



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

Richard D. Johnson, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Warren G. Jenkins, CPA
Chief Deputy Auditor of State

NEWS RELEASE

FOR RELEASE

November 19, 2002

**Contact: Andy Nielsen
515/281-5515**

Auditor of State Richard Johnson today released an audit report on Lucas County, Iowa.

Johnson reported that the County had local tax revenue of \$9,444,644 for the year ended June 30, 2002, which included \$757,508 in tax credits from the state. The County forwarded \$6,918,140 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,526,504 of the local tax revenue to finance County operations, a four percent increase from the prior year. Other revenues included \$2,292,172 from the state, including indirect federal funding and \$120,429 in interest on investments. The County also received general obligation note proceeds of \$244,400 that are recorded as an other financing source.

Expenditures for County operations totaled \$5,422,093, a three percent decrease from the prior year. Expenditures included \$2,166,227 for roads and transportation, \$765,012 for mental health and \$687,338 for public safety. The significant decrease in expenditures is due primarily to the completion of the Pin Oak Marsh Nature Center and bridge replacement projects in the prior year.

This report contained recommendations to the Board of Supervisors and other County officials. For example, Johnson recommended that the County Sheriff deposit canteen profits and forfeiture funds with the County to ensure that purchases are properly budgeted and reflected in the County's accounting system. The County's responses are included in the audit report.

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

###

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

0210-0059-B00F

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
General Purpose Financial Statements:	<u>Exhibit</u>	
Combined Balance Sheet – All Fund Types and Account Group	A	8-11
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust Fund	B	12-13
Comparison of Receipts, Disbursements and Changes in Balances – Actual to Budget (Cash Basis) – All Governmental Fund Types and Expendable Trust Fund	C	14-15
Notes to Financial Statements		16-23
Supplemental Information:	<u>Schedule</u>	
General Fund:		
Statement of Revenues, Expenditures and Changes in Fund Balance	1	25-26
Statement of Expenditures	2	27-30
Special Revenue Funds:		
Combining Balance Sheet	3	31-32
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	33-40
Debt Service Fund:		
Statement of Revenues, Expenditures and Changes in Fund Balance	5	41
Capital Projects Fund:		
Statement of Revenues, Expenditures and Changes in Fund Balance	6	42
Trust and Agency Funds:		
Statement of Revenues, Expenditures and Changes in Fund Balance - Expendable Trust Fund	7	44
Combining Balance Sheet – Trust and Agency Funds	8	45-48
Combining Statement of Changes in Assets and Liabilities – Agency Funds	9	49-52
Comparison of Taxes and Intergovernmental Revenues	10	53
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		54-55
Schedule of Findings		56-63
Staff		64

Lucas County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry Davis	Board of Supervisors	Jan 2003
Clarence Gee	Board of Supervisors	Jan 2005
Cathy Reece	Board of Supervisors	Jan 2005
Linda Reed	County Auditor	Jan 2005
Phyllis Baker	County Treasurer	Jan 2003
Sheryl Pierce	County Recorder	Jan 2003
Delbert Longley	County Sheriff	Jan 2005
Paul Goldsmith	County Attorney	Jan 2003
Tim McGee	County Assessor	Jan 2004

Lucas County



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

Richard D. Johnson, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Warren G. Jenkins, CPA
Chief Deputy Auditor of State

Independent Auditor's Report

To the Officials of Lucas County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Lucas County, Iowa, as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of Lucas 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. Also, the County has not included materials and supplies inventory, pertaining primarily to the Special Revenue Funds, although required by U.S. generally accepted accounting principles. The amounts of such inventory is not determinable.

In our opinion, except for the effects on the general purpose financial statements of the omissions described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Lucas County at June 30, 2002 and the results of its operations 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 and the expendable trust fund of Lucas County for the year ended June 30, 2002.

In accordance with Government Auditing Standards, we have also issued our report dated September 18, 2002 on our consideration of Lucas County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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 qualified opinions on those financial statements for the effects of the omission of the statement of general fixed assets and the omission of the materials and supplies inventory pertaining primarily to the Special Revenue Funds. The supplemental information included in Schedules 1 through 10, 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.

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 18, 2002

Financial Statements

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

	Governmental	
	General	Special Revenue
Assets and Other Debits		
Cash and pooled investments:		
County Treasurer	\$ 935,949	2,693,333
Other County officials	-	-
Cash held in escrow by South Iowa Area Detention Service Agency (note 5)	-	-
Receivables:		
Property tax:		
Delinquent	4,749	3,285
Succeeding year	1,266,000	1,137,000
Interest and penalty on property tax	12,183	-
Accounts	2,643	2,587
Accrued interest	9,808	15
Special assessments:		
Delinquent	-	-
Succeeding year	-	-
Due from other funds (note 3)	22,657	-
Due from other governments	46,207	138,944
Amount available for debt service	-	-
Amount to be provided for retirement of general long-term debt	-	-
	\$ 2,300,196	3,975,164

Fund Types		Fiduciary Fund Type	Account Group General	Total (Memorandum Only)
Debt Service	Capital Projects	Trust and Agency	Long-Term Debt	
11,719	-	549,644	-	4,190,645
-	-	37,171	-	37,171
-	15,000	-	-	15,000
-	-	23,913	-	31,947
-	-	6,030,900	-	8,433,900
-	-	-	-	12,183
-	-	36,435	-	41,665
-	-	323	-	10,146
-	-	1,971	-	1,971
-	-	157,000	-	157,000
-	-	-	-	22,657
-	-	-	-	185,151
-	-	-	26,719	26,719
-	-	-	303,158	303,158
11,719	15,000	6,837,357	329,877	13,469,313

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

	Governmental	
	General	Special Revenue
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	\$ 33,340	52,631
Salaries and benefits payable	10,111	13,565
Due to other funds (note 3)	-	3,040
Due to other governments (note 4)	2,582	76,538
Trusts payable	-	-
Deferred revenue:		
Succeeding year property tax	1,266,000	1,137,000
Other	36,074	3,074
General obligation notes payable (note 5)	-	-
Capital loan notes payable (note 5)	-	-
Compensated absences	10,171	16,363
Total liabilities	1,358,278	1,302,211
Fund equity:		
Fund balances:		
Reserved for:		
Supplemental levy purposes	427,389	112,035
Debt service	-	-
Unreserved:		
Designated for future capital project	-	200,000
Undesignated	514,529	2,360,918
Total fund equity	941,918	2,672,953
Total liabilities and fund equity	\$ 2,300,196	3,975,164

See notes to financial statements.

Fund Types		Fiduciary Fund Type	Account Group General	Total (Memorandum Only)
Debt Service	Capital Projects	Trust and Agency	Long-Term Debt	
-	-	81,225	-	167,196
-	-	-	-	23,676
-	-	19,617	-	22,657
-	-	6,663,148	-	6,742,268
-	-	26,943	-	26,943
-	-	-	-	2,403,000
-	-	-	-	39,148
-	-	-	100,000	100,000
-	-	-	143,500	143,500
-	-	13,498	86,377	126,409
-	-	6,804,431	329,877	9,794,797
-	-	-	-	539,424
11,719	15,000	-	-	26,719
-	-	-	-	200,000
-	-	32,926	-	2,908,373
11,719	15,000	32,926	-	3,674,516
11,719	15,000	6,837,357	329,877	13,469,313

Lucas County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances – All Governmental Fund Types
and Expendable Trust Fund

Year ended June 30, 2002

	Governmental	
	General	Special Revenue
Revenues:		
Property and other County tax	\$ 1,219,786	1,058,395
Interest and penalty on property tax	33,232	-
Intergovernmental	536,012	2,181,147
Licenses and permits	250	150
Charges for service	301,462	28,977
Use of money and property	119,640	449
Miscellaneous	20,818	27,847
Total revenues	<u>2,231,200</u>	<u>3,296,965</u>
Expenditures:		
Operating:		
Public safety	532,754	154,584
Court services	7,014	-
Physical health and education	306,700	35,436
Mental health	-	765,012
Social services	115,812	-
County environment	97,369	24,773
Roads and transportation	-	2,166,227
State and local government services	147,472	-
Interprogram services	569,462	31,603
Debt service	110,186	-
Capital projects	-	46,032
Total expenditures	<u>1,886,769</u>	<u>3,223,667</u>
Excess (deficiency) of revenues over (under) expenditures	<u>344,431</u>	<u>73,298</u>
Other financing sources (uses):		
Operating transfers in	-	462,650
Operating transfers out	(32,731)	(433,919)
General obligation note proceeds	-	-
Total other financing sources (uses)	<u>(32,731)</u>	<u>28,731</u>
Excess of revenues and other financing sources over expenditures and other financing uses	311,700	102,029
Fund balances beginning of year	<u>630,218</u>	<u>2,570,924</u>
Fund balances end of year	<u>\$ 941,918</u>	<u>2,672,953</u>

See notes to financial statements.

Fund Types		Fiduciary Fund Type	Total
Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
46,049	-	-	2,324,230
-	-	-	33,232
4,230	-	-	2,721,389
-	-	-	400
-	-	-	330,439
611	-	16,684	137,384
-	-	4,043	52,708
50,890	-	20,727	5,599,782
-	-	-	687,338
-	-	-	7,014
-	-	-	342,136
-	-	-	765,012
-	-	-	115,812
-	-	-	122,142
-	-	-	2,166,227
-	-	-	147,472
-	-	-	601,065
46,120	-	-	156,306
-	244,400	21,137	311,569
46,120	244,400	21,137	5,422,093
4,770	(244,400)	(410)	177,689
-	-	4,000	466,650
-	-	-	(466,650)
-	244,400	-	244,400
-	244,400	4,000	244,400
4,770	-	3,590	422,089
6,949	15,000	29,336	3,252,427
11,719	15,000	32,926	3,674,516

Lucas County

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

Year ended June 30, 2002

	Actual	Amended Budget
Receipts:		
Property and other County tax	\$ 2,324,092	2,326,371
Interest and penalty on property tax	33,064	11,600
Intergovernmental	2,629,453	3,023,892
Licenses and permits	410	1,050
Charges for service	353,645	304,210
Use of money and property	155,657	177,500
Miscellaneous	106,754	49,500
Total receipts	<u>5,603,075</u>	<u>5,894,123</u>
Disbursements:		
Public safety	700,117	711,801
Court services	8,666	15,050
Physical health and education	341,042	375,493
Mental health	804,643	826,260
Social services	119,806	256,615
County environment	122,584	140,725
Roads and transportation	2,214,895	2,556,238
State and local government services	146,337	178,743
Interprogram services	599,782	661,227
Debt service	156,306	50,000
Capital projects	266,328	709,100
Total disbursements	<u>5,480,506</u>	<u>6,481,252</u>
Excess (deficiency) of receipts over (under) disbursements	122,569	(587,129)
Other financing sources, net	<u>244,400</u>	<u>50,500</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	366,969	(536,629)
Balance beginning of year	<u>3,321,958</u>	<u>3,306,955</u>
Balance end of year	<u>\$ 3,688,927</u>	<u>2,770,326</u>

See notes to financial statements.

Variance - Favorable (Unfavorable)	Actual as % of Amended Budget
(2,279)	100%
21,464	285%
(394,439)	87%
(640)	39%
49,435	116%
(21,843)	88%
57,254	216%
<u>(291,048)</u>	<u>95%</u>
11,684	98%
6,384	58%
34,451	91%
21,617	97%
136,809	47%
18,141	87%
341,343	87%
32,406	82%
61,445	91%
(106,306)	313%
<u>442,772</u>	<u>38%</u>
<u>1,000,746</u>	<u>85%</u>

Lucas County

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

Lucas 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, Lucas County has included all funds, organizations, account groups, 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. Lucas 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 does 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: Lucas County Assessor's Conference Board and Lucas 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 an Agency Fund of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Southeast Iowa Case Management, Chariton Valley Rural Economic Development Inc., Ten Fifteen Regional Transit Agency, Southeast Iowa Drug Task Force, Lucas County Law Enforcement Center, South Iowa Area Detention Service Agency, Lucas County Solid Waste Management Commission, South Central Iowa Solid Waste Agency and the Heartland Group.

B. Fund Accounting

The accounts of the County are organized on the basis of funds and an 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. 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.

Capital Projects Fund - The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

Fiduciary Funds

Trust Funds - The Trust Funds are used to account for assets held by the County in a trustee capacity. These include expendable trust funds which are accounted for in essentially the same manner as Governmental Funds.

Agency Funds - The 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. 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 and Expendable Trust 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.

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 and Expendable Trust 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 collected within the current period or expected to be collected 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 taxes, 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 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 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 that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes 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 fiscal 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 1 1/2% 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.

Special Assessments Receivable - Special assessments receivable represent amounts assessed to individuals for work done that benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Assessments receivable represent assessments which are due and payable but have 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.

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 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 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 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.

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 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, capital projects funds and expendable trust funds. 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	\$ 2,242,308	(11,108)	2,231,200	3,289,142	7,823	3,296,965
Expenditures	1,899,838	(13,069)	1,886,769	3,268,220	(44,553)	3,223,667
Net	342,470	1,961	344,431	20,922	52,376	73,298
Other financing sources (uses)	(32,731)	-	(32,731)	28,731	-	28,731
Beginning fund balances	629,250	968	630,218	2,640,640	(69,716)	2,570,924
Ending fund balances	\$ 938,989	2,929	941,918	2,690,293	(17,340)	2,672,953

	Governmental Fund Types					
	Debt Service			Capital Projects		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 50,898	(8)	50,890	-	-	-
Expenditures	46,120	-	46,120	244,400	-	244,400
Net	4,778	(8)	4,770	(244,400)	-	(244,400)
Other financing sources (uses)	-	-	-	244,400	-	244,400
Beginning fund balances	6,941	8	6,949	15,000	-	15,000
Ending fund balances	\$ 11,719	-	11,719	15,000	-	15,000

	Fiduciary Fund Type					
	Expendable Trusts			Total		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ 20,727	-	20,727	5,603,075	(3,293)	5,599,782
Expenditures	21,928	(791)	21,137	5,480,506	(58,413)	5,422,093
Net	(1,201)	791	(410)	122,569	55,120	177,689
Other financing sources (uses)	4,000	-	4,000	244,400	-	244,400
Beginning fund balances	30,127	(791)	29,336	3,321,958	(69,531)	3,252,427
Ending fund balances	\$ 32,926	-	32,926	3,688,927	(14,411)	3,674,516

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.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,997,004 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Sheriff Grant	\$ 3,040
	Trust and Agency:	
	Public Health Nurse	8,446
	County Auditor	8,476
	County Recorder	289
	County Sheriff	2,306
	Auto and Driver License and Use Tax	100
Total		<u>\$ 22,657</u>

(4) 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. The tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 2,582
Special Revenue:		
Rural Service	Services	1,038
Secondary Roads		4,083
Mental Health		71,417
		<u>76,538</u>
Trust and Agency:		
County Assessor	Collections	187,332
Schools		3,702,227
Community Colleges		182,047
Corporations		1,342,556
Townships		124,540
Auto and Driver License and Use Tax		129,459
County Hospital		654,648
All other		340,339
		<u>6,663,148</u>
Total		<u>\$ 6,742,268</u>

(5) Changes in Long-Term Debt

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

	General Obligation Notes	Capital Loan Notes	Compensated Absences	Total
Balance beginning of year	\$ -	179,000	85,785	264,785
Additions	244,400	-	592	244,992
Reductions	144,400	35,500	-	179,900
Balance end of year	<u>\$ 100,000</u>	<u>143,500</u>	<u>86,377</u>	<u>329,877</u>

General Obligation Notes

In June 2001, the County issued a general obligation E911 note pursuant to a loan agreement dated June 6, 2001 in the amount of \$200,000. The note proceeds were received in July 2001 and were used to provide funds to pay a portion of the cost of financing E911 facilities. The repayment terms require annual installments of \$100,000 on June 1, 2002 and June 1, 2003, plus interest at 5.5% per annum. The outstanding principal balance at June 30, 2002 was \$100,000.

On July 5, 2001, the County issued \$44,400 of general obligation notes to pay a portion of the costs of acquiring County Sheriff patrol cars. The repayment terms required two

equal installments of \$22,200 to be paid on December 30, 2001 and June 30, 2002, including 5.45% per annum interest. These notes were redeemed at June 30, 2002.

Capital Loan Notes

Lucas County is one of ten participating member counties in the South Iowa Area Detention Service Agency (SIADSA) Capital Loan Note Certificate agreement. Each member County issued \$230,000 General Obligation Capital Loan Notes on May 1, 1991 to the SIADSA which secured \$2,300,000 of Capital Loan Note Certificates issued by SIADSA. SIADSA is holding cash of \$15,000, which represents the unspent note proceeds, in escrow for Lucas County at June 30, 2002.

Lucas County issued a \$160,000 Capital Loan Note on March 15, 1994 to the Heartland Group for the purpose of paying the County's costs of acquiring a one-fifth interest in an existing facility.

The capital loan notes issued by the County are payable from the General Fund as follows:

Year Ending June 30,	South Iowa Area Detention Service Agency				Heartland Group			
	Interest Rate	Principal	Interest	Total	Interest Rate	Principal	Interest	Total
2003	6.80%	\$ 19,500	6,066	25,566	4.90%	\$ 18,000	2,801	20,801
2004	6.90%	21,000	4,740	25,740	5.00%	19,000	1,919	20,919
2005	7.00%	22,500	3,290	25,790	5.10%	19,000	969	19,969
2006	7.00%	24,500	1,716	26,216		-	-	-
Total		\$ 87,500	15,812	103,312		\$ 56,000	5,689	61,689

During the year ended June 30, 2002, the County retired \$35,500 of these notes.

(6) 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 covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.50% and 8.25%, 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 \$113,159, \$110,531, and \$107,384, respectively, equal to the required contributions for each year.

(7) Risk Management

The County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) 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 exceeded the amount budgeted in the Debt Service Service Area and disbursements in the Courthouse and Duplicating Services department exceeded the amount appropriated.

Supplemental Information

Lucas County

Lucas 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	\$ 1,145,232	
Utility tax replacement excise tax	72,756	
Other	1,798	\$ 1,219,786
	<u>1,798</u>	

Interest and penalty on property tax

33,232

Intergovernmental:

State shared revenues:

Franchise tax	1,982	
Other	878	
	<u>2,860</u>	

State grants and reimbursements including indirect federal funding:

Homemaker health grant	49,437	
Human services administration reimbursement	29,637	
Public health nursing grant	79,271	
Other	770	
	<u>159,115</u>	

State tax replacements:

State tax credits	113,698	
State allocation	86,677	
	<u>200,375</u>	

Contributions and reimbursements

from other governments:

Remittance from E911 Service Board	110,186	
Other	63,476	
	<u>173,662</u>	536,012

Licenses and permits

250

Charges for service:

Office fees and collections:

County Recorder	57,693	
County Sheriff	21,304	
Auto registration, use tax, drivers license and mailing	68,226	
Homemaker health and nursing services	147,874	
Tax sale certificate and deed fees	5,825	
Miscellaneous	540	301,462
	<u>540</u>	

Schedule 1

Lucas County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

Revenues (continued):		
Use of money and property:		
Interest on investments	119,369	
Other	<u>271</u>	119,640
Miscellaneous		20,818
Total revenues		<u>2,231,200</u>
Expenditures:		
Operating:		
Public safety		532,754
Court services		7,014
Physical health and education		306,700
Social services		115,812
County environment		97,369
State and local government services		147,472
Interprogram services		569,462
Debt service		<u>110,186</u>
Total expenditures		<u>1,886,769</u>
Excess of revenues over expenditures		<u>344,431</u>
Other financing uses:		
Operating transfers out:		
Special Revenue:		
Secondary Roads		(28,731)
Expendable Trust:		
Conservation Land Acquisition Trust		<u>(4,000)</u>
Total other financing uses		<u>(32,731)</u>
Excess of revenues over expenditures and other financing uses		311,700
Fund balance beginning of year		<u>630,218</u>
Fund balance end of year		<u><u>\$ 941,918</u></u>

See accompanying independent auditor's report.

Lucas County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Public Safety Service Area:

Law enforcement:

Uniformed patrol services	\$ 23,500	
Adult correction services	310,398	
Administration	118,642	
	<u>452,540</u>	

Legal services:

Criminal prosecution	72,975	
Medical examinations	5,639	
	<u>78,614</u>	

Emergency services:

Emergency management	<u>1,600</u>	\$ 532,754
----------------------	--------------	------------

Court Services Service Area:

Assistance to district court system:

Research and other assistance	5,095	
-------------------------------	-------	--

Court proceedings:

Juries and witnesses	571	
----------------------	-----	--

Juvenile justice administration:

Court-appointed attorneys for juveniles	<u>1,348</u>	7,014
---	--------------	-------

Physical Health and Education Service Area:

Physical health services:

Health administration	<u>276,700</u>	
-----------------------	----------------	--

Educational services:

Historic preservation	13,800	
Fair and 4-H clubs	7,800	
Fairgrounds	8,400	
	<u>30,000</u>	306,700

Social Services Service Area:

Services to the indigent:

Administration	65,562	
General welfare services	13,604	
	<u>79,166</u>	

Schedule 2

Lucas County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Social Services Service Area (continued):

Services to military veterans:

Administration	7,543	
General services to veterans	6,982	
	<u>14,525</u>	

Children and family services:

Youth guidance	10,439	
----------------	--------	--

Services to other adults:

Services to the elderly	11,265	
-------------------------	--------	--

Chemical dependency:

Treatment services	417	115,812
--------------------	-----	---------

County Environment Service Area:

Environmental quality program:

Weed eradication	251	
------------------	-----	--

Conservation and recreation services:

Administration	42,616	
Maintenance and operations	29,411	
Recreation and environmental education	2,202	
	<u>74,229</u>	

Animal control:

Animal shelter	1,350	
----------------	-------	--

County development:

Land use and building controls	9,590	
Economic development	11,949	
	<u>21,539</u>	

97,369

State and Local Government Services Service Area:

Representation services:

Elections administration	6,691	
Local elections	2,686	
Township officials	1,080	
	<u>10,457</u>	

Lucas County

General Fund

Statement of Expenditures

Year ended June 30, 2002

State and Local Government Services Service Area (continued):

State administrative services:

Motor vehicle registrations and licensing	62,978	
Recording of public documents	74,037	
	<u>137,015</u>	147,472

Interprogram Services Service Area:

Policy and administration:

General County management	75,872	
Administration management services	83,943	
Treasury management services	79,251	
Other policy and administration	201,424	
	<u>440,490</u>	

Central services:

General services	69,988	
Data processing services	19,050	
Duplicating services	6,358	
	<u>95,396</u>	

Risk management services:

Tort liability	20,945	
Safety of workplace	10,534	
Unemployment compensation	2,097	
	<u>33,576</u>	569,462

Debt Service Service Area:

Principal redemption	100,000	
Interest paid	10,186	
	<u>110,186</u>	

Total		<u>\$ 1,886,769</u>
-------	--	---------------------

See accompanying independent auditor's report.

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

	Rural Services	Secondary Roads
Assets		
Cash and pooled investments	\$ 394,628	1,249,481
Receivables:		
Property tax:		
Delinquent	1,801	-
Succeeding year	729,000	-
Accounts	-	2,400
Accrued interest	-	-
Due from other governments	-	138,750
	\$ 1,125,429	1,390,631
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	\$ 239	39,380
Salaries and benefits payable	7,458	5,498
Due to other funds	-	-
Due to other governments	1,038	4,083
Deferred revenue:		
Succeeding year property tax	729,000	-
Other	1,658	-
Compensated absences	1,875	13,991
Total liabilities	741,268	62,952
Fund equity:		
Fund balance:		
Reserved for:		
Supplemental levy purposes	112,035	-
Unreserved:		
Designated for future capital project	-	-
Undesignated	272,126	1,327,679
Total fund equity	384,161	1,327,679
	\$ 1,125,429	1,390,631

See accompanying independent auditor's report.

Resource Enhance- ment and Protection	Construction Fund Donation	Sheriff Grant Fund	County Recorder's Records Management	Mental Health	Total
23,146	1,500	-	14,122	1,010,456	2,693,333
-	-	-	-	1,484	3,285
-	-	-	-	408,000	1,137,000
-	-	-	-	187	2,587
8	-	-	7	-	15
-	-	-	-	194	138,944
23,154	1,500	-	14,129	1,420,321	3,975,164
-	-	-	-	13,012	52,631
-	-	-	-	609	13,565
-	-	3,040	-	-	3,040
-	-	-	-	71,417	76,538
-	-	-	-	408,000	1,137,000
-	-	-	-	1,416	3,074
-	-	-	-	497	16,363
-	-	3,040	-	494,951	1,302,211
-	-	-	-	-	112,035
-	-	-	-	200,000	200,000
23,154	1,500	(3,040)	14,129	725,370	2,360,918
23,154	1,500	(3,040)	14,129	925,370	2,672,953
23,154	1,500	-	14,129	1,420,321	3,975,164

Lucas County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads
Revenues:		
Property and other County tax:		
Property tax	\$ 639,070	-
Utility tax replacement excise tax	37,944	-
Other	62	-
	<u>677,076</u>	<u>-</u>
Intergovernmental:		
State shared revenues:		
Road use tax	-	1,651,505
	<u>-</u>	<u>1,651,505</u>
State grants and reimbursements including indirect federal funding:		
Federal emergency management assistance	-	30,825
Social services block grant	-	-
Other	-	6,878
	<u>-</u>	<u>37,703</u>
State tax replacements:		
State tax credits	48,803	-
Mental health property tax relief	-	-
State allocation	-	20,780
	<u>48,803</u>	<u>20,780</u>
Contributions and reimbursements from other governmental units	-	53,281
	<u>48,803</u>	<u>1,763,269</u>
Licenses and permits	-	150
Charges for service:		
Sanitary landfill fees	14,451	-
Client care charges	-	-
Document management fee	-	-
	<u>14,451</u>	<u>-</u>
Use of money and property:		
Interest on investments	-	-
	<u>-</u>	<u>-</u>

Resource Enhance- ment and Protection	Construction Fund Donation	Sheriff Grant	County Recorder's Records Management	Mental Health	Total
-	-	-	-	358,012	997,082
-	-	-	-	22,744	60,688
-	-	-	-	563	625
-	-	-	-	381,319	1,058,395
-	-	-	-	-	1,651,505
-	-	-	-	-	30,825
-	-	-	-	55,117	55,117
8,445	-	1,700	-	-	17,023
8,445	-	1,700	-	55,117	102,965
-	-	-	-	35,543	84,346
-	-	-	-	268,270	268,270
-	-	-	-	-	20,780
-	-	-	-	303,813	373,396
-	-	-	-	-	53,281
8,445	-	1,700	-	358,930	2,181,147
-	-	-	-	-	150
-	-	-	-	-	14,451
-	-	-	-	9,666	9,666
-	-	-	4,860	-	4,860
-	-	-	4,860	9,666	28,977
114	-	-	335	-	449

Lucas County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads
Revenues (continued):		
Miscellaneous:		
Sale of materials	-	26,347
Other	-	-
	-	26,347
Total revenues	740,330	1,789,766
Expenditures:		
Operating:		
Public Safety Service Area:		
Law enforcement:		
Uniformed patrol services	149,844	-
Physical Health and Education Service Area:		
Physical health services:		
Sanitation	20,676	-
Educational services:		
Libraries	14,760	-
	35,436	-
Mental Health Service Area:		
Persons with mental health problems - mental illness:		
General administration	-	-
Personal and environmental support	-	-
Treatment services	-	-
Licensed or certified living arrangements	-	-
Institutional, hospital, and commitment services	-	-
	-	-
Persons with chronic mental illness:		
General administration	-	-
Treatment services	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
Institutional, hospital, and commitment services	-	-
	-	-

Resource Enhance- ment and Protection	Construction Fund Donation	Sheriff Grant	County Recorder's Records Management	Mental Health	Total
-	-	-	-	-	26,347
-	1,500	-	-	-	1,500
-	1,500	-	-	-	27,847
8,559	1,500	1,700	5,195	749,915	3,296,965
-	-	4,740	-	-	154,584
-	-	-	-	-	20,676
-	-	-	-	-	14,760
-	-	-	-	-	35,436
-	-	-	-	54,348	54,348
-	-	-	-	15,301	15,301
-	-	-	-	46,948	46,948
-	-	-	-	5,034	5,034
-	-	-	-	13,273	13,273
-	-	-	-	134,904	134,904
-	-	-	-	2,004	2,004
-	-	-	-	15,104	15,104
-	-	-	-	2,232	2,232
-	-	-	-	92,376	92,376
-	-	-	-	95,004	95,004
-	-	-	-	206,720	206,720

Lucas County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads
Expenditures (continued):		
Operating:		
Mental Health Service Area:		
Persons with mental retardation:		
Information and education	-	-
General administration	-	-
Coordination services	-	-
Personal and environmental support	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
Institutional, hospital, and commitment services	-	-
	-	-
Persons with other developmental disabilities:		
Coordination and day services	-	-
Vocational services	-	-
	-	-
County Environment Service Area:		
Environmental quality:		
Weed eradication	2,284	-
Solid waste disposal	22,489	-
	24,773	-
Roads and Transportation Service Area:		
Secondary roads administration and engineering:		
Administration	-	98,197
Engineering	-	147,531
	-	245,728
Roadway maintenance:		
Bridges and culverts	-	266,668
Roads	99,311	881,816
Snow and ice control	-	41,799
Traffic controls	-	66,178
Road clearing	54,699	64,071
	154,010	1,320,532

Resource Enhance- ment and Protection	Construction Fund Donation	Sheriff Grant	County Recorder's Records Management	Mental Health	Total
-	-	-	-	440	440
-	-	-	-	2,500	2,500
-	-	-	-	6,283	6,283
-	-	-	-	5,604	5,604
-	-	-	-	107,333	107,333
-	-	-	-	190,098	190,098
-	-	-	-	97,364	97,364
-	-	-	-	409,622	409,622
-	-	-	-	830	830
-	-	-	-	12,936	12,936
-	-	-	-	13,766	13,766
-	-	-	-	765,012	765,012
-	-	-	-	-	2,284
-	-	-	-	-	22,489
-	-	-	-	-	24,773
-	-	-	-	-	98,197
-	-	-	-	-	147,531
-	-	-	-	-	245,728
-	-	-	-	-	266,668
-	-	-	-	-	981,127
-	-	-	-	-	41,799
-	-	-	-	-	66,178
-	-	-	-	-	118,770
-	-	-	-	-	1,474,542

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

	Rural Services	Secondary Roads
Expenditures (continued):		
Operating:		
Roads and Transportation Service Area:		
General roadway expenditures:		
Equipment	-	30,488
Equipment operation	-	353,194
Tools, materials, and supplies	-	50,388
Real estate and buildings	-	11,887
	-	445,957
	154,010	2,012,217
Interprogram Services Service Area:		
Risk management services:		
Safety of workplace	31,603	-
	31,603	-
Capital Projects Service Area:		
Roadway construction	-	46,032
Total expenditures	395,666	2,058,249
Excess (deficiency) of revenues over (under) expenditures	344,664	(268,483)
Other financing sources (uses):		
Operating transfers in (out):		
General	-	28,731
Special Revenue:		
Rural Services	-	433,919
Secondary Roads	(433,919)	-
Total other financing sources (uses)	(433,919)	462,650
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(89,255)	194,167
Fund balances beginning of year	473,416	1,133,512
Fund balances end of year	\$ 384,161	1,327,679

See accompanying independent auditor's report.

Resource Enhance- ment and Protection	Construction Fund Donation	Sheriff Grant	County Recorder's Records Management	Mental Health	Total
-	-	-	-	-	30,488
-	-	-	-	-	353,194
-	-	-	-	-	50,388
-	-	-	-	-	11,887
-	-	-	-	-	445,957
-	-	-	-	-	2,166,227
-	-	-	-	-	31,603
-	-	-	-	-	46,032
-	-	4,740	-	765,012	3,223,667
8,559	1,500	(3,040)	5,195	(15,097)	73,298
-	-	-	-	-	28,731
-	-	-	-	-	433,919
-	-	-	-	-	(433,919)
-	-	-	-	-	28,731
8,559	1,500	(3,040)	5,195	(15,097)	102,029
14,595	-	-	8,934	940,467	2,570,924
23,154	1,500	(3,040)	14,129	925,370	2,672,953

Schedule 5

Lucas 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	\$ 43,281	
Utility tax replacement excise tax	2,701	
Other	<u>67</u>	\$ 46,049

Intergovernmental:

State tax replacements:

State tax credits		4,230
-------------------	--	-------

Use of money and property:

Interest on investments		<u>611</u>
Total revenues		<u>50,890</u>

Expenditures:

Debt Service Service Area:

Principal redemption	44,400	
Interest paid	<u>1,720</u>	<u>46,120</u>

Excess of revenues over expenditures 4,770

Fund balance beginning of year 6,949

Fund balance end of year \$ 11,719

See accompanying independent auditor's report.

Lucas County

Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

	Sheriff's Vehicles	Capital Improvements	Total
Revenues:			
None	\$ -	-	-
Expenditures:			
Capital Projects Service Area:			
Other capital projects	44,400	-	44,400
Remitted to E911 for facilities update	-	200,000	200,000
	<u>44,400</u>	<u>200,000</u>	<u>244,400</u>
Deficiency of revenues under expenditures	(44,400)	(200,000)	(244,400)
Other financing sources:			
General obligation note proceeds	44,400	200,000	244,400
Excess of revenue and other financing sources over expenditures	-	-	-
Fund balance beginning of year	-	15,000	15,000
Fund balance end of year	<u>\$ -</u>	<u>15,000</u>	<u>15,000</u>

See accompanying independent auditor's report.

Schedule 7

Lucas County

Expendable Trust Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

	<u>Conservation Land Acquisition Trust</u>
Revenues:	
Use of money and property:	
Land rental	\$ 16,684
Miscellaneous:	
Contributions and donations	4,043
Total revenues	<u>20,727</u>
Expenditures:	
Capital Projects Service Area:	
Conservation land acquisition	<u>21,137</u>
Deficiency of revenues under expenditures	(410)
Other financing sources:	
Operating transfer in:	
General	<u>4,000</u>
Excess of revenues and other financing sources over expenditures	3,590
Fund balance beginning of year	<u>29,336</u>
Fund balance end of year	<u><u>\$ 32,926</u></u>

See accompanying independent auditor's report.

Lucas County

Lucas County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2002

	Expendable Trust - Conservation Land Acquisition	County Offices			
		Public Health Nurse	County Auditor	County Recorder	County Sheriff
Assets					
Cash and pooled investments:					
County Treasurer	\$ 32,926	-	-	-	-
Other County officials	-	8,446	8,476	200	20,049
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	-	-	-	89	-
Accrued interest	-	-	-	-	-
Special assessments:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Total assets	\$ 32,926	8,446	8,476	289	20,049
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	-	-	-	-
Due to other funds	-	8,446	8,476	289	2,306
Due to other governments	-	-	-	-	-
Trusts payable	-	-	-	-	17,743
Compensated absences	-	-	-	-	-
Total liabilities	-	8,446	8,476	289	20,049
Fund equity:					
Unreserved fund balance	32,926	-	-	-	-
Total liabilities and fund equity	\$ 32,926	8,446	8,476	289	20,049

Agency Funds				
Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations
943	87,496	70,197	3,412	26,261
-	-	-	-	-
174	428	13,030	635	7,295
48,000	113,000	3,619,000	178,000	1,309,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
49,117	200,924	3,702,227	182,047	1,342,556
-	94	-	-	-
-	-	-	-	-
49,117	187,332	3,702,227	182,047	1,342,556
-	-	-	-	-
-	13,498	-	-	-
49,117	200,924	3,702,227	182,047	1,342,556
-	-	-	-	-
49,117	200,924	3,702,227	182,047	1,342,556

Lucas County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2002

	Auto and Driver License and Use Tax	Brucellosis and Tuberculosis Eradication	E911 Service Board
Assets			
Cash and pooled investments:			
County Treasurer	2,314	129,559	69
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	226	-	4
Succeeding year	122,000	-	900
Accounts	-	-	36,346
Accrued interest	-	-	323
Special assessments:			
Delinquent	-	-	-
Succeeding year	-	-	-
Total assets	124,540	129,559	973
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	-	-	81,006
Due to other funds	-	100	-
Due to other governments	124,540	129,459	973
Trusts payable	-	-	-
Compensated absences	-	-	-
Total liabilities	124,540	129,559	973
Fund equity:			
Unreserved fund balance	-	-	-
Total liabilities and fund equity	124,540	129,559	973

See accompanying independent auditor's report.

Agency Funds					
Emergency Management Services	Special Assessments	County Hospital	Advance Tax	Tax Sale Redemption Proceeds	Total
1,224	2,000	11,527	9,200	-	549,644
-	-	-	-	-	37,171
-	-	2,121	-	-	23,913
-	-	641,000	-	-	6,030,900
-	-	-	-	-	36,435
-	-	-	-	-	323
-	1,971	-	-	-	1,971
-	157,000	-	-	-	157,000
1,224	160,971	654,648	9,200	-	6,837,357
125	-	-	-	-	81,225
-	-	-	-	-	19,617
1,099	160,971	654,648	-	-	6,663,148
-	-	-	9,200	-	26,943
-	-	-	-	-	13,498
1,224	160,971	654,648	9,200	-	6,804,431
-	-	-	-	-	32,926
1,224	160,971	654,648	9,200	-	6,837,357

Lucas County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	County Offices			
	Public Health Nurse	County Auditor	County Recorder	County Sheriff
Assets and Liabilities				
Balances beginning of year	\$ 7,735	8,440	258	21,381
Additions:				
Property and other County tax	-	-	-	-
E911 surcharge	-	-	-	-
State tax credits	-	-	-	-
Office fees and collections	8,769	-	120,763	22,377
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	117,639
Remittance from County for facilities update	-	-	-	-
Miscellaneous	-	36	-	-
Total additions	8,769	36	120,763	140,016
Deductions:				
Agency remittances:				
To other funds	-	-	60,392	21,669
To other governments	-	-	60,340	707
Remittance to County for payment of debt	-	-	-	-
Trusts paid out	8,058	-	-	118,972
Total deductions	8,058	-	120,732	141,348
Balances end of year	\$ 8,446	8,476	289	20,049

Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships
43,301	182,937	3,224,584	211,839	1,260,374	101,004
50,612	120,131	3,825,085	192,954	1,369,788	129,258
-	-	-	-	-	-
4,155	10,260	309,634	15,045	156,602	7,836
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	3,637	-	-	-	-
54,767	134,028	4,134,719	207,999	1,526,390	137,094
-	-	-	-	-	-
48,951	116,041	3,657,076	237,791	1,444,208	113,558
-	-	-	-	-	-
-	-	-	-	-	-
48,951	116,041	3,657,076	237,791	1,444,208	113,558
49,117	200,924	3,702,227	182,047	1,342,556	124,540

Lucas County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	<u>Auto and Driver License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>E911 Service Board</u>
Assets and Liabilities			
Balances beginning of year	<u>129,108</u>	<u>1,056</u>	<u>133,829</u>
Additions:			
Property and other County tax	-	991	-
E911 surcharge	-	-	149,269
State tax credits	-	102	-
Office fees and collections	-	-	-
Auto licenses, use tax and postage	1,916,518	-	-
Assessments	-	-	-
Trusts	-	-	-
Remittance from County for facilities update	-	-	200,000
Miscellaneous	-	-	10,540
Total additions	<u>1,916,518</u>	<u>1,093</u>	<u>359,809</u>
Deductions:			
Agency remittances:			
To other funds	65,314	-	-
To other governments	1,850,753	1,176	174,267
Remittance to County for payment of debt	-	-	110,186
Trusts paid out	-	-	-
Total deductions	<u>1,916,067</u>	<u>1,176</u>	<u>284,453</u>
Balances end of year	<u><u>129,559</u></u>	<u><u>973</u></u>	<u><u>209,185</u></u>

See accompanying independent auditor's report.

Emergency Management Services	Special Assessments	County Hospital	Advance Taxes	Tax Sale Redemption Proceeds	Total
1,124	205,454	527,880	2,552	-	6,062,856
-	-	674,087	-	-	6,362,906
-	-	-	-	-	149,269
-	824	50,776	-	-	555,234
-	-	-	-	-	151,909
-	-	-	-	-	1,916,518
-	16,660	-	-	-	16,660
-	-	-	-	147,008	264,647
-	-	-	-	-	200,000
1,600	-	-	6,648	-	22,461
1,600	17,484	724,863	6,648	147,008	9,639,604
-	-	-	-	-	147,375
1,500	61,967	598,095	-	-	8,366,430
-	-	-	-	-	110,186
-	-	-	-	147,008	274,038
1,500	61,967	598,095	-	147,008	8,898,029
1,224	160,971	654,648	9,200	-	6,804,431

Schedule 10

Lucas County

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2002	2001	2000	1999
Taxes:				
Property tax	\$ 2,185,595	2,075,115	1,949,051	1,965,889
Utility tax replacement excise tax	136,145	137,653	-	-
Other	2,490	2,480	-	-
	<u>2,324,230</u>	<u>2,215,248</u>	<u>1,949,051</u>	<u>1,965,889</u>
Intergovernmental:				
State shared revenues:				
Road use tax	1,651,505	1,583,689	1,606,717	1,573,447
Other	2,860	8,343	11,182	9,069
State grants and reimbursements including indirect federal funding:				
Highway planning and construction grant	-	169,072	3,493	85,001
Federal emergency management assistance	30,825	-	-	-
Social services block grant	55,117	54,585	53,824	50,749
Public health nursing grant	79,271	70,385	48,651	38,308
Homemaker health grant	49,437	32,669	44,947	43,612
Human services administrative reimbursements	29,637	45,019	31,004	26,202
Other	17,793	88,184	78,939	100,304
State tax replacements:				
State tax credits	202,274	215,745	204,705	214,548
State allocation	107,457	110,044	110,361	110,231
Mental health property tax relief	268,270	268,269	268,269	268,331
Other	-	92,192	42,547	61,012
Direct federal grants and entitlements:				
Wetlands restoration grant	-	43,677	36,674	-
Contributions and reimbursements from other governmental units	226,943	119,924	132,716	54,346
Payments in lieu of taxes	-	-	1,316	-
	<u>2,721,389</u>	<u>2,901,797</u>	<u>2,675,345</u>	<u>2,635,160</u>
Total	<u>\$ 5,045,619</u>	<u>5,117,045</u>	<u>4,624,396</u>	<u>4,601,049</u>

See accompanying independent auditor's report



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

Richard D. Johnson, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Warren G. Jenkins, CPA
Chief Deputy Auditor of State

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

To the Officials of Lucas County:

We have audited the general purpose financial statements of Lucas County, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 18, 2002. Our audit expressed a qualified opinion on the financial statements due to the omission of the general fixed assets account group and materials and supplies inventory pertaining primarily to the Special Revenue Funds which should be included in order to conform to 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 Lucas County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted 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: (1), (2), (7), (10) and (11).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lucas 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 Lucas 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), (C), (D) and (E).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lucas County and other parties to whom Lucas 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 Lucas 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.

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 18, 2002

Lucas 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 procedures 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) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail could then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Sheriff
(2) The collection, deposit preparation and reconciliation functions should be performed by an individual who does not record and account for cash receipts.	Sheriff, Recorder
(3) The person who signs checks should be independent of the person preparing the checks, approving disbursements and recording cash disbursements.	Sheriff

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 the review.

Lucas County
Schedule of Findings
Year Ended June 30, 2002

Response -

County Sheriff:

- 1) Currently, two employees are handling the incoming mail and money.
- 2) Currently both office employees check each other's work and both enter/balance books.
- 3) This is done whenever possible.

County Recorder - We try to segregate as many job functions as possible, but with two people in the office this becomes difficult.

Conclusion - Response acknowledged. Where duties cannot be adequately segregated, it is important that this work be reviewed by supervisory personnel.

- (B) Board of Supervisors - Mental Health Fund claims for travel and other reimbursable expenses were not supported by adequate documentation.

Recommendation - A written policy should be established requiring supporting documentation for travel and other reimbursable expenses.

Response - Lucas County Community Service will, in the future, attach an itemized bill to the claims such as Master Card and gas payments to the City. The Community Service keeps these claims in the file and they have been available for review at any time.

Conclusion - Response accepted.

- (C) County Auditor - A separate bank account is maintained for the remaining balance of the self-funded group health program that has been discontinued. The balance in this bank account totaled \$8,476 at June 30, 2002.

Recommendation - The remaining funds in the Lucas County Employee Group Health account should be remitted to the County Treasurer and expenditures should be presented to the County Board of Supervisors for approval and charged against the budget.

Response - The Board of Supervisors has requested that I leave this account alone. We may use it for certain areas around the Courthouse for improvements.

Conclusion - Response acknowledged. The remaining funds should be remitted to the County Treasurer. The budget must be amended prior to expending these funds.

- (D) County Sheriff - Separate bank accounts were maintained for the collection and expenditure of the canteen and forfeiture accounts. Canteen profits and forfeiture funds have been accumulating in these accounts and are not remitted to the County Treasurer. Also, expenditures other than those for canteen resale items were not charged against the budget.

Lucas County

Schedule of Findings

Year Ended June 30, 2002

Recommendation – Canteen profits should be remitted to the County Treasurer and expenditures other than those for canteen resale items should be presented to the County Board of Supervisors for approval and charged against the budget.

The forfeited funds activity should be included in the County's annual budget and financial statements. Proceeds are accepted by the County with the understanding that they are not to replace those already budgeted. The receipt and disbursement of proceeds of this type may require a budget amendment at some time before the end of the fiscal year. All proceeds disbursed should be charged to the appropriate expenditure account in accordance with the Uniform Chart of Accounts for Iowa County Governments.

Response – We will continue as we have in the past.

Conclusion – Response acknowledged. Profits and forfeiture funds should be remitted to the County Treasurer and expenditures other than those for canteen resale items should be presented to the County Board of Supervisors for approval and charged against the budget. Profits and forfeiture funds may be placed in a special revenue fund to account for the proceeds of these specific revenue sources if legally restricted to expenditure for specified purposes. The County should consult legal counsel to determine the disposition of this matter.

(E) Fixed Assets Records – A record of fixed assets is not maintained.

Recommendations – A complete record of fixed assets should be maintained and kept current to facilitate the proper insurance, maintenance and safeguarding of these assets. An inventory of all property and equipment should be taken at least once each year and compared to the fixed assets records. Also, identifying information should be promptly placed on the assets when received.

Response – When we changed liability insurance companies, we had to come up with a list of all fixed assets. We did not maintain that list for ourselves, which was an error on our part. We will have the list in the future and it will be kept current.

Conclusion – Response accepted.

(F) County Extension Office – The petty cash fund for the Education funds was not maintained on an imprest basis. Also, some collections were not deposited, but were used as a change fund. Receipts were not always deposited timely.

Also, Agency book balances were not reconciled to bank account balances.

Recommendations – The petty cash fund should be maintained on an imprest basis to provide additional control over funds. Imprest systems improve the accountability for cash and enhance reconciliation of receipts and deposits. Change funds should be segregated from other cash. Also, receipts should be deposited intact on a timely basis.

Book balances should be reconciled at the end of each month to bank account balances. Any differences should be investigated and resolved timely.

Lucas County

Schedule of Findings

Year Ended June 30, 2002

Response - A petty cash fund was established by the Lucas County Extension Council to deal with the issue of change and small purchases such as postage that were made incorrectly in the past.

All receipts to the Education Fund will be deposited intact on a timely basis. The need for this has been discussed with the office assistant.

The office has initiated a change in policy that will allow for the book balances to be reconciled at the end of each month in accordance with bank account balances. If differences in account balances and bank statements occur, they will be addressed by the County Extension Education Director.

Conclusion - Response acknowledged. The petty cash fund should be maintained on an imprest basis.

- (G) Public Health Nursing Office - Cash totaling \$180 was withdrawn from the NEST checking account and spent without receipts or supporting documentation.

Recommendation - All payments should be made by check when possible and all expenditures must be supported by documentation.

Response - Payments for any activities or merchandise related to the NEST Program will be made via checks. No one will be allowed to make any payments with cash from the account. The check register and bank statements will serve as documentation of the expenditures.

Conclusion - Response acknowledged. Supporting documentation should also include actual invoices or receipts.

Lucas 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, except as follows.

<u>Office</u>	<u>Depository</u>	<u>Maximum Authorized Deposit</u>
County Treasurer	Citizens Bank	\$ 5,000,000

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

Response - I will have a new depository resolution in the amount of \$6,500,000 with Citizens Bank approved at the October 2002 Board of Supervisors meeting.

Conclusion - Response accepted.

- (2) Certified Budget - Disbursements during the year ended June 30, 2002 exceeded the amount budgeted in the Debt Service Service Area.

Disbursements in the Courthouse and Duplicating Services department exceeded the amount appropriated.

Also, disbursements of \$44,400 from the Capital Projects, Sheriff's Vehicle Fund were budgeted from and charged to the Capital Projects Service Area. These disbursements were for the purchase of Sheriff patrol cars and should have been charged to the Public Safety Service Area in the General Fund.

Recommendation - The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by decreasing or increasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Also, the Board should budget in accordance with the Uniform Chart of Accounts for Iowa County Governments.

Response - Due to the County issuing debt for the E911 Service Board, the County did not budget this expense. We were not aware it should have been done this way. In the future we will budget accordingly.

In the future, we will monitor line items more closely to make sure they will not exceed the appropriated amount. We will do an appropriation amendment if necessary to keep all line items within the appropriation.

Lucas County

Schedule of Findings

Year Ended June 30, 2002

We will make sure we budget all future Sheriff patrol cars from the Public Safety Service Area in the General Fund instead of the Capital Projects Fund.

Conclusion - Response accepted.

- (3) Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions - No business transactions between the County and County officials or employees were noted.
- (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. However, the minutes did not include sufficient information to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa.

Recommendation - The County should ensure that all board minutes properly document the vote of each member as required.

Response - From now on the minutes will include the vote or state that the motions carried unanimously.

Conclusion - Response accepted.

- (8) Deposits and Investments - 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 policies were noted.
- (9) Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455.19(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) Deficit Fund Balances - The Sheriff Grant Fund had deficit balances during the year ended June 30, 2002. This appears to violate Chapter 331.476 of the Code of Iowa.

Recommendation - Claims should not be approved for payment when funds are not available unless the debt is authorized by resolution of the Board of Supervisors and takes the form of anticipatory warrants, loans from other County funds or other formal short-term debt instruments or obligations in accordance with Chapter 331.477 of the Code of Iowa.

Lucas County

Schedule of Findings

Year Ended June 30, 2002

Response - Local match money may need to come out of another line item(fund).

Conclusion - Response acknowledged. Claims should not be approved unless funds are available. Short term debt should be authorized by the Board of Supervisors and issued in accordance with the Code of Iowa.

- (11) County Assessor - Transfers from the FICA and IPERS levy to the Assessment Expense Fund were greater than actual FICA and IPERS disbursements.

Recommendation - Transfers should be made to the County Assessor's Assessment Expense Fund only for the amount of employer's FICA and IPERS paid. Any balance should remain in the fund and be used for future allowable disbursements.

Response - We will comply.

Conclusion - Response accepted.

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

Disbursements during the year ended June 30, 2002 for the County Extension Office did not exceed the amount budgeted.

The annual report of receipts and expenditures was not published before August 1st as required by Chapter 176A.8(14) of the Code of Iowa.

Recommendation - The annual report should be published by August 1st as required by Chapter 176.A.8(14) of the Code of Iowa.

Response - We will have a county director in the office next year when the annual financial report is to be prepared. This will free up more of the office assistant/bookkeeper's time to concentrate on completing and publishing the financial report to adhere to all deadlines required.

Conclusion - Response accepted.

Lucas County

Staff

This audit was performed by:

Cynthia L. Weber, CPA, Manager
Katherine L. Rupp, CPA, Senior Auditor II
Jennifer L. Sease, Staff Auditor
Kip M. Druecker, Assistant Auditor
Jeffrey M. Evans, Assistant Auditor
Jake P. Keegan, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State