



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

David A. Vaudt, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE March 31, 2003

Contact: Andy Nielsen
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The Office of Auditor of State today released an audit report on Decatur County, Iowa.

The County had local tax revenue of \$7,637,361 for the year ended June 30, 2002, which included \$704,853 in tax credits from the state. The County forwarded \$5,669,489 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$1,967,872 of the local tax revenue to finance County operations, a 6 percent increase from the prior year. Other revenues included \$2,700,336 from the state, including indirect federal funding, \$564,312 from direct federal grants and entitlements and \$81,716 in interest on investments.

Expenditures for County operations totaled \$5,681,602, a 7 percent increase from the prior year. Expenditures included \$2,166,778 for roads and transportation, \$1,393,662 for mental health and \$753,854 for public safety.

A copy of the audit report is available for review in the office of the Auditor of State and the County Auditor's office.

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DECATUR COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2002

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Decatur County

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Larry Eastin	Board of Supervisors	Jan 2003
Gary Stripe	Board of Supervisors	Jan 2005
Gary Ballantyne	Board of Supervisors	Resigned
J.R. Cornett (Elected)	Board of Supervisors	Jan 2005
Bill Greenwood	County Auditor	Jan 2005
Mary Andrew	County Treasurer	Jan 2003
Kenton McClaran	County Recorder	Jan 2003
Herbert Muir	County Sheriff	Jan 2005
Carol Clark	County Attorney	Jan 2003
James Fleming	County Assessor	Jan 2004

Decatur County



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Independent Auditor's Report

To the Officials of Decatur County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Decatur County, Iowa, as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of Decatur County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

The general purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with U.S. generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Decatur County at June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types of Decatur County for the year ended June 30, 2002.

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2003 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 grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2001 (none of which are presented herein) and expressed a qualified opinion on those financial statements for the effects of the omission of the general fixed assets account group. The supplemental information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

February 20, 2003

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

Financial Statements

Decatur County
 Combined Balance Sheet
 All Fund Types and Account Group
 June 30, 2002

	Governmental Fund	
	General	Special Revenue
Assets and Other Debits		
Cash and pooled investments:		
County Treasurer	\$ 1,069,143	1,583,779
Other County officials	-	-
Receivables:		
Property tax:		
Delinquent	10,668	3,796
Succeeding year	815,000	658,000
Interest and penalty on property tax	80,650	-
Accounts	507	6,304
Accrued interest	566	5
Economic development loan (note 3)	-	50,000
Due from other funds (note 4)	7,078	800
Due from other governments	24,655	270,988
Inventories	-	136,030
Amount available in Debt Service Fund	-	-
Amount to be provided for retirement of general long-term debt	-	-
Total assets and other debits	\$ 2,008,267	2,709,702

<u>Types</u>	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	<u>Total</u>
<u>Debt Service</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Long-Term Debt</u>	<u>(Memorandum Only)</u>
2,361	59,403	351,869	-	3,066,555
-	-	16,020	-	16,020
794	-	70,761	-	86,019
66,000	-	4,868,000	-	6,407,000
-	-	-	-	80,650
-	-	34,346	-	41,157
-	66	28	-	665
-	-	-	-	50,000
-	-	-	-	7,878
-	-	-	-	295,643
-	-	-	-	136,030
-	-	-	2,361	2,361
-	-	-	338,868	338,868
69,155	59,469	5,341,024	341,229	10,528,846

Decatur County
 Combined Balance Sheet
 All Fund Types and Account Group
 June 30, 2002

	Governmental Fund	
	General	Special Revenue
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	\$ 61,319	84,681
Salaries and benefits payable	16,393	34,178
Due to other funds (note 4)	265	1,162
Due to other governments (note 5)	32,771	105,067
Trusts payable	-	-
Deferred revenue:		
Succeeding year property tax	815,000	658,000
Other	91,318	66,511
Capital lease purchase agreement (note 7)	-	-
General obligation loan (note 8)	-	-
Bank loans (note 9)	-	-
Compensated absences	4,598	9,910
Total liabilities	1,021,664	959,509
Fund equity:		
Unreserved retained earnings	-	-
Fund balances:		
Reserved for:		
Inventories	-	136,030
Supplemental levy purposes	437,437	-
Debt service	-	-
Unreserved:		
Designated for building	-	234,190
Undesignated	549,166	1,379,973
Total fund equity	986,603	1,750,193
Total liabilities and fund equity	\$2,008,267	2,709,702

See notes to financial statements.

Types	Proprietary	Fiduciary	Account Group	Total
	Fund Type		General	
Debt Service	Internal Service	Fund Type Agency	Long-Term Debt	(Memorandum Only)
-	3,832	110	-	149,942
-	-	2,375	-	52,946
-	-	6,451	-	7,878
-	-	5,324,112	-	5,461,950
-	-	3,585	-	3,585
66,000	-	-	-	1,539,000
794	-	-	-	158,623
-	-	-	30,572	30,572
-	-	-	206,465	206,465
-	-	-	56,557	56,557
-	-	4,391	47,635	66,534
66,794	3,832	5,341,024	341,229	7,734,052
-	55,637	-	-	55,637
-	-	-	-	136,030
-	-	-	-	437,437
2,361	-	-	-	2,361
-	-	-	-	234,190
-	-	-	-	1,929,139
2,361	55,637	-	-	2,794,794
69,155	59,469	5,341,024	341,229	10,528,846

Decatur County

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

Year ended June 30, 2002

	Governmental	
	General	Special Revenue
Revenues:		
Property and other County tax	\$ 906,686	818,181
Interest and penalty on property tax	41,588	-
Intergovernmental	387,304	3,092,852
Licenses and permits	813	445
Charges for service	113,536	34,678
Use of money and property	89,041	4,491
Miscellaneous	38,701	133,075
Total revenues	<u>1,577,669</u>	<u>4,083,722</u>
Expenditures:		
Operating:		
Public safety	673,086	80,768
Court services	9,125	-
Physical health and education	94,736	14,764
Mental health	-	1,393,662
Social services	172,926	-
County environment	120,704	106,160
Roads and transportation	-	2,166,778
State and local government services	180,528	9,683
Interprogram services	487,619	-
Debt service	-	-
Capital projects	-	95,925
Total expenditures	<u>1,738,724</u>	<u>3,867,740</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(161,055)</u>	<u>215,982</u>
Other financing sources (uses):		
Bank loan proceeds	70,235	-
Sale of general fixed assets	737	1,228
Operating transfers in	-	376,822
Operating transfers (out)	(26,289)	(350,533)
Total other financing sources (uses)	<u>44,683</u>	<u>27,517</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(116,372)</u>	<u>243,499</u>
Fund balances beginning of year	1,102,975	1,507,884
Decrease in reserve for inventories	-	(1,190)
Fund balances end of year	<u>\$ 986,603</u>	<u>1,750,193</u>

See notes to financial statements.

<u>Fund Types</u>	<u>Total</u>
Debt Service	(Memorandum Only)
67,760	1,792,627
-	41,588
7,392	3,487,548
-	1,258
-	148,214
-	93,532
-	171,776
<u>75,152</u>	<u>5,736,543</u>
-	753,854
-	9,125
-	109,500
-	1,393,662
-	172,926
-	226,864
-	2,166,778
-	190,211
-	487,619
75,138	75,138
-	95,925
<u>75,138</u>	<u>5,681,602</u>
<u>14</u>	<u>54,941</u>
-	70,235
-	1,965
-	376,822
-	(376,822)
<u>-</u>	<u>72,200</u>
14	127,141
2,347	2,613,206
-	(1,190)
<u>2,361</u>	<u>2,739,157</u>

Decatur County

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

Year ended June 30, 2002

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other County tax	\$ 1,762,633	-
Interest and penalty on property tax	41,588	-
Intergovernmental	3,480,775	-
Licenses and permits	1,258	-
Charges for service	147,559	-
Use of money and property	119,787	-
Fines, forfeitures and defaults	-	-
Miscellaneous	190,133	-
Total receipts	5,743,733	-
Disbursements:		
Public safety	682,572	-
Court services	7,181	-
Physical health and education	90,455	-
Mental health	1,420,001	-
Social services	178,087	-
County environment	242,422	-
Roads and transportation	2,248,831	-
State and local government services	189,797	-
Interprogram services	440,777	-
Debt service	75,138	-
Capital projects	95,925	-
Total disbursements	5,671,186	-
Excess (deficiency) of receipts over (under) expenditures	72,547	-
Other financing sources, net	1,965	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	74,512	-
Balance beginning of year	2,580,771	10,687
Balance end of year	\$ 2,655,283	10,687

See notes to financial statements.

Net	Amended Budget	Variance - Favorable (Unfavorable)	Net as % of Amended Budget
1,762,633	1,746,273	16,360	101%
41,588	29,000	12,588	143%
3,480,775	3,794,628	(313,853)	92%
1,258	2,500	(1,242)	50%
147,559	128,200	19,359	115%
119,787	136,200	(16,413)	88%
-	2,000	(2,000)	
190,133	92,743	97,390	205%
<u>5,743,733</u>	<u>5,931,544</u>	<u>(187,811)</u>	<u>97%</u>
682,572	696,296	13,724	98%
7,181	8,380	1,199	86%
90,455	135,069	44,614	67%
1,420,001	1,607,044	187,043	88%
178,087	271,727	93,640	66%
242,422	322,085	79,663	75%
2,248,831	2,506,200	257,369	90%
189,797	195,536	5,739	97%
440,777	478,970	38,193	92%
75,138	80,000	4,862	94%
95,925	116,000	20,075	83%
<u>5,671,186</u>	<u>6,417,307</u>	<u>746,121</u>	<u>88%</u>
72,547	(485,763)		
<u>1,965</u>	<u>10,000</u>		
74,512	(475,763)		
<u>2,570,084</u>	<u>2,389,232</u>		
<u>2,644,596</u>	<u>1,913,469</u>		

Exhibit D

Decatur County
Statement of Revenues, Expenses and Changes in Retained Earnings
Proprietary Fund Type
Year ended June 30, 2002

	<u>Internal Service - Medical Co-Payment</u>
Operating revenues:	
Reimbursements from others	\$ 460
Operating expenses:	
Medical claims paid	17,732
Operating loss	<u>(17,272)</u>
Non-operating revenues:	
Interest on investments	1,536
Net loss	<u>(15,736)</u>
Retained earnings beginning of year	<u>71,373</u>
Retained earnings end of year	<u>\$ 55,637</u>

See notes to financial statements.

Decatur County
 Statement of Cash Flows
 Proprietary Fund Type
 Year ended June 30, 2002

	Internal Service - Medical Co-Payment
Cash flows from operating activities:	
Cash received from others	\$ 460
Cash payments to suppliers for services	(16,772)
Net cash used by operating activities	(16,312)
Cash flows from investing activities:	
Interest on investments	1,712
Net decrease in cash and cash equivalents	(14,600)
Cash and cash equivalents at beginning of year	74,003
Cash and cash equivalents at end of year	\$ 59,403
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (17,272)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Increase in accounts payable	960
Net cash used by operating activities	\$ (16,312)

See notes to financial statements.

Decatur County

Notes to Financial Statements

June 30, 2002

(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.

A. Reporting Entity

For financial reporting purposes, Decatur County has included all funds, organizations, account group, 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.

These financial statements present Decatur County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Five drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Decatur County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information for the individual drainage districts can be obtained from the Decatur County Auditor's office.

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

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

B. Fund Accounting

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

Governmental Funds

General Fund - The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are 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 expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

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

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

Proprietary Fund

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

Fiduciary Funds

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

Account Group

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

C. Measurement Focus

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

Proprietary Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is reported as retained earnings. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

In reporting the financial activity of its Proprietary Fund, the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. Basis of Accounting

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

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

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

The Proprietary Fund is accounted for using the accrual basis of accounting. Its revenues are recognized when they are earned and its expenses are recognized when they are incurred.

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

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

E. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2000 assessed property valuations; is for the tax accrual period July 1, 2001 through June 30, 2002 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2001.

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 that certain transactions between funds had not been paid or received as of June 30, 2002, balances of interfund amounts receivable or payable have been recorded.

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of vacation and sick leave payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2002.

Unreserved Retained Earnings – The unreserved retained earnings of the Internal Service, Medical Co-Payment Fund is designated for anticipated future catastrophic losses of the County.

F. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units, internal service and 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 12 major classes of expenditures known as service areas, not by fund or fund type. These 12 service areas are: public safety, court services, physical health and education, mental health, social services, county environment, roads and transportation, state and local government services, interprogram services, non-program, debt service and capital projects. Service area disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund and

capital projects fund. Although the budget document presents service area disbursements by fund, the legal level of control is at the aggregated service area level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

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

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

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 1,651,256	(73,587)	1,577,669	4,017,268	66,454	4,083,722
Expenditures	1,631,160	107,564	1,738,724	3,964,888	(97,148)	3,867,740
Net	20,096	(181,151)	(161,055)	52,380	163,602	215,982
Other financing sources (uses)	(25,552)	70,235	44,683	27,517	-	27,517
Beginning fund balances	1,074,599	28,376	1,102,975	1,503,882	4,002	1,507,884
Decrease in reserve for:						
Inventories	-	-	-	-	(1,190)	(1,190)
Ending fund balances	\$ 1,069,143	(82,540)	986,603	1,583,779	166,414	1,750,193

	Governmental Fund Types					
	Debt Service			Total		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 75,209	(57)	75,152	5,743,733	(7,190)	5,736,543
Expenditures	75,138	-	75,138	5,671,186	10,416	5,681,602
Net	71	(57)	14	72,547	(17,606)	54,941
Other financing sources (uses)	-	-	-	1,965	70,235	72,200
Beginning fund balances	2,290	57	2,347	2,580,771	32,435	2,613,206
Decrease in reserve for:						
Inventories	-	-	-	-	(1,190)	(1,190)
Ending fund balances	\$ 2,361	-	2,361	2,655,283	83,874	2,739,157

G. Total (Memorandum Only)

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

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2002, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,983,723 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Economic Development Loans

During the year ended June 30, 2002, the County entered into an agreement with the Iowa Department of Economic Development (Department) and Vinyl Venture Windows, Inc. Under the agreement, the County received \$104,500 from the Department for a community development block grant - economic development set-aside loan. The County provided a \$50,000 conventional loan and a \$50,000 forgivable loan to Venture Vinyl Windows, Inc. to assist with working capital. The conventional loan bears 6% interest per annum and is payable over seven years with a deferral for the first two years. The forgivable loan is subject to Venture Vinyl Windows, Inc. meeting certain job retention and creation requirements. Decatur County has met the requirements of the Department to establish a Local Revolving Loan Fund. Therefore, the loan is not required to be repaid to the Department.

(4) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2002, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Mental Health	\$ 815
	Agency: County Recorder	5,005
	County Sheriff	1,258
Special Revenue: Secondary Roads	General	265
	Special Revenue: Rural Services	184
	Mental Health	163
County Recorder's Records Management	Agency: County Recorder	188
		<u>\$ 7,878</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax for the succeeding year. 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>\$ 32,771</u>
Special Revenue:		
Mental Health	Services	104,799
Other	Services	<u>268</u>
		<u>105,067</u>
Agency:		
County Assessor	Collections	171,535
Schools		3,215,906
Community Colleges		129,383
Corporations		968,493
Townships		91,415
Auto License and Use Tax		106,517
County Hospital		536,403
E911		46,667
All other		<u>57,793</u>
		<u>5,324,112</u>
Total		<u>\$ 5,461,950</u>

(6) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2002, is as follows:

	<u>Capital Lease Purchase Agreement</u>	<u>General Obligation Loan</u>	<u>Bank Loans</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year	\$ 45,891	268,773	-	44,598	359,262
Additions	-	-	70,235	3,037	73,272
Reductions	<u>15,319</u>	<u>62,308</u>	<u>13,678</u>	-	<u>91,305</u>
Balance end of year	<u>\$ 30,572</u>	<u>206,465</u>	<u>56,557</u>	<u>47,635</u>	<u>341,229</u>

(7) Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease computer equipment. The following is a schedule of the future minimum lease payments, including interest at 5.98% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2002:

Year Ending June 30,	Amount
2003	\$ 17,648
2004	14,707
	<u>32,355</u>
Less amount representing interest	<u>(1,783)</u>
Present value of net minimum lease payments	<u>\$ 34,138</u>

Payments under all capital lease purchase agreement for the year ended June 30, 2002, totaled \$17,648.

(8) General Obligation Loan

In July 1999, the County entered into a general obligation loan agreement, not to exceed \$275,000, with a June 30, 2000 initial maturity date and interest of 4.85% per annum, for the acquisition and installation of an elevator in the courthouse. The loan agreement is renewable annually and the interest rate is adjusted at the time of renewal. The loan was renewed to a June 30, 2003 maturity date with interest at 5.25% per annum. The outstanding balance of this loan was \$206,465 at June 30, 2002.

During the year ended June 30, 2002, the County made principal and interest payments of \$62,308 and \$12,830, respectively. The County makes payments on the loans as funds are available in the Debt Service Fund.

(9) Bank Loans

In July 2001, the County entered into a loan agreement for the purchase of imaging equipment. The loan requires 36 monthly payments including interest at 5.15% per annum. In June 2002, the County entered into a loan agreement for the purchase of radio equipment. The loan requires 5 annual payments including interest at 5.20% per annum. Required payments to maturity for the loan agreements are as follows:

Year Ending June 30,	<u>Imaging Equipment</u>		<u>Radio Equipment</u>		<u>Total</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 15,647	1,362	5,217	131	20,864	1,493
2004	16,472	537	4,423	926	20,895	1,463
2005	1,411	6	4,653	696	6,064	702
2006	-	-	4,894	454	4,894	454
2007	-	-	3,840	200	3,840	200
	<u>\$ 33,530</u>	<u>1,905</u>	<u>23,027</u>	<u>2,407</u>	<u>56,557</u>	<u>4,312</u>

(10) Medical Co-Payment Plan

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

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

The County did not contribute to the fund during the year ended June 30, 2002.

(11) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the County is required to contribute 5.75% of annual payroll, except for law enforcement employees, in which case the percentages are 5.59% and 8.39%, respectively. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$121,757, \$105,828, and \$98,382, respectively, equal to the required contributions for each year.

(12) Risk Management

Decatur County is a member of 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, 2002, which covers exposures of specific losses in excess of \$350,000 per occurrence for workers' compensation and in excess of \$250,000 per occurrence up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general and automobile liability. The risk pool fund 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, 2002, 2001, and 2000 the risk pool fund reported a surplus of pool 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, 2002, settled claims have not exceeded the risk pool or reinsurance company 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 contribution to the Pool for the year ended June 30, 2002 was \$114,921.

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 the Decatur County 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.

(13) Construction Commitment

The County has entered into a contract for \$370,190 to construct a mental health administration building. At June 30, 2002, costs of \$136,000 had been incurred against the contract. The balance remaining at June 30, 2002 of \$234,190 will be paid as work on the project progresses.

(14) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by service area or amounts appropriated by department. During the year ended June 30, 2002, disbursements in one service area and one department exceeded the amount budgeted/appropriated prior to the final amendment.

Supplemental Information

Decatur County

Decatur County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

Revenues:

Property and other County tax:

Property tax	\$ 850,384	
Utility tax replacement excise tax	55,383	
Other	<u>919</u>	\$ 906,686

Interest and penalty on property tax 41,588

Intergovernmental:

State shared revenues:

Franchise tax	<u>6,645</u>	
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State grants and reimbursements including

indirect federal funding:

Human services administrative reimbursements	25,812	
Local Board of Health grants	61,746	
Well water grant	5,565	
Decategorization grants	95,342	
Other	<u>6,227</u>	
	<u>194,692</u>	

State tax replacements:

State tax credits	99,271	
State allocation	<u>52,939</u>	
	<u>152,210</u>	

Contributions and reimbursements from

other governmental units:

Communication reimbursements	23,010	
Other	<u>10,747</u>	
	<u>33,757</u>	387,304

Licenses and permits 813

Charges for service:

Office fees and collections	53,678	
Auto license, use tax, postage and drivers licenses	53,813	
Other	<u>6,045</u>	113,536

Use of money and property:

Interest on investments	81,520	
Other	<u>7,521</u>	89,041

Schedule 1

Decatur County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

Revenues (continued):		
Miscellaneous:		
Refunds and reimbursements	38,618	
Other	83	38,701
Total revenues	<u> </u>	<u>1,577,669</u>
Expenditures:		
Operating:		
Public safety		673,086
Court services		9,125
Physical health and education		94,736
Social services		172,926
County environment		120,704
State and local government services		180,528
Interprogram services		<u>487,619</u>
Total expenditures		<u>1,738,724</u>
Deficiency of revenues under expenditures		<u>(161,055)</u>
Other financing sources (uses):		
Bank loan proceeds		70,235
Sale of general fixed assets		737
Operating transfers out:		
Special Revenue:		
Secondary Roads		<u>(26,289)</u>
Total other financing sources (uses)		<u>44,683</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses		(116,372)
Fund balance beginning of year		<u>1,102,975</u>
Fund balance end of year		<u>\$ 986,603</u>

See accompanying independent auditor's report.

Decatur County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Public Safety Service Area:

Law enforcement:

Uniformed patrol services	\$ 88,491	
Investigations	71,549	
Law enforcement communication	223,204	
Adult correction services	109,827	
Administration	58,439	
	<u>551,510</u>	

Legal services:

Criminal prosecution	100,333	
Medical examinations	8,564	
	<u>108,897</u>	

Emergency services:

Emergency management	<u>12,679</u>	\$ 673,086
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Court Services Service Area:

Assistance to district court system:

Research and other assistance	<u>3,484</u>	
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Court proceedings:

Juries and witnesses	484	
Court costs	89	
	<u>573</u>	

Juvenile justice administration:

Juvenile victim restitution	3,344	
Court-appointed attorneys and court costs for juveniles	1,724	
	<u>5,068</u>	9,125

Physical Health and Education Service Area:

Physical health services:

Personal and family health services	74,069	
Sanitation	6,067	
	<u>80,136</u>	

Educational services:

Historic preservation	3,600	
Fair and 4-H clubs	11,000	
	<u>14,600</u>	94,736

Schedule 2

Decatur County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Social Services Service Area:

Services to the poor:

Administration	59,327	
General welfare services	<u>12,543</u>	
	<u>71,870</u>	

Services to military veterans:

Administration	1,074	
General services to veterans	<u>615</u>	
	<u>1,689</u>	

Children and family services:

Youth guidance	7,286	
Family protective services	<u>51,620</u>	
	<u>58,906</u>	

Services to other adults:

Services to the elderly	<u>18,507</u>	
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Chemical dependency:

Treatment services	1,000	
Preventative services	<u>20,954</u>	
	<u>21,954</u>	172,926

County Environment Service Area:

Conservation and recreation services:

Administration	62,240	
Maintenance and operations	<u>58,464</u>	120,704

State and Local Government Services Service Area:

Representation services:

Elections administration	46,709	
Local elections	328	
Township officials	<u>2,182</u>	
	<u>49,219</u>	

State administrative services:

Motor vehicle registrations and licensing	66,294	
Recording of public documents	<u>65,015</u>	
	<u>131,309</u>	180,528

Decatur County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Interprogram Services Service Area:

Policy and administration:

General County management	97,250	
Administrative management services	71,560	
Treasury management services	75,023	
Other policy and administration	31,067	
	<u>274,900</u>	

Central services:

General services	65,221	
Data processing services	104,400	
	<u>169,621</u>	

Risk management services:

Tort liability	4,841	
Safety of workplace	37,593	
Fidelity of public officials	664	
	<u>43,098</u>	<u>487,619</u>

Total

\$ 1,738,724

See accompanying independent auditor's report.

Decatur County
Special Revenue Funds
Combining Balance Sheet
June 30, 2002

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management
Assets				
Cash and pooled investments	\$ 418,753	762,266	4,414	1,639
Receivables:				
Property tax:				
Delinquent	376	-	-	-
Succeeding year	376,000	-	-	-
Accounts	4	4,743	-	-
Accrued interest	-	-	4	1
Economic development loan	-	-	-	-
Due from other funds	-	612	-	188
Due from other governments	45,274	178,095	-	-
Inventories	-	136,030	-	-
Total assets	\$ 840,407	1,081,746	4,418	1,828
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 24,645	47,639	-	-
Salaries and benefits payable	1,551	22,063	-	-
Due to other funds	184	-	-	-
Due to other governments	-	268	-	-
Deferred revenue:				
Succeeding year property tax	376,000	-	-	-
Other	13,091	-	-	-
Compensated absences	-	7,685	-	-
Total liabilities	415,471	77,655	-	-
Fund equity:				
Fund balances:				
Reserved for inventories	-	136,030	-	-
Unreserved:				
Designated for building	-	-	-	-
Undesignated	424,936	868,061	4,418	1,828
Total fund equity	424,936	1,004,091	4,418	1,828
Total liabilities and fund equity	\$ 840,407	1,081,746	4,418	1,828

See accompanying independent auditor's report.

Structure Operation and Main- tenance	Emergency Medical Systems	Mental Health	Little River Lake Improvement	Community Development Block Grant	Drainage Districts	Total
9,990	865	349,484	25,681	-	10,687	1,583,779
-	-	3,420	-	-	-	3,796
-	-	282,000	-	-	-	658,000
-	-	1,557	-	-	-	6,304
-	-	-	-	-	-	5
-	-	-	-	50,000	-	50,000
-	-	-	-	-	-	800
-	-	46,619	-	1,000	-	270,988
-	-	-	-	-	-	136,030
9,990	865	683,080	25,681	51,000	10,687	2,709,702
-	10	10,205	2,182	-	-	84,681
-	-	10,023	541	-	-	34,178
-	-	978	-	-	-	1,162
-	-	104,799	-	-	-	105,067
-	-	282,000	-	-	-	658,000
-	-	3,420	-	50,000	-	66,511
-	-	2,225	-	-	-	9,910
-	10	413,650	2,723	50,000	-	959,509
-	-	-	-	-	-	136,030
-	-	234,190	-	-	-	234,190
9,990	855	35,240	22,958	1,000	10,687	1,379,973
9,990	855	269,430	22,958	1,000	10,687	1,750,193
9,990	865	683,080	25,681	51,000	10,687	2,709,702

Decatur County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection
Revenues:			
Property and other County tax:			
Property tax	\$ 364,459	-	-
Local option sales tax	138,914	-	-
Utility tax replacement excise tax	24,035	-	-
Other	86	-	-
	<u>527,494</u>	-	-
Intergovernmental:			
State shared revenues:			
Road use tax allocation	-	2,123,405	-
State grants and reimbursements including indirect federal funding:			
Social services block grant	-	-	-
Community development block grant	-	-	-
Other	3,058	-	8,280
	<u>3,058</u>	-	<u>8,280</u>
State tax replacements:			
State tax credits	36,755	-	-
Mental health property tax relief	-	-	-
	<u>36,755</u>	-	-
Direct federal grants and entitlements			
Medicaid	-	-	-
Contributions and reimbursements from other governmental units	13,080	-	-
	<u>52,893</u>	<u>2,123,405</u>	<u>8,280</u>
Licenses and permits	-	445	-
Charges for service	-	1,943	-

County Recorder's Records Management	Structure Operation and Main- tenance	Emergency Medical Systems	Mental Health	Little River Lake Improve- ment	Community Development Block Grant	Drainage Districts	Total
-	-	-	272,636	-	-	-	637,095
-	-	-	-	-	-	-	138,914
-	-	-	17,756	-	-	-	41,791
-	-	-	295	-	-	-	381
-	-	-	290,687	-	-	-	818,181
-	-	-	-	-	-	-	2,123,405
-	-	-	68,251	-	-	-	68,251
-	-	-	-	-	3,213	-	3,213
-	-	5,642	2,309	11,000	-	-	30,289
-	-	5,642	70,560	11,000	3,213	-	101,753
-	-	-	31,827	-	-	-	68,582
-	-	-	220,902	-	-	-	220,902
-	-	-	252,729	-	-	-	289,484
-	-	-	564,312	-	-	-	564,312
-	-	-	442	376	-	-	13,898
-	-	5,642	888,043	11,376	3,213	-	3,092,852
-	-	-	-	-	-	-	445
1,850	-	-	456	30,429	-	-	34,678

Decatur County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection
Revenues (continued):			
Use of money and property:			
Interest on investments	-	-	71
Equipment rent	-	4,230	-
Other	-	-	-
	-	4,230	71
Miscellaneous:			
Sale of materials	-	63,765	-
Contributions and donations from private sources	-	-	-
Other	10,786	7,647	-
	10,786	71,412	-
Total revenues	591,173	2,201,435	8,351
Expenditures:			
Operating:			
Public Safety Service Area:			
Law enforcement:			
Uniform patrol services	80,478	-	-
Administration	290	-	-
	80,768	-	-
Physical Health and Education Service Area:			
Physical health services:			
Support of hospitals	-	-	-
Education services:			
Libraries	9,108	-	-
	9,108	-	-
Mental Health Service Area:			
Persons with mental health problems - mental illness:			
General administration	-	-	-
Treatment services	-	-	-
Institutional, hospital and commitment services	-	-	-
	-	-	-

County Recorder's Records Management	Structure Operation and Maintenance	Emergency Medical Systems	Mental Health	Little River Lake Improvement	Community Development Block Grant	Drainage Districts	Total
125	-	-	-	-	-	-	196
-	-	-	-	-	-	-	4,230
-	-	-	65	-	-	-	65
125	-	-	65	-	-	-	4,491
-	-	-	-	-	-	-	63,765
-	-	-	-	35,939	-	-	35,939
-	-	-	14,904	34	-	-	33,371
-	-	-	14,904	35,973	-	-	133,075
1,975	-	5,642	1,194,155	77,778	3,213	-	4,083,722
-	-	-	-	-	-	-	80,478
-	-	-	-	-	-	-	290
-	-	-	-	-	-	-	80,768
-	-	5,656	-	-	-	-	5,656
-	-	-	-	-	-	-	9,108
-	-	5,656	-	-	-	-	14,764
-	-	-	69,797	-	-	-	69,797
-	-	-	9,417	-	-	-	9,417
-	-	-	979	-	-	-	979
-	-	-	80,193	-	-	-	80,193

Decatur County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection
Expenditures (continued):			
Operating:			
Mental Health Service Area:			
Persons with chronic mental illness:			
General administration	-	-	-
Coordination services	-	-	-
Personal and environmental support	-	-	-
Treatment services	-	-	-
Licensed or certified living arrangements	-	-	-
Institutional, hospital and commitment services	-	-	-
	-	-	-
Persons with mental retardation:			
General administration	-	-	-
Coordination services	-	-	-
Personal and environmental support	-	-	-
Vocational services	-	-	-
Licensed or certified living arrangements	-	-	-
Institutional, hospital and commitment services	-	-	-
	-	-	-
Persons with other developmental disabilities:			
General administration	-	-	-
Coordination services	-	-	-
	-	-	-
County Environment Service Area:			
Environmental quality:			
Weed eradication	2,910	-	-
Solid waste disposal	38,884	-	-
	41,794	-	-

County Recorder's Records Management	Structure Operation and Maintenance	Emergency Medical Systems	Mental Health	Little River Lake Improvement	Community Development Block Grant	Drainage Districts	Total
-	-	-	107,410	-	-	-	107,410
-	-	-	589	-	-	-	589
-	-	-	446	-	-	-	446
-	-	-	5,376	-	-	-	5,376
-	-	-	10,781	-	-	-	10,781
-	-	-	15,034	-	-	-	15,034
-	-	-	139,636	-	-	-	139,636
-	-	-	161,351	-	-	-	161,351
-	-	-	397,732	-	-	-	397,732
-	-	-	15,746	-	-	-	15,746
-	-	-	61,381	-	-	-	61,381
-	-	-	324,089	-	-	-	324,089
-	-	-	191,255	-	-	-	191,255
-	-	-	1,151,554	-	-	-	1,151,554
-	-	-	20,880	-	-	-	20,880
-	-	-	1,399	-	-	-	1,399
-	-	-	22,279	-	-	-	22,279
-	-	-	1,393,662	-	-	-	1,393,662
-	-	-	-	-	-	-	2,910
-	-	-	-	-	-	-	38,884
-	-	-	-	-	-	-	41,794

Decatur County
Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Year ended June 30, 2002

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection
Expenditures (continued):			
Operating:			
County Environment Service Area:			
Conservation and recreation services:			
Administration	-	-	-
Maintenance and operations	-	-	6,010
	-	-	6,010
County development:			
Economic development	3,127	-	-
	44,921	-	6,010
Roads and Transportation Service Area:			
Secondary roads administration and engineering:			
Administration	-	75,785	-
Engineering	-	179,152	-
	-	254,937	-
Roadway maintenance:			
Bridges and culverts	-	207,498	-
Roads	-	829,213	-
Snow and ice control	-	49,272	-
Traffic controls	-	66,372	-
Road clearing	37,000	136,656	-
	37,000	1,289,011	-
General roadway:			
Equipment	-	87,550	-
Equipment operation	-	399,990	-
Tools, materials, and supplies	-	80,528	-
Real estate and buildings	-	17,762	-
	-	585,830	-
	37,000	2,129,778	-
State and Local Government Services Service Area:			
State administrative services:			
Recording of public documents	-	-	-
Capital Projects Service Area:			
Roadway construction	-	95,925	-
Total expenditures	171,797	2,225,703	6,010

County Recorder's Management	Structure Operation and Maintenance	Emergency Medical Systems	Mental Health	Little River Lake Improvement	Community Development Block Grant	Drainage Districts	Total
-	-	-	-	11,368	-	-	11,368
-	-	-	-	41,648	-	-	47,658
-	-	-	-	53,016	-	-	59,026
-	-	-	-	-	2,213	-	5,340
-	-	-	-	53,016	2,213	-	106,160
-	-	-	-	-	-	-	75,785
-	-	-	-	-	-	-	179,152
-	-	-	-	-	-	-	254,937
-	-	-	-	-	-	-	207,498
-	-	-	-	-	-	-	829,213
-	-	-	-	-	-	-	49,272
-	-	-	-	-	-	-	66,372
-	-	-	-	-	-	-	173,656
-	-	-	-	-	-	-	1,326,011
-	-	-	-	-	-	-	87,550
-	-	-	-	-	-	-	399,990
-	-	-	-	-	-	-	80,528
-	-	-	-	-	-	-	17,762
-	-	-	-	-	-	-	585,830
-	-	-	-	-	-	-	2,166,778
9,683	-	-	-	-	-	-	9,683
-	-	-	-	-	-	-	95,925
9,683	-	5,656	1,393,662	53,016	2,213	-	3,867,740

Decatur County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection
Excess (deficiency) of revenues over (under) expenditures	419,376	(24,268)	2,341
Other financing sources (uses):			
Sale of general fixed assets	-	1,228	-
Operating transfers in (out):			
General	-	26,289	-
Special Revenue:			
Rural Services	-	350,533	-
Secondary Roads	(350,533)	-	-
Total other financing sources (uses)	(350,533)	378,050	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	68,843	353,782	2,341
Fund balances beginning of year	356,093	651,499	2,077
Decrease in reserve for inventories	-	(1,190)	-
Fund balances end of year	<u>\$ 424,936</u>	<u>1,004,091</u>	<u>4,418</u>

See accompanying independent auditor's report.

County Recorder's Records Management	Structure Operation and Main- tenance	Emergency Medical Systems	Mental Health	Little River Lake Improve- ment	Community Development Block Grant	Drainage Districts	Total
(7,708)	-	(14)	(199,507)	24,762	1,000	-	215,982
-	-	-	-	-	-	-	1,228
-	-	-	-	-	-	-	26,289
-	-	-	-	-	-	-	350,533
-	-	-	-	-	-	-	(350,533)
-	-	-	-	-	-	-	27,517
(7,708)	-	(14)	(199,507)	24,762	1,000	-	243,499
9,536	9,990	869	468,937	(1,804)	-	10,687	1,507,884
-	-	-	-	-	-	-	(1,190)
1,828	9,990	855	269,430	22,958	1,000	10,687	1,750,193

Schedule 5

Decatur County

Debt Service Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2002

Revenues:

Property and other County tax:

Property tax	\$ 63,568	
Utility tax replacement excise tax	4,124	
Other	<u>68</u>	\$ 67,760

Intergovernmental:

State tax replacements:

State tax credits		<u>7,392</u>
Total revenues		<u>75,152</u>

Expenditures:

Debt Service Service Area:

Debt service:

Principal redeemed	62,308	
Interest paid	<u>12,830</u>	<u>75,138</u>

Excess of revenues over expenditures

14

Fund balance beginning of year

2,347

Fund balance end of year

\$ 2,361

See accompanying independent auditor's report.

Decatur County

Decatur County
 Agency Funds
 Combining Balance Sheet
 June 30, 2002

	General Offices	
	County Recorder	County Sheriff
Assets		
Cash and pooled investments:		
County Treasurer	\$ -	-
Other County officials	11,326	4,694
Receivables:		
Property tax:		
Delinquent	-	-
Succeeding year	-	-
Accounts	1,663	-
Accrued interest	-	-
Total assets	\$ 12,989	4,694
Liabilities		
Liabilities:		
Accounts payable	\$ -	-
Salaries and benefits payable	-	-
Due to other funds	5,193	1,258
Due to other governments	7,796	2
Trusts payable	-	3,434
Compensated absences	-	-
Total liabilities	\$ 12,989	4,694

Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpora- tions	Townships
1,277	65,564	99,468	4,030	32,069	3,329
-	-	-	-	-	-
430	1,380	32,438	1,353	29,424	86
39,000	111,000	3,084,000	124,000	907,000	88,000
-	-	-	-	-	-
-	-	-	-	-	-
40,707	177,944	3,215,906	129,383	968,493	91,415
-	48	-	-	-	-
-	1,970	-	-	-	-
-	-	-	-	-	-
40,707	171,535	3,215,906	129,383	968,493	91,415
-	-	-	-	-	-
-	4,391	-	-	-	-
40,707	177,944	3,215,906	129,383	968,493	91,415

Decatur County
 Agency Funds
 Combining Balance Sheet
 June 30, 2002

	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication
Assets		
Cash and pooled investments:		
County Treasurer	106,517	31
Other County officials	-	-
Receivables:		
Property tax:		
Delinquent	-	11
Succeeding year	-	1,000
Accounts	-	-
Accrued interest	-	-
Total assets	106,517	1,042
Liabilities		
Liabilities:		
Accounts payable	-	-
Salaries and benefits payable	-	-
Due to other funds	-	-
Due to other governments	106,517	1,042
Trusts payable	-	-
Compensated absences	-	-
Total liabilities	106,517	1,042

See accompanying independent auditor's report.

Emergency Management Services	County Hospital	Tax Sale Redemption	E911 Service Board	Total
8,713	16,764	151	13,956	351,869
-	-	-	-	16,020
-	5,639	-	-	70,761
-	514,000	-	-	4,868,000
-	-	-	32,683	34,346
-	-	-	28	28
8,713	536,403	151	46,667	5,341,024
62	-	-	-	110
405	-	-	-	2,375
-	-	-	-	6,451
8,246	536,403	-	46,667	5,324,112
-	-	151	-	3,585
-	-	-	-	4,391
8,713	536,403	151	46,667	5,341,024

Decatur County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	<u>County Offices</u>	
	<u>County</u>	<u>County</u>
	<u>Recorder</u>	<u>Sheriff</u>
Assets and Liabilities		
Balances beginning of year	\$ 3,678	6,623
Additions:		
Property and other County tax	-	-
State tax credits	-	-
Office fees and collections	107,949	17,565
Auto licenses, use tax, postage and drivers license	-	-
Assessments	-	-
Trusts	428	43,788
Miscellaneous	-	-
Total additions	<u>108,377</u>	<u>61,353</u>
Deductions:		
Agency Remittances:		
To other funds	45,022	17,506
To other governments	53,632	506
Trusts paid out	412	45,270
Total deductions	<u>99,066</u>	<u>63,282</u>
Balances end of year	\$ <u>12,989</u>	<u>4,694</u>

Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpora- tions	Townships	Auto License and Use Tax
35,636	164,063	2,784,188	113,269	929,180	91,801	120,131
41,505	118,468	3,257,626	131,280	948,282	94,621	-
3,997	12,845	312,798	12,603	125,754	9,038	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,463,077
-	-	-	-	4,704	-	-
-	-	-	-	-	-	-
-	1,912	-	-	-	-	-
45,502	133,225	3,570,424	143,883	1,078,740	103,659	1,463,077
-	-	-	-	-	-	53,813
40,431	119,344	3,138,706	127,769	1,039,427	104,045	1,422,878
-	-	-	-	-	-	-
40,431	119,344	3,138,706	127,769	1,039,427	104,045	1,476,691
40,707	177,944	3,215,906	129,383	968,493	91,415	106,517

Decatur County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	<u>Brucellosis and Tuberculosis Eradication</u>	<u>City Special Assessments</u>	<u>Emergency Management Services</u>
Assets and Liabilities			
Balances beginning of year	<u>1,040</u>	-	<u>6,733</u>
Additions:			
Property and other County tax	894	-	-
State tax credits	98	-	-
Office fees and collections	-	-	-
Auto licenses, use tax, postage and drivers license Assessments	-	-	-
Trusts	-	5,051	-
Miscellaneous	-	-	25,939
Total additions	<u>992</u>	<u>5,051</u>	<u>25,939</u>
Deductions:			
Agency Remittances:			
To other funds	-	5,051	-
To other governments	990	-	23,959
Trusts paid out	-	-	-
Total deductions	<u>990</u>	<u>5,051</u>	<u>23,959</u>
Balances end of year	<u>1,042</u>	-	<u>8,713</u>

See accompanying independent auditor's report.

County Hospital	Tax Sale Redemption	State Tax Credit	Drivers License	E911 Service Board	Local Empowerment Board	Total
459,997	2,356	452	-	163,636	-	4,882,783
547,205	-	-	-	-	-	5,139,881
52,475	-	-	-	-	-	529,608
-	-	-	-	-	-	125,514
-	-	-	20,684	-	-	1,483,761
-	-	-	-	-	-	9,755
-	107,120	-	-	-	-	151,336
-	-	-	-	91,289	294,122	413,262
599,680	107,120	-	20,684	91,289	294,122	7,853,117
-	-	-	-	-	-	121,392
523,274	-	452	20,684	208,258	294,122	7,118,477
-	109,325	-	-	-	-	155,007
523,274	109,325	452	20,684	208,258	294,122	7,394,876
536,403	151	-	-	46,667	-	5,341,024

Schedule 8

Decatur County

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2002	2001	2000	1999
Taxes:				
Property tax	\$ 1,551,047	1,555,226	1,666,626	1,602,677
Local option sales tax	138,914	-	-	-
Utility tax replacement excise tax	101,298	105,461	-	-
Other	1,368	1,122	-	-
	<u>1,792,627</u>	<u>1,661,809</u>	<u>1,666,626</u>	<u>1,602,677</u>
Intergovernmental:				
State shared revenues:				
Franchise tax	6,645	7,351	5,852	5,416
Road use tax allocation	2,123,405	2,036,220	2,065,830	1,811,606
State grants and reimbursements including indirect federal funding:				
Human services administrative reimbursements	25,812	37,991	19,951	12,735
Child support enforcement	-	-	-	9,570
Local Board of Health grants	61,746	95,073	93,882	-
Well water grant	5,565	4,770	14,120	14,235
Mental health/mental retardation allocation	-	72,618	70,862	104,591
Social services block grant	68,251	70,043	69,845	33,729
Public assistance grant	-	-	-	48,090
Empowerment grant	-	-	-	270,063
Highway planning and construction	-	111,702	-	-
Community development block grants/State's program	3,213	104,500	-	-
Decategorization grants	95,342	60,722	35,494	-
Other	36,516	45,517	57,321	49,183
State tax replacements:				
State tax credits	175,245	196,867	171,608	169,405
State allocation	52,939	53,843	53,998	53,934
Mental health property tax relief	220,902	220,903	220,903	220,903
MH/DD allowed growth adjustment	-	83,992	51,429	33,479
Other	-	424	-	-
Direct federal grants and entitlements:				
Medicaid	564,312	192,217	112,318	-
Other	-	-	-	2,967
Contributions and reimbursements from other governmental units:				
Communication and contract law enforcement	23,010	21,855	26,826	21,797
Other	24,645	41,045	12,863	20,597
Payments in lieu of taxes	-	-	426	418
	<u>3,487,548</u>	<u>3,457,653</u>	<u>3,083,528</u>	<u>2,882,718</u>
Total	<u>\$ 5,280,175</u>	<u>5,119,462</u>	<u>4,750,154</u>	<u>4,485,395</u>

See accompanying independent auditor's report.



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David A. Vaudt, CPA
Auditor of State

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

To the Officials of Decatur County:

We have audited the general purpose financial statements of Decatur County, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated February 20, 2003. Our report expressed a qualified opinion on the general purpose financial statements due to the omission of the general fixed assets account group which should be included in order to conform with U.S. generally accepted accounting principles.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Decatur County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items (2), (5), (7), (8), (10), (11) and (12).

Internal Control Over Financial Reporting

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

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

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.

February 20, 2003

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

Decatur County
 Schedule of Findings
 Year ended June 30, 2002

Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

(A) Segregation of Duties - During our review of internal control, the existing control activities are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Receipts—opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	Treasurer, Recorder and Sheriff
(2) Disbursements—check writing, signing, posting, reconciling and final approval.	Recorder
(3) Bank reconciliation is not prepared by someone who doesn't sign checks, handle or record cash. The reconciliations should be reviewed periodically by an independent person for propriety.	Recorder and Sheriff
(4) Investments—custody and recordkeeping.	Treasurer

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

Response -

County Treasurer - We will make every attempt to comply.

Decatur County
Schedule of Findings
Year ended June 30, 2002

County Recorder -

- (1) Will trade duties daily so same person is not doing the same thing every day.
- (2) One person will write the checks and one person will sign the checks.
- (3) One person will reconcile and other will verify.

County Sheriff - The 8-4 person will open the mail and make the receipt. Deposits will be done by another individual. Sheriff Muir will initial off on bank reconciliation and Shirley will also initial off on bank reconciliation.

Conclusion - Response accepted.

- (B) Information Systems - During our review of internal control, the existing control activities in the County's computer based systems were evaluation in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. 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 that only software licensed to the County is installed on computers.
- Usage of the internet.
- Personal use of computer equipment and software.

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

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

Decatur County

Schedule of Findings

Year ended June 30, 2002

Response – Will follow recommendation to develop written policies regarding control of computer based systems and disaster recovery plan.

Conclusion – Response accepted.

- (C) County Sheriff – Although monthly reconciliations of the bank balance to the checkbook balance were performed, a reconciliation between the checkbook balance and the amounts held at month-end per the cashbook was not performed and variances were not investigated and resolved. At June 30, 2002, the checkbook balance exceeded the amounts held per the cashbook by \$469. In addition, a trust listing is not prepared at the end of each month.

A separate bank account is maintained for the receipts and disbursements of the DARE Program. The activity in the account was not reflected in the County's accounting system and has not been included in the County's annual budget or financial report.

Recommendation – A monthly reconciliation between the cashbook and checkbook balance should be prepared. Any differences should be investigated and resolved in a timely manner. A trust listing should be prepared at the end of each month.

The financial activity of the DARE Program should be reflected in the County's accounting system, annual budget and financial report.

Response – A monthly reconciliation will be completed. A trust listing will be prepared at the end of each month. We talked with the Auditor's Office personnel and are working on establishing an account that rolls over from year to year for the DARE account.

Conclusion – Response accepted.

- (D) County Sheriff Receipts – A restrictive endorsement (for deposit only) was not placed on checks when received. Receipts are not issued for all collections. The cashbook does not include the receipt number and cashbook receipts are dated when entered, not when received.

Recommendation – In order to better safeguard receipts, all checks should be endorsed when received. Prenumbered receipts should be issued for all collections. The cashbook should include the receipt numbers and should include the dates on the receipts.

Response – "For Deposit Only" is being stamped on checks at the time of receiving. Receipts are issued for all collections. Spot checks will be done from the notebook. The cashbook includes receipt numbers and are now dated when received not when entered.

Conclusion – Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2002

- (E) County Sheriff Inmate Phone Card Sales - A reconciliation of phone card sales and phone card receipts was not always performed. Receipts for phone cards do not always indicate the number of the phone card sold. Occasionally, phone cards are issued to inmates at no cost.

Recommendation - A reconciliation of phone card sales and receipts should be performed. Phone card receipts should indicate the number of the phone card sold. The County should develop a written policy regarding the issuance of free phone cards to inmates.

Response - A written policy regarding issuance of free cards to inmates in process of being written. Receipts of cards have card number on receipt and reconciliation of phone card sales is being done now.

Conclusion - Response accepted.

Decatur County
 Schedule of Findings
 Year ended June 30, 2002

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories - A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002.
- (2) Certified Budget - Disbursements during the year ended June 30, 2002, did not exceed the amounts budgeted. However, disbursements in one service area and one department exceeded the amount budgeted/appropriated prior to the final amendment.

Recommendation - The service area budget and departmental appropriations should have been amended in accordance with Chapters 331.434(6) and 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - Will guard against this happening again.

Conclusion - Response accepted.

- (3) Questionable Expenditures - Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

Paid to	Purpose	Amount
Galls, Incorporated	Clothing for Sheriff Dispatchers	\$ 528
Pumps	Food for Sheriff department employees during meth lab investigation	94

Recommendation - According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

The County should determine and document the public purpose served by these expenditures before authorizing any further payments.

Response - The Board will closely scrutinize expenditures to be sure they meet the test of serving a public purpose.

Conclusion - Response acknowledged. The County should also determine and document the public purpose served.

- (4) Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Decatur County

Schedule of Findings

Year ended June 30, 2002

- (5) Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mary Andrew, County Treasurer, husband is owner of Bob Andrew Construction	Construction of ponds	\$ 17,675
Larry Eastin, County Supervisor, brother-in-law is owner of Boyd Construction	Construction of building, per bid	136,000

The transaction with Boyd Construction does not represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa since it was entered into through competitive bidding and Supervisor Eastin abstained from voting on the approval of the contract.

The transaction with Bob Andrew Construction may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa since the total exceeds \$1,500 and the County did not advertise for bids for the project.

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

Response - The Board will consult with the County Attorney as recommended.

Conclusion - Response accepted.

- (6) Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

- (7) Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not, except as follows:

Although transfers to the Special Revenue, Secondary Road Fund were approved in the minutes by Board resolution, the amount transferred from the Special Revenue, Rural Services Fund exceeded the amount authorized by \$19,744.

The Board did not approve the salaries of all deputies, assistants and clerks as required by Chapter 331.904 of the Code of Iowa.

Recommendation - All interfund transfers should be approved by the Board of Supervisors by resolution as required by Chapter 331.432 of the Code of Iowa. The Board should establish the salaries of deputies, assistants and clerks as required.

Decatur County

Schedule of Findings

Year ended June 30, 2002

Response - The Board will follow the State Auditor's recommendation as recommended.

Conclusion - Response accepted.

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

Interest was not credited to the Debt Service Fund as required by Chapter 12C.9(9) of the Code of Iowa.

Recommendation - Interest should be allocated to the Debt Service Fund as required.

Response - Will set up as interest bearing account at IPAIT.

Conclusion - Response accepted.

- (9) Resource Enhancement and Protection (REAP) Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

- (10) Medical Co-Payment Plan - The County provides employees health insurance and other benefits through a partially self-insured benefit plan. Chapter 509A.15 of the Code of Iowa requires the County to obtain an actuarial opinion issued by a member of the American Academy of Actuaries which attests to the adequacy of reserves, rates and the financial condition of the plan and to file an annual financial report with the Insurance Commissioner.

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

Response - County Insurance Program will soon be depleted of funds and the program will cease to exist. The Board therefore sees no advantage in expending funds since the account balance is nominal.

Conclusion - Response acknowledged.

- (11) Taxable Meal Reporting - The County does not include taxable meals paid to employees in gross wages as required by Internal Revenue Service rules.

Recommendation - The County should comply with Internal Revenue Service reporting requirements.

Decatur County

Schedule of Findings

Year ended June 30, 2002

Response - The Board will ask that the County Auditor comply with reporting requirements of the IRS.

Conclusion - Response accepted.

- (12) Economic Development - The County paid \$3,127 to the Decatur County Development Network which may not be an appropriate expenditure of public funds since the public benefits to be derived have not been clearly documented.

According to an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises that the governing body should evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

Recommendation - The Board should evaluate and document the public purpose served by these expenditures before authorizing further payments and should require documentation of how the funds were used to accomplish economic development activities.

Response - Will request financial and activity reports from the newly reorganized Decatur County Development Network.

Conclusion - Response acknowledged. However, the Board should document the public purpose prior to making future contributions.

- (13) Compensation to Sheriff's Deputy for Off-duty Investigation Efforts - During the fiscal year ended June 30, 2002, a deputy received \$1,200 compensation from state funds for tobacco compliance work performed off-duty. This compensation was paid from the Sheriff's cashbook bank account and was not run through the County's regular payroll system. As such, federal and state income taxes, Social security and IPERS were not withheld, and the compensation was not reported to the individual on either the Internal Revenue Service form W-2 or form 1099.

Recommendation - The Board of Supervisors should consult the Internal Revenue Service, Iowa Department of Revenue and IPERS regarding the disposition of this matter.

Response - The Board will follow the recommendation.

Conclusion - Response accepted.

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

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

Decatur County

Schedule of Findings

Year ended June 30, 2002

Response - The Board will commence work on this requirement in late March or early April of 2003.

Conclusion - Response accepted.

- (15) 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, 2002 for the County Extension Office did not exceed the amount budgeted.

Decatur County

Staff

This audit was performed by:

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