008 to approximately \$639,000 at the end of this year, a decrease of 15.3%. This decrease is primarily due to a decrease in the Rural Services Fund and Secondary Roads Fund balances as a result of increased expenditures for roadway maintenance.

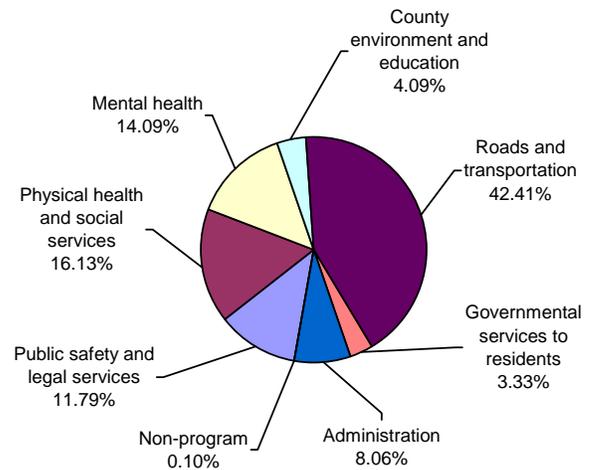
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

| | Year ended June 30, | |
|---|---------------------|---------------|
| | 2009 | 2008 |
| Revenues: | | |
| Program revenues: | | |
| Charges for service | \$ 1,120 | 1,063 |
| Operating grants, contributions and restricted interest | 3,839 | 3,833 |
| Capital grants, contributions and restricted interest | 2,285 | 193 |
| General revenues: | | |
| Property tax | 2,152 | 1,920 |
| Penalty and interest on property tax | 46 | 43 |
| State tax credits | 137 | 123 |
| Local option sales tax | 195 | 210 |
| Grants and contributions not restricted to specific purpose | - | 31 |
| Unrestricted investment earnings | 18 | 81 |
| Gain on disposition of capital assets | 65 | - |
| Other general revenues | 15 | 22 |
| Total revenues | 9,872 | 7,519 |
| Program expenses: | | |
| Public safety and legal services | 903 | 906 |
| Physical health and social services | 1,235 | 1,211 |
| Mental health | 1,079 | 1,190 |
| County environment and education | 313 | 303 |
| Roads and transportation | 3,248 | 3,099 |
| Governmental services to residents | 255 | 241 |
| Administration | 617 | 601 |
| Non-program | 8 | - |
| Total expenses | 7,658 | 7,551 |
| Increase (decrease) in net assets | 2,214 | (32) |
| Net assets beginning of year | 12,647 | 12,679 |
| Net assets end of year | \$ 14,861 | 12,647 |

Revenues by Source



Expenses by Function



Decatur County's net assets of governmental activities increased approximately \$2,214,000 during the year. Revenues for governmental activities totaled approximately \$9,872,000, an increase of 31.29% over the prior year. An increase in capital grants, contributions and restricted interest of approximately \$2,092,000 was primarily due to contributions for roads from the State of Iowa to Decatur County. Property tax revenues account for 21.8% of the governmental activities revenues.

In fiscal 2009, the urban tax rate was \$9.01260 per \$1,000 of taxable valuation compared to the fiscal 2008 rate of \$8.09471 per \$1,000 of taxable valuation. The rural tax rate in fiscal 2009 was \$11.68847 per \$1,000 of taxable valuation compared to the fiscal 2008 tax rate of \$10.86695 per \$1,000 of taxable valuation.

The cost of all governmental activities this year was approximately \$7.7 million compared to approximately \$7.6 million last year. Most of the increase can be attributed to an increase in roads and transportation as well as a decrease in funding to the local DECAT Board. Decatur County received notice in September 2008 the DECAT governance board was ending the program due to a lack of funding.

INDIVIDUAL MAJOR FUND ANALYSIS

As Decatur County completed the year, its governmental funds reported a combined fund balance of \$2,297,225, an increase of \$19,712 over last year's total of \$2,227,513. Following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$231,000, or 8.2%, over the prior year. The ending fund balance increased approximately \$79,000 over the prior year to approximately \$823,000.
- The Mental Health Fund balance increased approximately \$62,000, or 98.4%, over the prior year. Mental Health Fund expenditures decreased from approximately \$1,176,000 in fiscal 2008 to approximately \$1,097,000 in fiscal 2009, primarily due to the negotiated payment of disputed billings dating back several years paid in fiscal 2008.
- The Rural Services Fund balance decreased \$87,961. A decrease in revenues of 2.2% was combined with an increase in expenditures of 2.2%. The Board has opted to utilize the existing fund balance to keep increases in tax askings to a minimum.
- The Secondary Roads Fund balance decreased \$46,224, or 4.3%, from the prior year. Revenues from FEMA disaster grants decreased, causing an overall decrease of 2.3% in revenues, while an increase in expenditures of 6.3% was caused by road repair and equipment purchases.

BUDGETARY HIGHLIGHTS

Over the course of the year, Decatur County amended its budget two times. The first amendment was made in April 2009 and resulted in a decrease in budgeted disbursements of \$1,852. The primary reason for this amendment was to increase expenses for elections, conservation projects and secondary roads equipment and to decrease the amounts budgeted for public health grant programs and planned capital projects.

The second amendment was made in May 2009 and resulted in an increase in budgeted disbursements of \$104,000. This amendment was primarily to allow for an increase in roadway maintenance, equipment operations and tools/equipment purchases.

The County's receipts were \$79,579 less than budgeted, a variance of approximately 1.05%. Total disbursements were \$542,805 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, 2009, Decatur County had approximately \$12.4 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$1,995,000, or 19.1%, above last year.

| Capital Assets of Governmental Activities at Year End (Expressed in Thousands) | | |
|--|------------------|---------------|
| | June 30, | |
| | 2009 | 2008 |
| Land | \$ 2,612 | 2,612 |
| Construction in progress | 2,261 | - |
| Buildings and improvements | 1,378 | 1,417 |
| Equipment and vehicles | 1,460 | 1,486 |
| Infrastructure | 4,734 | 4,935 |
| Total | <u>\$ 12,445</u> | <u>10,450</u> |
| This year's major additions included (in thousands): | | |
| Capital assets contributed by the Iowa Department of Transportation | \$ 2,203 | |
| Replacement of a motor grader, two dump trucks and other secondary roads equipment | 165 | |
| County Sheriff and mental health vehicles | 43 | |
| Replacement of the courthouse heating and cooling system | 17 | |
| Construction of the Slip Bluff campground shower | 58 | |
| Total | <u>\$ 2,486</u> | |

The County had depreciation expense of \$549,702 in fiscal 2009 and total accumulated depreciation of \$4,215,997 at June 30, 2009. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2009, Decatur County had no general obligation debt outstanding.

Additional information about the County's long-term liabilities 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 2010 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. Amounts available for appropriation in the fiscal year 2010 operating budget are approximately \$7,640,638, a decrease of 6.9% under the final fiscal year 2009 budget. If these estimates are realized, Decatur County's operating fund balances are expected to decrease from approximately \$1,954,854 to approximately \$1,556,559 by the close of fiscal year 2010.

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, 2009

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Cash and pooled investments | \$ 1,954,854 |
| Receivables: | |
| Property tax: | |
| Delinquent | 18,520 |
| Succeeding year | 2,323,000 |
| Interest and penalty on property tax | 43,471 |
| Accounts | 7,937 |
| Accrued interest | 534 |
| Due from other governments | 490,497 |
| Inventories | 317,182 |
| Capital assets - nondepreciable | 4,872,810 |
| Capital assets - depreciable (net) | 7,572,418 |
| Total assets | <u>17,601,223</u> |
| Liabilities | |
| Accounts payable | 117,169 |
| Salaries and benefits payable | 25,684 |
| Due to other governments | 138,516 |
| Deferred revenue: | |
| Succeeding year property tax | 2,323,000 |
| Long-term liabilities: | |
| Portion due or payable within one year: | |
| Compensated absences | 127,252 |
| Portion due or payable after one year: | |
| Compensated absences | 8,250 |
| Total liabilities | <u>2,739,871</u> |
| Net Assets | |
| Invested in capital assets | 12,445,228 |
| Restricted for: | |
| Supplemental levy purposes | 332,194 |
| Mental health purposes | 126,650 |
| Secondary roads purposes | 1,164,590 |
| Debt service | 6,986 |
| Other purposes | 146,763 |
| Unrestricted | 638,941 |
| Total net assets | <u>\$ 14,861,352</u> |

See notes to financial statements.

Decatur County
Statement of Activities
Year ended June 30, 2009

| | 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 | |
| Functions/Programs: | | | | | |
| Governmental activities: | | | | | |
| Public safety and legal services | \$ 903,031 | 60,843 | 7,823 | - | (834,365) |
| Physical health and social services | 1,234,886 | 423,702 | 753,957 | - | (57,227) |
| Mental health | 1,079,104 | 208,107 | 630,566 | - | (240,431) |
| County environment and education | 313,486 | 41,491 | 92,132 | - | (179,863) |
| Roads and transportation | 3,248,082 | 222,792 | 2,354,425 | 2,285,069 | 1,614,204 |
| Governmental services to residents Administration | 254,718 617,028 | 154,457 9,003 | - - | - - | (100,261) (608,025) |
| Non-program | 7,542 | - | - | - | (7,542) |
| Total | \$ 7,657,877 | 1,120,395 | 3,838,903 | 2,285,069 | (413,510) |
| General Revenues: | | | | | |
| Property and other county tax levied for general purposes | | | | | 2,151,817 |
| Penalty and interest on property tax | | | | | 46,060 |
| State tax credits | | | | | 137,134 |
| Local option sales tax | | | | | 194,886 |
| Unrestricted investment earnings | | | | | 18,317 |
| Gain on disposal of capital assets | | | | | 64,637 |
| Miscellaneous | | | | | 15,272 |
| Total general revenues | | | | | 2,628,123 |
| Change in net assets | | | | | 2,214,613 |
| Net assets beginning of year | | | | | 12,646,739 |
| Net assets end of year | | | | | \$ 14,861,352 |

See notes to financial statements.

Decatur County
Balance Sheet
Governmental Funds

June 30, 2009

| | General | Special Revenue | |
|--|---------------------|-----------------|----------------|
| | | Mental Health | Rural Services |
| Assets | | | |
| Cash and pooled investments | \$ 701,841 | 264,838 | 123,381 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 13,434 | 2,709 | 2,377 |
| Succeeding year | 1,538,000 | 301,000 | 484,000 |
| Interest and penalty on property tax | 43,471 | - | - |
| Accounts | 3,880 | 305 | - |
| Accrued interest | 489 | - | - |
| Due from other funds | - | - | - |
| Due from other governments | 168,432 | 24,478 | 36,157 |
| Inventories | - | - | - |
| Total assets | \$ 2,469,547 | 593,330 | 645,915 |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 18,869 | 43,500 | 813 |
| Salaries and benefits payable | 11,495 | 2,495 | 558 |
| Due to other funds | 23 | 185 | 233 |
| Due to other governments | 21,851 | 115,377 | - |
| Deferred revenue: | | | |
| Succeeding year property tax | 1,538,000 | 301,000 | 484,000 |
| Other | 55,855 | 6,487 | 2,088 |
| Total liabilities | 1,646,093 | 469,044 | 487,692 |
| Fund balances: | | | |
| Reserved for: | | | |
| Supplemental levy purposes | 335,808 | - | - |
| Debt service | - | - | - |
| Unreserved, reported in: | | | |
| General fund | 487,646 | - | - |
| Special revenue funds | - | 124,286 | 158,223 |
| Total fund balances | 823,454 | 124,286 | 158,223 |
| Total liabilities and fund balances | \$ 2,469,547 | 593,330 | 645,915 |

See notes to financial statements.

| Secondary Roads | Nonmajor | Total |
|--------------------|----------------|------------------|
| 694,979 | 169,815 | 1,954,854 |
| - | - | 18,520 |
| - | - | 2,323,000 |
| - | - | 43,471 |
| 3,752 | - | 7,937 |
| 29 | 16 | 534 |
| 990 | 31,072 | 32,062 |
| 259,569 | 1,861 | 490,497 |
| 317,182 | - | 317,182 |
| <u>1,276,501</u> | <u>202,764</u> | <u>5,188,057</u> |
| 38,862 | 15,125 | 117,169 |
| 8,867 | 2,269 | 25,684 |
| - | 31,621 | 32,062 |
| 1,288 | - | 138,516 |
| - | - | 2,323,000 |
| 189,971 | - | 254,401 |
| <u>238,988</u> | <u>49,015</u> | <u>2,890,832</u> |
| - | - | 335,808 |
| - | 6,986 | 6,986 |
| - | - | 487,646 |
| <u>1,037,513</u> | <u>146,763</u> | <u>1,466,785</u> |
| <u>1,037,513</u> | <u>153,749</u> | <u>2,297,225</u> |
| <u>1,276,501</u> | <u>202,764</u> | <u>5,188,057</u> |

Decatur County

Decatur County

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

June 30, 2009

Total governmental fund balances (page 19) \$ 2,297,225

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 \$16,661,225 and the accumulated depreciation is \$4,215,997. 12,445,228

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 254,401

Compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds. (135,502)

Net assets of governmental activities (page 16) \$ 14,861,352

See notes to financial statements.

Decatur County

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

Year ended June 30, 2009

| | Special Revenue | | |
|---|-------------------|------------------|-------------------|
| | General | Mental Health | Rural Services |
| Revenues: | | | |
| Property and other county tax | \$ 1,493,890 | 301,280 | 545,558 |
| Interest and penalty on property tax | 35,961 | - | - |
| Intergovernmental | 1,250,775 | 837,076 | 27,834 |
| Licenses and permits | 4,142 | - | - |
| Charges for service | 217,184 | 2,007 | - |
| Use of money and property | 15,446 | 14,755 | - |
| Miscellaneous | 37,079 | 539 | 1,024 |
| Total revenues | <u>3,054,477</u> | <u>1,155,657</u> | <u>574,416</u> |
| Expenditures: | | | |
| Operating: | | | |
| Public safety and legal services | 737,764 | - | 142,935 |
| Physical health and social services | 1,209,320 | - | - |
| Mental health | - | 1,096,615 | - |
| County environment and education | 162,394 | - | 73,920 |
| Roads and transportation | - | - | 34,202 |
| Governmental services to residents | 251,706 | - | 3,444 |
| Administration | 594,887 | - | - |
| Non-program | 7,542 | - | - |
| Capital projects | - | - | - |
| Total expenditures | <u>2,963,613</u> | <u>1,096,615</u> | <u>254,501</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>90,864</u> | <u>59,042</u> | <u>319,915</u> |
| Other financing sources (uses): | | | |
| Sale of capital assets | 682 | 2,600 | - |
| Operating transfers in | - | - | - |
| Operating transfers out | (12,500) | - | (407,876) |
| Total other financing sources (uses) | <u>(11,818)</u> | <u>2,600</u> | <u>(407,876)</u> |
| Net change in fund balances | 79,046 | 61,642 | (87,961) |
| Fund balances beginning of year | <u>744,408</u> | <u>62,644</u> | <u>246,184</u> |
| Fund balances end of year | <u>\$ 823,454</u> | <u>124,286</u> | <u>158,223</u> |

See notes to financial statements.

| Secondary Roads | Nonmajor | Total |
|--------------------|----------|-----------|
| - | 1,255 | 2,341,983 |
| - | - | 35,961 |
| 2,335,390 | 73,796 | 4,524,871 |
| 410 | - | 4,552 |
| 431 | 41,137 | 260,759 |
| 1,701 | 964 | 32,866 |
| 133,320 | 24,170 | 196,132 |
| 2,471,252 | 141,322 | 7,397,124 |
| - | 8,865 | 889,564 |
| - | 10,649 | 1,219,969 |
| - | - | 1,096,615 |
| - | 121,099 | 357,413 |
| 2,900,081 | - | 2,934,283 |
| - | - | 255,150 |
| - | - | 594,887 |
| - | - | 7,542 |
| 27,697 | - | 27,697 |
| 2,927,778 | 140,613 | 7,383,120 |
| (456,526) | 709 | 14,004 |
| 2,426 | - | 5,708 |
| 407,876 | 43,572 | 451,448 |
| - | (31,072) | (451,448) |
| 410,302 | 12,500 | 5,708 |
| (46,224) | 13,209 | 19,712 |
| 1,083,737 | 140,540 | 2,277,513 |
| 1,037,513 | 153,749 | 2,297,225 |

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, 2009

Net change in fund balances - Total governmental funds (page 23) \$ 19,712

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

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

| | | |
|---|------------------|-----------|
| Expenditures for capital assets | \$ 282,912 | |
| Capital assets contributed by the Iowa Department of Transportation | 2,202,764 | |
| Depreciation expense | <u>(549,702)</u> | 1,935,974 |

In the Statement of Activities, the gain on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 58,929

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 | 3,985 | |
| Other | <u>203,980</u> | 207,965 |

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. (7,967)

Change in net assets of governmental activities (page 17) \$ 2,214,613

See notes to financial statements.

Decatur County
 Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2009

Assets

| | |
|------------------------------|------------------|
| Cash and pooled investments: | |
| County Treasurer | \$ 503,759 |
| Other County officials | 2,523 |
| Receivables: | |
| Property tax: | |
| Delinquent | 50,042 |
| Succeeding year | 5,830,000 |
| Accounts | 10,037 |
| Accrued interest | 21 |
| Assessments | 16,333 |
| Due from other governments | 9,425 |
| Total assets | <u>6,422,140</u> |

Liabilities

| | |
|-------------------------------|------------------|
| Accounts payable | 2,093 |
| Salaries and benefits payable | 1,155 |
| Due to other governments | 6,415,149 |
| Trusts payable | 3,743 |
| Total liabilities | <u>6,422,140</u> |

| | |
|-------------------|--------------------|
| Net assets | <u><u>\$ -</u></u> |
|-------------------|--------------------|

See notes to financial statements.

Decatur County

Notes to Financial Statements

June 30, 2009

(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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

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, 2009, 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, 2009. 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.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,069,972 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Agency Investment Trust is unrated for credit risk purposes.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2009 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---------------------------------------|-----------------------------------|------------------|
| Special Revenue: Secondary Roads | General | \$ 23 |
| | Special Revenue: Mental Health | 185 |
| | Rural Services | 233 |
| | Juvenile Tracking | 549 |
| Special Revenue: Juvenile Tracking | Special Revenue: JRC Asset | <u>31,072</u> |
| Total | | <u>\$ 32,062</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, 2009 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|---------------------------------------|------------------------------------|-------------------|
| Special Revenue: SIRWA Water Grid | General | \$ 12,500 |
| Special Revenue: Secondary Roads | Special Revenue: Rural Services | 407,876 |
| Special Revenue: Juvenile Tracking | Special Revenue: JRC Asset | <u>31,072</u> |
| Total | | <u>\$ 451,448</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, 2009 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|-----------|-----------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,611,644 | - | - | 2,611,644 |
| Construction in progress | - | 2,261,166 | - | 2,261,166 |
| Total capital assets not being depreciated | 2,611,644 | 2,261,166 | - | 4,872,810 |
| Capital assets being depreciated: | | | | |
| Buildings | 1,446,558 | - | - | 1,446,558 |
| Improvements other than buildings | 364,897 | - | - | 364,897 |
| Equipment and vehicles | 4,513,161 | 289,010 | 276,829 | 4,525,342 |
| Infrastructure, road network | 5,451,618 | - | - | 5,451,618 |
| Total capital assets being depreciated | 11,776,234 | 289,010 | 276,829 | 11,788,415 |
| Less accumulated depreciation for: | | | | |
| Buildings | 328,726 | 29,462 | - | 358,188 |
| Improvements other than buildings | 66,185 | 8,620 | - | 74,805 |
| Equipment and vehicles | 3,026,551 | 309,955 | 271,258 | 3,065,248 |
| Infrastructure, road network | 516,091 | 201,665 | - | 717,756 |
| Total accumulated depreciation | 3,937,553 | 549,702 | 271,258 | 4,215,997 |
| Total capital assets being depreciated, net | 7,838,681 | (260,692) | 5,571 | 7,572,418 |
| Governmental activities capital assets, net | \$ 10,450,325 | 2,000,474 | 5,571 | 12,445,228 |

Depreciation expense was charged to the following functions:

| | |
|--|------------|
| Governmental activities: | |
| Public safety and legal services | \$ 25,273 |
| Physical health and social services | 12,667 |
| Mental health | 17,197 |
| County environment and education | 14,748 |
| Roads and transportation | 458,995 |
| Administration | 20,822 |
| Total depreciation expense - governmental activities | \$ 549,702 |

(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:

| <u>Fund</u> | <u>Description</u> | <u>Amount</u> |
|------------------------------|--------------------|---------------------|
| General | Services | <u>\$ 21,851</u> |
| Special Revenue: | | |
| Mental Health | Services | 115,377 |
| Secondary Roads | | <u>1,288</u> |
| | | <u>116,665</u> |
| Total for governmental funds | | <u>\$ 138,516</u> |
| Agency: | | |
| County Assessor | Collections | \$ 237,647 |
| Schools | | 3,738,870 |
| Community Colleges | | 153,009 |
| Corporations | | 1,179,026 |
| Townships | | 123,891 |
| Auto License and Use Tax | | 131,095 |
| All other | | <u>851,611</u> |
| Total for agency funds | | <u>\$ 6,415,149</u> |

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

| | <u>Compensated Absences</u> |
|---------------------------|---------------------------------|
| Balance beginning of year | \$ 127,535 |
| Increases | 179,069 |
| Decreases | <u>171,102</u> |
| Balance end of year | <u>\$ 135,502</u> |
| Due within one year | <u>\$ 127,252</u> |

(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 4.10% of their annual covered salary and the County is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$200,880, \$181,117 and \$155,496, 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, 2009, 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, 2009, 2008 and 2007, 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, 2009, 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, 2009 were \$251,210.

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, 2009, the County transferred \$12,500 from the General Fund to this fund in compliance with the 28E agreement. The County has now transferred \$50,000 into the fund. At June 30, 2009, no debt has been issued by SIRWA and, accordingly, a liability has not been reflected in the County's financial statements.

Required Supplementary Information

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, 2009

| | Actual | Budgeted Amounts | | Final to Actual Variance |
|---|---------------------|------------------|------------------|--------------------------|
| | | Original | Final | |
| Receipts: | | | | |
| Property and other county tax | \$ 2,331,842 | 2,376,259 | 2,376,259 | (44,417) |
| Interest and penalty on property tax | 35,590 | 30,275 | 30,275 | 5,315 |
| Intergovernmental | 4,659,875 | 4,537,330 | 4,769,650 | (109,775) |
| Licenses and permits | 4,562 | 2,488 | 2,488 | 2,074 |
| Charges for service | 269,617 | 242,665 | 225,665 | 43,952 |
| Use of money and property | 35,468 | 114,338 | 39,338 | (3,870) |
| Miscellaneous | 194,867 | 167,725 | 167,725 | 27,142 |
| Total receipts | <u>7,531,821</u> | <u>7,471,080</u> | <u>7,611,400</u> | <u>(79,579)</u> |
| Disbursements: | | | | |
| Public safety and legal services | 914,570 | 947,194 | 945,497 | 30,927 |
| Physical health and social services | 1,236,441 | 1,376,090 | 1,288,678 | 52,237 |
| Mental health | 1,175,294 | 1,271,154 | 1,271,154 | 95,860 |
| County environment and education | 361,474 | 353,646 | 404,646 | 43,172 |
| Roads and transportation | 3,077,798 | 3,044,255 | 3,266,255 | 188,457 |
| Governmental services to residents | 260,954 | 272,939 | 283,654 | 22,700 |
| Administration | 606,011 | 647,160 | 647,160 | 41,149 |
| Non-program | 7,542 | - | 7,542 | - |
| Capital projects | 27,697 | 196,000 | 96,000 | 68,303 |
| Total disbursements | <u>7,667,781</u> | <u>8,108,438</u> | <u>8,210,586</u> | <u>542,805</u> |
| Excess (deficiency) of receipts over (under) disbursements | (135,960) | (637,358) | (599,186) | 463,226 |
| Other financing sources, net | 5,708 | - | - | 5,708 |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (130,252) | (637,358) | (599,186) | 468,934 |
| Balance beginning of year | <u>2,085,106</u> | <u>2,079,739</u> | <u>2,079,739</u> | <u>5,367</u> |
| Balance end of year | <u>\$ 1,954,854</u> | <u>1,442,381</u> | <u>1,480,553</u> | <u>474,301</u> |

See accompanying independent auditor's report.

Decatur County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2009

| | Governmental Funds | | |
|------------------------------|---------------------|-----------------------------|------------------------------|
| | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis |
| Revenues | \$ 7,531,821 | (134,697) | 7,397,124 |
| Expenditures | 7,667,781 | (284,661) | 7,383,120 |
| Net | (135,960) | 149,964 | 14,004 |
| Other financing sources, net | 5,708 | - | 5,708 |
| Beginning fund balances | 2,085,106 | 192,407 | 2,277,513 |
| Ending fund balances | <u>\$ 1,954,854</u> | <u>342,371</u> | <u>2,297,225</u> |

See accompanying independent auditor's report.

Decatur County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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 \$102,148. 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, 2009, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

Decatur County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2009

| | County Recorder's Records Management | Resource Enhance- ment and Protection | Little River Lake Improvement | Structure Operation and Main- tenance | Juvenile Tracking |
|--|---|--|-------------------------------------|--|----------------------|
| Assets | | | | | |
| Cash and pooled investments | \$ 9,282 | 9,979 | 48,720 | 5,085 | - |
| Accrued interest receivable | 1 | 6 | - | - | - |
| Due from other funds | - | - | - | - | 31,072 |
| Due from other governments | - | - | - | - | - |
| Total assets | \$ 9,283 | 9,985 | 48,720 | 5,085 | 31,072 |
| Liabilities and Fund Equity | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | - | 11,528 | - | 1,543 |
| Salaries and benefits payable | - | - | 370 | - | 1,859 |
| Due to other funds | - | - | - | - | 549 |
| Total liabilities | - | - | 11,898 | - | 3,951 |
| Fund equity: | | | | | |
| Fund balances: | | | | | |
| Reserved for debt service | - | - | - | - | - |
| Unreserved | 9,283 | 9,985 | 36,822 | 5,085 | 27,121 |
| Total fund equity | 9,283 | 9,985 | 36,822 | 5,085 | 27,121 |
| Total liabilities and fund equity | \$ 9,283 | 9,985 | 48,720 | 5,085 | 31,072 |

See accompanying independent auditor's report.

| Special Revenue | | | | | | | | | |
|---------------------------------|---|--------|----------------------------------|--------------|------------------------|----------------------|-----------------|---------|--|
| Emergency Medical Systems | Special Law Enforcement Proceeds | TIF #1 | County Attorney Forfeiture | JRC Asset | SIRWA Water Grid | Courthouse Repair | Debt Service | Total | |
| 1,832 | 52 | - | 1,619 | 31,072 | 51,016 | 4,173 | 6,985 | 169,815 | |
| - | - | - | - | - | 8 | - | 1 | 16 | |
| - | - | - | - | - | - | - | - | 31,072 | |
| 1,861 | - | - | - | - | - | - | - | 1,861 | |
| 3,693 | 52 | - | 1,619 | 31,072 | 51,024 | 4,173 | 6,986 | 202,764 | |
| 2,054 | - | - | - | - | - | - | - | 15,125 | |
| 40 | - | - | - | - | - | - | - | 2,269 | |
| - | - | - | - | 31,072 | - | - | - | 31,621 | |
| 2,094 | - | - | - | 31,072 | - | - | - | 49,015 | |
| - | - | - | - | - | - | - | 6,986 | 6,986 | |
| 1,599 | 52 | - | 1,619 | - | 51,024 | 4,173 | - | 146,763 | |
| 1,599 | 52 | - | 1,619 | - | 51,024 | 4,173 | 6,986 | 153,749 | |
| 3,693 | 52 | - | 1,619 | 31,072 | 51,024 | 4,173 | 6,986 | 202,764 | |

Decatur County

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

Year ended June 30, 2009

| | County Recorder's Records Management | Resource Enhance- ment and Protection | Little River Lake Improvement | Structure Operation and Main- tenance | Juvenile Tracking |
|--|---|--|-------------------------------------|--|----------------------|
| Revenues: | | | | | |
| Property and other county tax | \$ - | - | - | - | - |
| Intergovernmental | - | 14,457 | 51,773 | - | - |
| Charges for service | 1,646 | - | 39,091 | - | - |
| Use of money and property | 81 | 113 | - | - | - |
| Miscellaneous | - | - | 20,122 | - | - |
| Total revenues | 1,727 | 14,570 | 110,986 | - | - |
| Expenditures: | | | | | |
| Operating: | | | | | |
| Public safety and legal services | - | - | - | - | - |
| Physical health and social services | - | - | - | - | 3,951 |
| County environment and education | - | 18,066 | 101,778 | - | - |
| Total expenditures | - | 18,066 | 101,778 | - | 3,951 |
| Excess (deficiency) of revenues over (under) expenditures | 1,727 | (3,496) | 9,208 | - | (3,951) |
| Other financing sources (uses): | | | | | |
| Operating transfers in | - | - | - | - | 31,072 |
| Operating transfers out | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | 31,072 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | 1,727 | (3,496) | 9,208 | - | 27,121 |
| Fund balances beginning of year | 7,556 | 13,481 | 27,614 | 5,085 | - |
| Fund balances end of year | \$ 9,283 | 9,985 | 36,822 | 5,085 | 27,121 |

See accompanying independent auditor's report.

| Special Revenue | | | | | | | | |
|-----------------|-------------|--------|------------|----------|--------|------------|---------|----------|
| Emergency | Special | | County | | SIRWA | | Debt | |
| Medical | Law | | Attorney | JRC | Water | Courthouse | Service | Total |
| Systems | Enforcement | TIF #1 | Forfeiture | Asset | Grid | Repair | | |
| | Proceeds | | | | | | | |
| - | - | 1,255 | - | - | - | - | - | 1,255 |
| 6,216 | 1,350 | - | - | - | - | - | - | 73,796 |
| - | 400 | - | - | - | - | - | - | 41,137 |
| - | - | - | - | - | 425 | 45 | 300 | 964 |
| 220 | 3,828 | - | - | - | - | - | - | 24,170 |
| 6,436 | 5,578 | 1,255 | - | - | 425 | 45 | 300 | 141,322 |
| - | 8,738 | - | 127 | - | - | - | - | 8,865 |
| 6,698 | - | - | - | - | - | - | - | 10,649 |
| - | - | 1,255 | - | - | - | - | - | 121,099 |
| 6,698 | 8,738 | 1,255 | 127 | - | - | - | - | 140,613 |
| (262) | (3,160) | - | (127) | - | 425 | 45 | 300 | 709 |
| - | - | - | - | - | 12,500 | - | - | 43,572 |
| - | - | - | - | (31,072) | - | - | - | (31,072) |
| - | - | - | - | (31,072) | 12,500 | - | - | 12,500 |
| (262) | (3,160) | - | (127) | (31,072) | 12,925 | 45 | 300 | 13,209 |
| 1,861 | 3,212 | - | 1,746 | 31,072 | 38,099 | 4,128 | 6,686 | 140,540 |
| 1,599 | 52 | - | 1,619 | - | 51,024 | 4,173 | 6,986 | 153,749 |

Decatur County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2009

| | County Offices | Agricultural Extension Education | County Assessor | Schools | Community Colleges |
|-------------------------------|-------------------|--|--------------------|------------------|-----------------------|
| Assets | | | | | |
| Cash and pooled investments: | | | | | |
| County Treasurer | \$ - | 1,582 | 89,270 | 90,309 | 3,737 |
| Other County officials | 2,523 | - | - | - | - |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | - | 539 | 1,298 | 30,561 | 1,272 |
| Succeeding year | - | 63,000 | 148,000 | 3,618,000 | 148,000 |
| Accounts | - | - | - | - | - |
| Accrued interest | - | - | - | - | - |
| Special assessments | - | - | - | - | - |
| Due from other governments | - | - | - | - | - |
| Total assets | \$ 2,523 | 65,121 | 238,568 | 3,738,870 | 153,009 |
| Liabilities | | | | | |
| Accounts payable | \$ - | - | 10 | - | - |
| Salaries and benefits payable | - | - | 911 | - | - |
| Due to other governments | 675 | 65,121 | 237,647 | 3,738,870 | 153,009 |
| Trusts payable | 1,848 | - | - | - | - |
| Total liabilities | \$ 2,523 | 65,121 | 238,568 | 3,738,870 | 153,009 |

See accompanying independent auditor's report.

| Corporations | Townships | Auto License and Use Tax | Other | Total |
|------------------|----------------|--------------------------|----------------|------------------|
| 33,749 | 2,939 | 131,095 | 151,078 | 503,759 |
| - | - | - | - | 2,523 |
| 10,277 | 952 | - | 5,143 | 50,042 |
| 1,135,000 | 120,000 | - | 598,000 | 5,830,000 |
| - | - | - | 10,037 | 10,037 |
| - | - | - | 21 | 21 |
| - | - | - | 16,333 | 16,333 |
| - | - | - | 9,425 | 9,425 |
| <u>1,179,026</u> | <u>123,891</u> | <u>131,095</u> | <u>790,037</u> | <u>6,422,140</u> |
| - | - | - | 2,083 | 2,093 |
| - | - | - | 244 | 1,155 |
| 1,179,026 | 123,891 | 131,095 | 785,815 | 6,415,149 |
| - | - | - | 1,895 | 3,743 |
| <u>1,179,026</u> | <u>123,891</u> | <u>131,095</u> | <u>790,037</u> | <u>6,422,140</u> |

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

Year ended June 30, 2009

| | County Offices | Agricultural Extension Education | County Assessor | Schools | Community Colleges |
|------------------------------------|-------------------|--|--------------------|-----------|-----------------------|
| Assets and Liabilities | | | | | |
| Balances beginning of year | \$ 2,276 | 61,543 | 236,400 | 3,546,288 | 144,725 |
| Additions: | | | | | |
| Property and other county tax | - | 63,080 | 148,650 | 3,628,486 | 148,856 |
| E911 surcharge | - | - | - | - | - |
| State tax credits | - | 3,895 | 9,382 | 223,025 | 9,188 |
| Drivers license fees | - | - | - | - | - |
| Office fees and collections | 154,611 | - | - | - | - |
| Auto licenses, use tax and postage | - | - | - | - | - |
| Assessments | - | - | - | - | - |
| Trusts | 51,838 | - | - | - | - |
| Miscellaneous | - | - | 1,778 | - | - |
| Total additions | 206,449 | 66,975 | 159,810 | 3,851,511 | 158,044 |
| Deductions: | | | | | |
| Agency remittances: | | | | | |
| To other funds | 83,822 | - | - | - | - |
| To other governments | 71,397 | 63,397 | 157,642 | 3,658,929 | 149,760 |
| Trusts paid out | 50,983 | - | - | - | - |
| Total deductions | 206,202 | 63,397 | 157,642 | 3,658,929 | 149,760 |
| Balances end of year | \$ 2,523 | 65,121 | 238,568 | 3,738,870 | 153,009 |

See accompanying independent auditor's report.

| Corpora- tions | Townships | Auto License and Use Tax | Other | Total |
|-------------------|-----------|-----------------------------------|-----------|-----------|
| 1,185,272 | 117,227 | 117,345 | 746,467 | 6,157,543 |
| 1,091,352 | 121,088 | - | 599,730 | 5,801,242 |
| - | - | - | 17,099 | 17,099 |
| 111,533 | 7,335 | - | 37,161 | 401,519 |
| - | - | 49,201 | - | 49,201 |
| - | - | - | - | 154,611 |
| - | - | 1,500,943 | - | 1,500,943 |
| - | - | - | 2,048 | 2,048 |
| - | - | - | - | 51,838 |
| - | - | - | 508,548 | 510,326 |
| 1,202,885 | 128,423 | 1,550,144 | 1,164,586 | 8,488,827 |
| - | - | 69,380 | - | 153,202 |
| 1,209,131 | 121,759 | 1,467,014 | 964,076 | 7,863,105 |
| - | - | - | 156,940 | 207,923 |
| 1,209,131 | 121,759 | 1,536,394 | 1,121,016 | 8,224,230 |
| 1,179,026 | 123,891 | 131,095 | 790,037 | 6,422,140 |

Decatur County

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

For the Last Nine Years

| | 2009 | 2008 | 2007 | 2006 |
|--------------------------------------|---------------------|------------------|------------------|------------------|
| Revenues: | | | | |
| Property and other county tax | \$ 2,341,983 | 2,127,790 | 2,104,850 | 1,999,784 |
| Interest and penalty on property tax | 35,961 | 34,997 | 31,338 | 32,839 |
| Intergovernmental | 4,524,871 | 4,575,473 | 4,199,531 | 3,887,731 |
| Licenses and permits | 4,552 | 3,489 | 4,431 | 2,182 |
| Charges for service | 260,759 | 297,940 | 270,620 | 291,073 |
| Use of money and property | 32,866 | 97,023 | 109,774 | 97,725 |
| Miscellaneous | 196,132 | 179,808 | 210,735 | 154,284 |
| Total | \$ 7,397,124 | 7,316,520 | 6,931,279 | 6,465,618 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | \$ 889,564 | 896,793 | 841,586 | 800,104 |
| Physical health and social services | 1,219,969 | 1,241,444 | 1,008,891 | 947,087 |
| Mental health | 1,096,615 | 1,176,131 | 1,099,423 | 1,036,031 |
| County environment and education | 357,413 | 301,919 | 300,666 | 246,993 |
| Roads and transportation | 2,934,283 | 2,726,522 | 2,808,097 | 2,709,029 |
| Governmental services to residents | 255,150 | 240,104 | 218,865 | 356,007 |
| Administration | 594,887 | 578,576 | 581,694 | 571,962 |
| Non-program | 7,542 | - | - | - |
| Debt service | - | 80,736 | 68,090 | 76,325 |
| Capital projects | 27,697 | 64,936 | 123,954 | 130,190 |
| Total | \$ 7,383,120 | 7,307,161 | 7,051,266 | 6,873,728 |

See accompanying independent auditor's report.

| Modified Accrual Basis | | | | |
|------------------------|-----------|-----------|-----------|-----------|
| 2005 | 2004 | 2003 | 2002 | 2001 |
| 1,877,163 | 1,876,026 | 1,799,344 | 1,792,627 | 1,661,809 |
| 34,739 | 35,514 | 35,918 | 41,588 | 34,660 |
| 3,443,926 | 3,692,694 | 3,642,197 | 3,487,548 | 3,457,653 |
| 1,423 | 1,928 | 1,088 | 1,258 | 2,138 |
| 201,075 | 215,488 | 171,324 | 148,214 | 128,807 |
| 71,165 | 47,470 | 52,372 | 93,532 | 164,907 |
| 121,849 | 145,044 | 168,066 | 171,776 | 98,268 |
| 5,751,340 | 6,014,164 | 5,870,309 | 5,736,543 | 5,548,242 |
| 750,691 | 729,783 | 713,309 | 762,979 | 600,532 |
| 262,646 | 241,225 | 222,525 | 282,426 | 287,817 |
| 984,180 | 1,401,743 | 1,569,514 | 1,393,662 | 876,500 |
| 294,236 | 271,347 | 242,942 | 226,864 | 296,113 |
| 2,333,815 | 2,863,419 | 2,408,685 | 2,166,778 | 2,225,251 |
| 231,351 | 203,776 | 192,437 | 190,211 | 169,997 |
| 485,066 | 503,373 | 471,991 | 487,619 | 445,162 |
| - | - | - | - | - |
| 73,226 | 74,972 | 75,000 | 75,138 | 75,000 |
| 116,314 | 100,150 | 88,127 | 95,925 | 330,855 |
| 5,531,525 | 6,389,788 | 5,984,530 | 5,681,602 | 5,307,227 |

Decatur County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2009, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 4, 2010. 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, 2009 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.

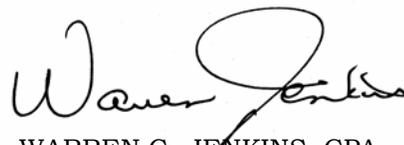
Decatur County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Decatur County's responses and, accordingly, we express no opinion on them.

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 4, 2010

Decatur County

Schedule of Findings

Year ended June 30, 2009

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 the change fund are not segregated. Bank accounts are not reconciled monthly by an individual who does not handle cash and the reconciliations 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 the change fund are not segregated. Also, a list of checks received in the mail is periodically completed, but is not reviewed by an independent individual.
 - (4) Secondary Roads Department – 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 Department – Duties of collecting and listing receipts for camping fees are not segregated and an initial listing is not completed and used to reconcile amounts collected to the cash receipts recorded.
 - (6) Public Health Department – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated.

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

Decatur County

Schedule of Findings

Year ended June 30, 2009

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 request the County Auditor’s office personnel to review financial reports and initial.

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.

Secondary Roads Department – The secondary roads department will continue to try to segregate these duties in the future with limited staff.

Conservation Department – The Conservation Board will segregate duties as much as possible with the limited staff available.

Public Health Department – The office will work to create sufficient overview of the daily and monthly activities.

Conclusions –

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

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

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

Decatur County

Schedule of Findings

Year ended June 30, 2009

Response – The County is currently implementing procedures to ensure all deferred revenues and capital asset additions and deletions are properly identified and included in the County’s financial statements.

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 in 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 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 – Office procedures and accounting manuals are in the planning process. We will attempt to get this project completed in the near future.

Auditor – The Auditor’s Office has recently added documentation to our computer *Documents and Settings* which includes all accounting procedure manuals.

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 –

Treasurer, Auditor, Recorder and Sheriff – Responses accepted.

(D) Capital Assets Inventory – The capital assets listing was not reviewed periodically during the year ended June 30, 2009 to verify whether assets on the listing existed or all assets were included on the capital asset list.

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 – Decatur County will enforce and designate an individual (Supervisor) to perform routine checks on all capital assets/inventory.

Conclusion – Response accepted.

Decatur County

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Year ended June 30, 2009

- (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 newly created policy manual covers usage of the internet, personal use of computer equipment and software. Each office has been advised to change password protection. We are currently discussing a disaster recovery plan.

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.

- (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.

Decatur County

Schedule of Findings

Year ended June 30, 2009

Response – We are currently working with the County Attorney to develop a credit card policy.

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 – Our new policy manual addresses compensatory time issue.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Decatur County

Schedule of Findings

Year ended June 30, 2009

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 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 |
|--|--|----------|
| Mark Tharp, husband of Clerk of Court Traci Tharp and nephew of Supervisor, owner of Tharp Construction | Remodeling and building repair | \$ 3,688 |
| Gary Boswell, Sheriff's Reserve Officer, owner of Boswell Guns and Ammo | Ammunition and guns | 2,302 |
| Bill Craig, father of Secondary Roads employee Mike Craig, owner of Craig Construction | Residential kitchen remodel – Conservation Director's home | 2,202 |
| Travis Jeanes, husband of County Attorney Lisa Hynden-Jeanes, owner of Jeanes Excavating | Services and rip rap work | 2,055 |
| Gene Olsen, Conservation Board Member, independent contractor | Slipps Bluff Shower House labor | 1,140 |
| Steve Fulkerson, husband of Deputy Recorder Lori Fulkerson, owner of M&M Welding | Welding supplies, steel and repair | 901 |
| Monte Hamilton, brother of Secondary Roads employee Merrill Hamilton, owner of Hamilton Service | Auto repair | 810 |
| Erin Burton, daughter of Deputy Treasurer Kathy Martin, owner of Toddler Junction Child Care | Child care services, empowerment | 675 |
| Tammy Martin, daughter-in-law of Deputy Treasurer Kathy Martin, owner of Country Kids Child Care | Child care services, empowerment | 653 |
| Mary Boswell, wife of Sheriff Reserve Officer Gary Boswell, mother of Deputy Ben Boswell, owner of Boswell Photography | Photography services – DECAT | 560 |
| Taylor Waddell, grandson of Conservation Board Member Ron Tellier, independent contractor | Dirt work labor | 240 |

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In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Tharp Construction, Boswell Guns and Ammo, Craig Construction and Jeanes Excavating may represent conflicts of interest since total transactions with each exceeded \$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 Gene Olsen, M&M Welding, Hamilton Service, Toddler Junction Child Care, Country Kids Child Care, Boswell Photography and Taylor Waddell do not appear to represent conflicts of interest since total transactions with each were less than \$1,500 during the year.

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

Response – The Board is seeking legal counsel to determine the disposition of this matter.

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 and some could not be obtained.

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

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

Conclusion – Response accepted.

- (7) 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, 2009

- (8) 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 relative of the County Conservation Director as required by Chapter 71 of the Code of Iowa:

| <u>Name and County Relative</u> | <u>Work Performed</u> | <u>Amount</u> |
|--|-----------------------|---------------|
| Mark Erke, Father is Richard Erke, County Conservation Director | Rip rap work | \$2,025 |

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

Conclusion – Response accepted.

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

Conclusion – Response accepted.

Decatur County

Schedule of Findings

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- (10) 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, 2009 for the County Extension Office did not exceed the amount budgeted.

- (11) 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.

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.

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.

Conclusion – Response accepted.

Decatur County

Staff

This audit was performed by:

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