



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

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Warren G. Jenkins, CPA
Chief Deputy Auditor of State

NEWS RELEASE

FOR RELEASE _____ December 17, 2002 _____

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

Johnson reported that the County had local tax revenue of \$37,827,841 for the year ended June 30, 2002, which included \$2,241,131 in tax credits from the state. The County forwarded \$29,984,157 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$7,843,684 of the local tax revenue to finance County operations, a one percent increase from the prior year. Other revenues included \$5,164,472 from the state, including indirect federal funding, \$97,614 from direct federal grants and entitlements, \$923,660 in local option sales tax and \$361,808 in interest on investments.

Expenditures for County operations totaled \$17,736,862, a two percent increase from the prior year. Expenditures included \$4,963,896 for public safety, \$4,290,402 for roads and transportation and \$2,881,664 for mental health.

The report contains recommendations to the Board of Supervisors and other County officials. For example, Johnson recommended that the County Sheriff, Recorder and Treasurer review the operating procedures of their offices to obtain the maximum internal control possible under the circumstances. The County has responded favorably to these comments.

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

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

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Marshall County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ron Goecke	Board of Supervisors	Jan 2003
John Soorholtz	Board of Supervisors	Jan 2003
Gordie Johnson	Board of Supervisors	Jan 2005
Jeffrey Heil	County Auditor	Jan 2005
Deane Adams	County Treasurer	Jan 2003
Joan Smith	County Recorder	Jan 2003
Theoharris Kamatchus	County Sheriff	Jan 2005
Jim DeTaeye	County Attorney	Jan 2003
Bill Williams	County Assessor	Jan 2006

Marshall County



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Independent Auditor's Report

To the Officials of Marshall County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Marshall County, Iowa, as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of Marshall 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.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Marshall 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 and expendable trust funds of Marshall County for the year ended June 30, 2002.

As discussed in Note 13 to the general purpose financial statements, Marshall County intends to implement Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis; Omnibus; and Statement Number 38, Certain Financial Statement Note Disclosures, for the fiscal year ending June 30, 2003. The effects of these statements are expected to significantly impact the presentation of the County's financial statements and related notes in the year of implementation. The revised requirements will include the use of the economic resources measurement focus and full accrual accounting, as well as an analytical overview of the County's financial activities in the Management's Discussion and Analysis introduction to the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our reports dated October 1, 2002 on our consideration of Marshall County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are 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 two years ended June 30, 2001 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The general purpose financial statements for the year ended June 30, 1999 (none of which are presented herein) were audited by other auditors who expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 16, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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

October 1, 2002

Financial Statements

Marshall County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	Governmental Fund		
	General	Special Revenue	Debt Service
Assets and Other Debits			
Cash and pooled investments:			
County Treasurer	\$ 5,156,558	2,856,181	11,305
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	8,476	1,791	456
Succeeding year	5,079,000	2,144,000	298,000
Interest and penalty on property tax	3,061	-	-
Accounts	40,391	14,206	-
Accrued interest	94,197	-	-
Assessments	-	-	-
Due from other funds (note 4)	75,794	9,880	-
Due from other governments	399,677	367,429	-
Inventories	-	341,152	-
Prepaid expenditures	198,121	10,111	-
Property and equipment (note 3)	-	-	-
Amount available in Debt Service Fund	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets and other debits	\$ 11,055,275	5,744,750	309,761

Types	Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
			General Fixed Assets	General Long-Term Debt	
Capital Projects	Internal Service	Trust and Agency			
204,231	473,397	3,077,298	-	-	11,778,970
-	-	147,751	-	-	147,751
-	-	47,955	-	-	58,678
-	-	28,279,000	-	-	35,800,000
-	-	-	-	-	3,061
-	-	53,257	-	-	107,854
76	-	10,223	-	-	104,496
-	-	28,162	-	-	28,162
-	-	-	-	-	85,674
-	-	-	-	-	767,106
-	-	-	-	-	341,152
-	-	-	-	-	208,232
-	-	-	26,330,047	-	26,330,047
-	-	-	-	11,327	11,327
-	-	-	-	4,061,111	4,061,111
204,307	473,397	31,643,646	26,330,047	4,072,438	79,833,621

Marshall County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	Governmental Fund		
	General	Special Revenue	Debt Service
Liabilities, Fund Equity and Other Credits			
Liabilities:			
Accounts payable	\$ 260,932	478,929	-
Salaries and benefits payable	57,012	30,842	-
Due to other funds (note 4)	-	-	-
Due to other governments (note 5)	86,259	307,056	-
Bonds payable (note 6)	-	-	-
Capital lease purchase agreements (note 6)	-	-	-
Deferred real estate contract (note 6)	-	-	-
Installment purchase contract (note 6)	-	-	-
Deferred revenue:			
Succeeding year property tax	5,079,000	2,144,000	298,000
Other	25,592	1,663	434
Trusts payable	-	-	-
Compensated absences	76,646	22,278	-
Total liabilities	5,585,441	2,984,768	298,434
Fund equity and other credits:			
Investment in general fixed assets	-	-	-
Unreserved retained earnings	-	-	-
Fund balances:			
Reserved for:			
Supplemental levy purposes	1,277,294	-	-
Inventories	-	341,152	-
Prepaid expenditures	198,121	10,111	-
Debt service	-	-	11,327
Unreserved, designated for five-year capital plan	1,000,000	-	-
Unreserved, undesignated	2,994,419	2,408,719	-
Total fund equity and other credits	5,469,834	2,759,982	11,327
Total liabilities, fund equity and other credits	\$ 11,055,275	5,744,750	309,761

See notes to financial statements.

Types	Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
			General Fixed Assets	General Long-Term Debt	
Capital Projects	Internal Service	Trust and Agency			
-	74,783	1,428	-	-	816,072
-	-	544	-	-	88,398
-	-	85,674	-	-	85,674
-	-	30,816,013	-	-	31,209,328
-	-	-	-	3,570,000	3,570,000
-	-	-	-	86,756	86,756
-	-	-	-	157,223	157,223
-	-	-	-	41,590	41,590
-	-	-	-	-	7,521,000
-	-	-	-	-	27,689
-	-	93,376	-	-	93,376
-	-	7,117	-	216,869	322,910
-	74,783	31,004,152	-	4,072,438	44,020,016
-	-	-	26,330,047	-	26,330,047
-	398,614	-	-	-	398,614
-	-	-	-	-	1,277,294
-	-	-	-	-	341,152
-	-	-	-	-	208,232
-	-	-	-	-	11,327
-	-	-	-	-	1,000,000
204,307	-	639,494	-	-	6,246,939
204,307	398,614	639,494	26,330,047	-	35,813,605
204,307	473,397	31,643,646	26,330,047	4,072,438	79,833,621

Marshall County

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

Year ended June 30, 2002

	<u>Governmental Fund</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Property and other County tax	\$ 5,280,066	2,643,960
Interest and penalty on property tax	93,099	-
Intergovernmental	3,009,357	4,282,604
Licenses and permits	148	22,487
Charges for service	700,368	26,975
Use of money and property	399,891	40,377
Fines, forfeitures and defaults	1,894	10,033
Miscellaneous	175,999	33,329
Total revenues	<u>9,660,822</u>	<u>7,059,765</u>
Expenditures:		
Operating:		
Public safety	4,947,373	16,523
Court services	72,533	-
Physical health and education	134,882	71,123
Mental health	-	2,881,664
Social services	891,196	-
County environment	359,389	82,180
Roads and transportation	-	4,290,402
State and local government services	743,373	9,864
Interprogram services	2,121,673	-
Debt service	-	-
Capital projects	-	446,343
Total expenditures	<u>9,270,419</u>	<u>7,798,099</u>
Excess (deficiency) of revenues over (under) expenditures	<u>390,403</u>	<u>(738,334)</u>

Types		Fiduciary Fund Type	Total
Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
296,367	-	-	8,220,393
-	-	-	93,099
19,491	-	-	7,311,452
-	-	-	22,635
-	-	-	727,343
-	8,979	3,833	453,080
-	-	-	11,927
-	-	-	209,328
315,858	8,979	3,833	17,049,257
-	-	-	4,963,896
-	-	-	72,533
-	-	-	206,005
-	-	-	2,881,664
-	-	-	891,196
-	-	-	441,569
-	-	-	4,290,402
-	-	-	753,237
-	-	3,594	2,125,267
316,073	-	-	316,073
-	316,176	32,501	795,020
316,073	316,176	36,095	17,736,862
(215)	(307,197)	(32,262)	(687,605)

Marshall County

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

Year ended June 30, 2002

	<u>Governmental Fund</u>	
	<u>General</u>	<u>Special Revenue</u>
Other financing sources (uses):		
Sale of general fixed assets	5,848	18,090
Capital lease	64,261	-
Deferred real estate contract	-	-
Installment purchase contract	41,590	-
Operating transfers in	-	1,600,313
Operating transfers out	(316,724)	(1,411,000)
Total other financing sources (uses)	<u>(205,025)</u>	<u>207,403</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	185,378	(530,931)
Fund balances beginning of year	5,134,360	3,288,679
Increase (decrease) in reserve for:		
Inventories	-	(1,832)
Prepaid expenditures	150,096	4,066
Fund balances end of year	<u>\$ 5,469,834</u>	<u>2,759,982</u>

See notes to financial statements.

Types		Fiduciary Fund Type	Total
Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
-	-	-	23,938
-	-	-	64,261
-	180,000	-	180,000
-	-	-	41,590
-	-	127,411	1,727,724
-	-	-	(1,727,724)
-	180,000	127,411	309,789
(215)	(127,197)	95,149	(377,816)
11,542	331,504	544,345	9,310,430
-	-	-	(1,832)
-	-	-	154,162
11,327	204,307	639,494	9,084,944

Marshall County

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

Year ended June 30, 2002

	Actual	Amended Budget
Receipts:		
Property and other County tax	\$ 8,192,745	8,067,755
Interest and penalty on property tax	93,364	12,700
Intergovernmental	7,050,777	7,471,885
Licenses and permits	23,095	18,880
Charges for service	727,582	759,029
Use of money and property	538,553	480,830
Fines, forfeits and defaults	12,339	21,500
Miscellaneous	219,545	158,027
Total receipts	16,858,000	16,990,606
Disbursements:		
Public safety	4,862,898	5,213,616
Court services	68,447	90,522
Physical health and education	194,670	206,469
Mental health	2,786,799	3,100,000
Social services	778,718	861,367
County environment	450,710	506,134
Roads and transportation	4,118,388	4,592,000
State and local government services	753,614	877,130
Interprogram services	2,138,722	2,810,969
Debt service	316,073	316,073
Capital projects	614,337	897,131
Total disbursements	17,083,376	19,471,411
Deficiency of receipts under disbursements	(225,376)	(2,480,805)
Other financing sources, net	38,089	387,500
Deficiency of receipts and other financing sources under disbursements and other financing uses	(187,287)	(2,093,305)
Balance beginning of year	9,051,895	9,018,511
Balance end of year	\$ 8,864,608	6,925,206

See notes to financial statements.

Variance - Favorable (Unfavorable)	Actual as % of Amended Budget
124,990	102%
80,664	735%
(421,108)	94%
4,215	122%
(31,447)	96%
57,723	112%
(9,161)	57%
61,518	139%
<u>(132,606)</u>	<u>99%</u>
350,718	93%
22,075	76%
11,799	94%
313,201	90%
82,649	90%
55,424	89%
473,612	90%
123,516	86%
672,247	76%
-	100%
<u>282,794</u>	<u>68%</u>
<u>2,388,035</u>	<u>88%</u>

Exhibit D

Marshall County

Combined Statement of Revenues, Expenses and Changes in Retained Earnings

Proprietary Fund Type

Year ended June 30, 2002

		<u>Internal Service</u>
Operating revenues:		
Individual stop loss reimbursements		\$ 10,513
Employee health insurance contributions		81,197
Employer health insurance contributions		981,998
Reimbursements from retirees		<u>2,007</u>
Total operating revenues		1,075,715
Operating expenses:		
Medical claims	\$ 556,642	
Insurance premiums	197,811	
Miscellaneous	<u>3,716</u>	<u>758,169</u>
Operating income		317,546
Non-operating revenues:		
Interest on investments		<u>5,051</u>
Net income		322,597
Retained earnings, beginning of year		<u>76,017</u>
Retained earnings, end of year		<u><u>\$ 398,614</u></u>

See notes to financial statements.

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

	Internal Service
Cash flows from operating activities:	
Cash received from employee contributions	\$ 81,197
Cash received from retirees	2,007
Cash received from employer contributions	981,998
Cash received from others	187,231
Cash payments to suppliers for services	(853,353)
Net cash provided by operating activities	399,080
Cash flows from investing activities:	
Interest on investments	5,051
Net increase in cash and cash equivalents	404,131
Cash and cash equivalents at beginning of year	69,266
Cash and cash equivalents at end of year	\$ 473,397
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 317,546
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	176,718
(Decrease) in accounts payable	(95,184)
Net cash provided by operating activities	\$ 399,080

See notes to financial statements.

Marshall County

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

Marshall 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, Marshall 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.

These financial statements present Marshall 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.

Four 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 Marshall 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 Marshall County Auditor's office.

One drainage district, a joint district between Marshall and Story Counties, is managed and supervised by elected trustees. This district is included as an Agency Fund of the County.

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Marshall County Assessor's Conference Board and the Marshall 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 has been designated as trustee of the Marshall County Solid Waste Management Commission Irrevocable Trust Fund. The purpose of this fund is to demonstrate financial assurance for closure, post-closure and corrective action as required by law. The County's responsibility for this fund is limited to a fiduciary relationship and as such, the activity has been reported in an Agency Fund of the County.

The County also participates in the following additional jointly governed organizations pursuant to Chapter 28E of the Code of Iowa: Marshall County Public Safety Communications Center, Solid Waste Management Commission of Marshall County, Region Six Planning Commission, Central Iowa Juvenile Detention Center, Multi-County Cooperative Child Support Agreement, and Mid-Iowa Drug Task Force.

B. Fund Accounting

The accounts of the County are organized on the basis of funds and account groups, 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 groups 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.

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

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 Groups

General Fixed Assets – This account group is established to account for the general fixed assets of the County.

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.

Proprietary Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and 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 funds, 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 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 the 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.

All proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their 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 are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

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

Property Tax Receivable - Property tax in Governmental Funds are 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 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 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.

General Fixed Assets - General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost. Assets acquired by gift are accounted for at fair market value at the date of the gift. The General Fixed Assets Account Group excludes public domain or "infrastructure" general fixed assets such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation expense is not recorded on the balance sheet for general fixed assets. At the time an asset is removed from service, the cost is removed from the General Fixed Asset Account Group. Maintenance and repairs are recorded as expenditures in the Governmental Funds as incurred and are not capitalized.

During the year ended June 30, 2002, no interest costs were capitalized since the County's policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

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 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 collectible 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 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 compensatory hours for subsequent use or for payment upon termination, death or retirement. For the County's agency funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of vacation 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 computer based on rates of pay in effect at June 30, 2002.

Unreserved Retained Earnings - The unreserved retained earnings of the Employee Group Health and Employee Group Dental Funds are 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. During the year ended June 30, 2002, the Board approved three budget amendments.

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 funds, capital projects fund, and expendable trust funds. Although the budget document presents service area disbursements by fund, the 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, for the E911 System by the Joint E911 Service 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	\$9,458,474	202,348	9,660,822	7,031,732	28,033	7,059,765
Expenditures	9,064,320	206,099	9,270,419	7,523,337	274,762	7,798,099
Net	394,154	(3,751)	390,403	(491,605)	(246,729)	(738,334)
Other financing sources (uses)	(310,875)	105,850	(205,025)	221,553	(14,150)	207,403
Beginning fund balances	5,073,279	61,081	5,134,360	3,126,233	162,446	3,288,679
Increase in reserve for:						
Inventories	-	-	-	-	(1,832)	(1,832)
Prepaid expenditures	-	150,096	150,096	-	4,066	4,066
Ending fund balances	\$5,156,558	313,276	5,469,834	2,856,181	(96,199)	2,759,982

	Governmental Fund Types					
	Debt Service			Capital Projects		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 315,862	(4)	315,858	24,192	(15,213)	8,979
Expenditures	316,073	-	316,073	143,551	172,625	316,176
Net	(211)	(4)	(215)	(119,359)	(187,838)	(307,197)
Other financing sources (uses)	-	-	-	-	180,000	180,000
Beginning fund balances	11,516	26	11,542	323,590	7,914	331,504
Increase in reserve for:						
Inventories	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	-
Ending fund balances	\$ 11,305	22	11,327	204,231	76	204,307

	Fiduciary Fund Type					
	Expendable Trust			Total		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 27,740	(23,907)	3,833	16,858,000	191,257	17,049,257
Expenditures	36,095	-	36,095	17,083,376	653,486	17,736,862
Net	(8,355)	(23,907)	(32,262)	(225,376)	(462,229)	(687,605)
Other financing sources (uses)	127,411	-	127,411	38,089	271,700	309,789
Beginning fund balances	517,277	27,068	544,345	9,051,895	258,535	9,310,430
Increase in reserve for:						
Inventories	-	-	-	-	(1,832)	(1,832)
Prepaid expenditures	-	-	-	-	154,162	154,162
Ending fund balances	\$ 636,333	3,161	639,494	8,864,608	220,336	9,084,944

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 do 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 no investments meeting the disclosure requirement of Governmental Accounting Standards Board Statement Number 3.

(3) Property and Equipment

A summary of property and equipment comprising general fixed assets for the year ended June 30, 2002 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land	\$ 1,865,069	46,767	7,955	1,903,881
Buildings	17,356,095	331,788	661,655	17,026,228
Equipment	7,116,960	917,296	634,318	7,399,938
Total	<u>\$ 26,338,124</u>	<u>1,295,851</u>	<u>1,303,928</u>	<u>26,330,047</u>

(4) 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	Trust and Agency:	
	County Recorder	\$ 21,509
	County Sheriff	34,372
	Auto License and Use Tax	19,913
Special Revenue:		
County Recorder's Records Management	Trust and Agency: County Recorder	888
Jail Commissary	Trust and Agency: County Sheriff	<u>8,992</u>
Total		<u>\$ 85,674</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. 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>\$ 86,259</u>
Special Revenue: Mental Health	Services	306,524
Secondary Roads	Services	<u>532</u>
		<u>307,056</u>
Trust and Agency: County Assessor	Collections	626,199
Schools		17,012,920
Community colleges		1,428,225
Corporations		9,551,939
Waste Disposal Bond		914,032
Auto License and Use Tax		652,936
All other		<u>629,762</u>
		<u>30,816,013</u>
Total		<u>\$ 31,209,328</u>

(6) Long-Term Debt

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

	<u>General Obligation Bonds</u>	<u>Capital Lease Purchase Agreements</u>	<u>Deferred Real Estate Contract</u>	<u>Installment Purchase Contract</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year	\$ 3,725,000	87,067	-	-	192,824	4,004,891
Additions	-	64,261	180,000	41,590	24,045	309,896
Reductions	<u>155,000</u>	<u>64,572</u>	<u>22,777</u>	-	-	<u>242,349</u>
Balance end of year	<u>\$ 3,570,000</u>	<u>86,756</u>	<u>157,223</u>	<u>41,590</u>	<u>216,869</u>	<u>4,072,438</u>

Bonds Payable

A summary of the County's June 30, 2002 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2003	3.75%	\$ 160,000	155,338	315,338
2004	3.80	170,000	149,337	319,337
2005	3.90	175,000	142,878	317,878
2006	4.00	180,000	136,052	316,052
2007	4.05	190,000	128,852	318,852
2008	4.10	195,000	121,157	316,157
2009	4.15	205,000	113,164	318,164
2010	4.25	215,000	104,655	319,655
2011	4.30	220,000	95,518	315,518
2012	4.40	230,000	86,057	316,057
2013	4.50	240,000	75,937	315,937
2014	4.50	255,000	65,137	320,137
2015	4.65	265,000	53,663	318,663
2016	4.70	275,000	41,340	316,340
2017	4.75	290,000	28,415	318,415
2018	4.80	305,000	14,640	319,640
Total		<u>\$ 3,570,000</u>	<u>1,512,140</u>	<u>5,082,140</u>

During the year ended June 30, 2002, the County retired \$155,000 of bonds.

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease vehicles for the sheriff's office and voting equipment for the County. The following is a schedule of the future minimum lease payments, including interest ranging from 6.24% to 7.50% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2002.

Year Ending June 30,	Sheriff's Vehicles	Voting Equipment	Total
2003	\$ 44,684	25,827	70,511
2004	22,473	-	22,473
Total minimum lease payments	67,157	25,827	92,984
Less amount representing interest.	(4,709)	(1,519)	(6,228)
Present value of net minimum lease payments	<u>\$ 62,448</u>	<u>24,308</u>	<u>86,756</u>

Payments under capital lease purchase agreements for the year ended June 30, 2002 totaled \$70,511.

Deferred Real Estate Contract

During the year ended June 30, 2002, the County entered into a deferred payment contract totaling \$180,000 to purchase real estate for the Secondary Roads department. The County agreed to pay the seller \$20,000 on the date of possession and ninety-six monthly installments, including interest, beginning May 1, 2002. The interest rate is variable during the term of the contract. The initial rate is 4½% per annum for the first twelve months. Effective April 1, 2003, the interest rate will be determined by the current rate on two year U.S. Treasury Notes, plus 1%. The interest rate will never be less than 4½% nor more than 7% per annum. Payments under the deferred real estate contract for the year ended June 30, 2002 totaled \$23,975. The balance of the contract at June 30, 2002 was \$157,223.

Installment Purchase Contracts

During the year ended June 30, 2002, the County entered into installment purchase contracts totaling \$41,590 to purchase three vehicles for the Sheriff's department. The contract is to be repaid in two annual installments of \$21,776, including 6.5% per annum interest, with the final installment due on July 15, 2003. The outstanding balance of the installment purchase contract at June 30, 2002 was \$41,590.

(7) Operating Lease

During the year ended June 30, 2002, the County entered into an agreement with the Marshalltown Town Center to lease space for the County Treasurer Motor Vehicle Department. The lease has been classified as an operating lease and, accordingly, all rents are charged to expenditures as incurred. The lease expires June 30, 2011.

Pursuant to an agreement with the Marshalltown Town Center (Center), the County paid \$161,760 to remodel the Center. The County recorded these costs as prepaid expenditures that are amortized and reduce the annual cash rental payments throughout the term of the lease.

The following is a schedule by year of the total annual lease cost required under the operating lease at June 30, 2002:

Year Ending June 30,	Annual Rent Due in Cash	Annual Prepaid Expenditures Amortized	Total Annual Lease Cost
2003	\$ 6,000	17,166	23,166
2004	6,000	17,166	23,166
2005	6,000	17,166	23,166
2006	7,200	15,966	23,166
2007	7,200	15,966	23,166
2008	7,200	15,966	23,166
2009	8,400	14,766	23,166
2020	8,400	14,766	23,166
2011	<u>13,500</u>	<u>9,666</u>	<u>23,166</u>
Total	<u>\$69,900</u>	<u>138,594</u>	<u>231,660</u>

The total annual lease cost for the year ended June 30, 2002 was \$23,166, the amount of the prepaid expenditure amortized for the first year under the agreement. The prepaid expenditure balance associated with this lease was \$138,594 at June 30, 2002.

(8) Pension and Retirement Benefits

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

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 contributions to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$344,062, \$318,986 and \$299,293 respectively, equal to the required contributions for each year.

(9) Risk Management

Marshall 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. The County assumes liability for any deductibles and claims in excess of coverage limits. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Solid Waste Disposal Bonds

On July 1, 1994, Marshall County issued \$2,940,000 of general obligation bonds for the Solid Waste Management Commission (Commission). The Solid Waste Management Commission in turn issued Solid Waste Disposal Revenue Bonds to Marshall County in exchange for the general obligation bonds. Pursuant to an agreement between the County and the Commission, the general obligation bonds are payable from revenues generated by the Solid Waste Management Commission. Accordingly, the County has not recorded the bonds as a liability in the general long-term debt account group. However, if the revenues of the Commission in future years are not adequate, a tax will be levied on all taxable property in the County. A repayment schedule and interest rates are as follows:

<u>Maturity Date</u> <u>June 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u> <u>Per Annum</u>
2003	\$ 410,000	5.05%
2004	<u>430,000</u>	5.15
	<u>\$ 840,000</u>	

(11) Industrial Development Revenue Bonds

The County has issued a total of \$5,700,000 industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$5,605,000 is outstanding at June 30, 2002. The bonds and related interest are payable solely from the rents payable by the tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the County.

(12) Employee Group Health Insurance Plan

The Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Select Benefit Administrators. This agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Select Benefit Administrators from the Employee Group Health Fund. The County records the plan assets and related liabilities of the Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2002 was \$980,113.

Amounts payable from the Group Health Fund at June 30, 2002 total \$74,783 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims, and to establish a reserve for catastrophic losses. That reserve was \$395,349 at June 30, 2002. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2001	\$ 169,967
Incurred claims (including claims incurred but not reported at June 30, 2002)	461,458
Payment on claims during the fiscal year	<u>(556,642)</u>
Unpaid claims at June 30, 2002	<u>\$ 74,783</u>

(13) Prospective Accounting Change

The Governmental Accounting Standards Board (GASB) has issued Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus; and Statement Number 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the fiscal year ending June 30, 2003. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual basis of accounting. Also, the revised minimum reporting requirements include Management's Discussion and Analysis to introduce the basic financial statements and to provide an analytical overview of the financial activities.

Marshall County

Supplemental Information

Schedule 1

Marshall 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	\$ 4,744,327	
Utility tax replacement excise tax	518,564	
Other	<u>17,175</u>	\$ 5,280,066

Interest and penalty on property tax		93,099
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Intergovernmental:

State shared revenues:

Franchise tax	<u>29,950</u>	
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State grants and reimbursements including
indirect federal funding:

Byrne formula grant program	175,833	
Child support enforcement	369,411	
Human services administration reimbursement	94,267	
Community Development Block Grant	103,851	
Home care aide grant	123,359	
Other	<u>202,156</u>	
	<u>1,068,877</u>	

State tax replacements:

State tax credits	358,170	
State allocation	<u>169,094</u>	
	<u>527,264</u>	

Direct federal grants and entitlements:

Public safety partnership and community policing grant	5,159	
High intensity drug trafficking area grant	<u>92,455</u>	
	<u>97,614</u>	

Contributions and reimbursements from
other governmental units:

Elections	24,864	
Prisoner care	1,212,689	
Other	<u>48,099</u>	
	<u>1,285,652</u>	3,009,357

Licenses and permits		148
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Marshall County

General Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2002

Revenues (continued):

Charges for service:

Office fees and collections	407,053	
Auto registration, use tax and mailing	243,885	
Other	49,430	700,368
		<hr/>

Use of money and property:

Interest on investments	349,736	
Other	50,155	399,891
		<hr/>

Fines, forfeitures and defaults		1,894
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Miscellaneous:

Contributions and donations	128,816	
Miscellaneous	47,183	175,999
Total revenues		<hr/> <u>9,660,822</u>

Expenditures:

Operating:

Public safety		4,947,373
Court services		72,533
Physical health and education		134,882
Social services		891,196
County environment		359,389
State and local government services		743,373
Interprogram services		2,121,673
Total expenditures		<hr/> <u>9,270,419</u>

Excess of revenues over expenditures		<hr/> <u>390,403</u>
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Other financing sources (uses):

Sale of general fixed assets		5,848
Capital lease		64,261
Installment purchase contract		41,590
Operating transfers out:		
Special Revenue:		
Secondary Roads		(189,313)
Expendable Trust:		
Conservation Land Acquisition Trust		(127,411)
Total other financing sources (uses)		<hr/> <u>(205,025)</u>

Schedule 1

Marshall County

General Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2002

Excess of revenues and other financing sources over expenditures and other financing uses	185,378
Fund balance beginning of year	5,134,360
Increase in reserve for prepaid expenditures	<u>150,096</u>
Fund balance end of year	<u><u>\$ 5,469,834</u></u>

See accompanying independent auditor's report.

Marshall County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Public Safety Service Area:

Law enforcement:

Uniformed patrol services	\$ 1,125,989	
Adult correctional services	2,099,969	
Administration	533,539	
	<u>3,759,497</u>	

Legal services:

Criminal prosecution	437,214	
Medical examinations	64,654	
Child support recovery	413,328	
	<u>915,196</u>	

Emergency services:

Emergency management	45,500	
E911 service board	227,180	
	<u>272,680</u>	\$ 4,947,373

Court Services Service Area:

Assistance to district court system:

Physical operations	27,469	
Research and other assistance	18,596	
	<u>46,065</u>	

Court proceedings:

Detention services	3,666	
	<u>3,666</u>	

Juvenile justice administration:

Juvenile representation services	1,742	
Court-appointed attorneys and court costs for juveniles	21,060	
	<u>22,802</u>	72,533

Physical Health and Education Service Area:

Physical health services:

Personal and family health services	38,408	
Health administration	73,381	
	<u>111,789</u>	

Schedule 2

Marshall County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Physical Health and Education Service Area:

Education services:

Fair and 4-H clubs	<u>23,093</u>	134,882
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Social Services Service Area:

Services to the poor:

Administration	213,221	
General welfare services	<u>47,081</u>	
	<u>260,302</u>	

Services to military veterans:

Administration	31,289	
General services to veterans	<u>16,188</u>	
	<u>47,477</u>	

Children's and family services:

Youth guidance	154,553	
Family protective services	<u>173,895</u>	
	<u>328,448</u>	

Services to other adults:

Services to the elderly	127,609	
Other social services	<u>103,851</u>	
	<u>231,460</u>	

Chemical dependency:

Treatment services	13,509	
Preventive services	<u>10,000</u>	
	<u>23,509</u>	891,196

County Environment Service Area:

Conservation and recreation services:

Administration	229,829	
Maintenance and operations	<u>88,562</u>	
	<u>318,391</u>	

Marshall County		
General Fund		
Statement of Expenditures		
Year ended June 30, 2002		
County Environment Service Area:		
Animal control:		
Animal shelter	9,098	
County development:		
Economic development	31,900	359,389
State and Local Government Services Service Area:		
Representation services:		
Elections administration	150,134	
Local elections	25,050	
Township officials	2,323	
	177,507	
State administrative services:		
Motor vehicle registrations and licensing	253,353	
Recording of public documents	312,513	
	565,866	743,373
Interprogram Services Service Area:		
Policy and administration:		
General County management	191,193	
Administration management services	288,106	
Treasury management services	251,718	
Other policy and administration	51,004	
	782,021	
Central services:		
General services	503,093	
Data processing services	555,473	
	1,058,566	
Risk management services:		
Tort liability	19,526	
Safety of the workplace	239,786	
Fidelity of public officers	1,393	
Unemployment compensation	20,381	
	281,086	2,121,673
Total		\$9,270,419

See accompanying independent auditor's report.

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

	Rural Services	Secondary Roads	Mental Health
Assets			
Cash and pooled investments	\$ 292,329	1,328,788	1,010,326
Receivables:			
Property tax:			
Delinquent	332	-	1,459
Succeeding year	923,000	-	1,221,000
Accounts	110	14,096	-
Due from other funds	-	-	-
Due from other governments	158,442	208,987	-
Inventories	-	341,152	-
Prepaid expense	-	10,111	-
Total assets	\$ 1,374,213	1,903,134	2,232,785
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 36	399,853	78,030
Salaries and benefits payable	316	25,225	5,301
Due to other governments	-	532	306,524
Deferred revenue:			
Succeeding year property tax	923,000	-	1,221,000
Other	274	-	1,389
Compensated absences	1,460	19,252	1,566
Total liabilities	<u>925,086</u>	<u>444,862</u>	<u>1,613,810</u>
Fund equity:			
Fund balance:			
Reserved for:			
Inventories	-	341,152	-
Prepaid expenditures	-	10,111	-
Unreserved	449,127	1,107,009	618,975
Total fund equity	<u>449,127</u>	<u>1,458,272</u>	<u>618,975</u>
Total liabilities and fund equity	\$ 1,374,213	1,903,134	2,232,785

See accompanying independent auditor's report.

County Recorder's Records Management	Sheriff's Investigative	Sheriff's Dare	Jail Commissary	Attorney's Forfeiture	Resource Enhance- ment and Protection	Drainage Districts	Total
35,561	6,325	21	23,324	13,679	142,708	3,120	2,856,181
-	-	-	-	-	-	-	1,791
-	-	-	-	-	-	-	2,144,000
-	-	-	-	-	-	-	14,206
888	-	-	8,992	-	-	-	9,880
-	-	-	-	-	-	-	367,429
-	-	-	-	-	-	-	341,152
-	-	-	-	-	-	-	10,111
36,449	6,325	21	32,316	13,679	142,708	3,120	5,744,750
-	-	-	1,010	-	-	-	478,929
-	-	-	-	-	-	-	30,842
-	-	-	-	-	-	-	307,056
-	-	-	-	-	-	-	2,144,000
-	-	-	-	-	-	-	1,663
-	-	-	-	-	-	-	22,278
-	-	-	1,010	-	-	-	2,984,768
-	-	-	-	-	-	-	341,152
-	-	-	-	-	-	-	10,111
36,449	6,325	21	31,306	13,679	142,708	3,120	2,408,719
36,449	6,325	21	31,306	13,679	142,708	3,120	2,759,982
36,449	6,325	21	32,316	13,679	142,708	3,120	5,744,750

Marshall County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	Mental Health
Revenues:			
Property and other County tax:			
Property tax	\$ 777,296	-	815,853
Local option sales tax	923,660	-	-
Utility tax replacement excise tax	32,609	-	89,748
Other	1,985	-	2,809
	<u>1,735,550</u>	<u>-</u>	<u>908,410</u>
Intergovernmental:			
State shared revenues:			
Road use tax	-	2,381,503	-
State grants and reimbursements including indirect federal funding:			
Social services block grant	-	-	171,528
Other	-	28,829	9,348
	<u>-</u>	<u>28,829</u>	<u>180,876</u>
State tax replacements:			
State tax credits	107,578	-	61,712
Mental health allowed growth factor adjustment	-	-	62,962
Mental health property tax relief	-	-	1,227,260
	<u>107,578</u>	<u>-</u>	<u>1,351,934</u>
Contributions and reimbursements from other governmental units			
	-	216,763	-
	<u>107,578</u>	<u>2,627,095</u>	<u>1,532,810</u>
Licenses and permits	20,092	2,395	-
Charges for service	2,665	14,102	-
Use of money and property:			
Interest on investments	-	-	-
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

County Recorder's Records Management	Sheriff's Investigative	Sheriff's Dare	Jail Commissary	Attorney's Forfeiture	Resource Enhancement and Protection	Drainage Districts	Total
-	-	-	-	-	-	-	1,593,149
-	-	-	-	-	-	-	923,660
-	-	-	-	-	-	-	122,357
-	-	-	-	-	-	-	4,794
-	-	-	-	-	-	-	2,643,960
-	-	-	-	-	-	-	2,381,503
-	-	-	-	-	-	-	171,528
-	-	-	-	-	15,121	-	53,298
-	-	-	-	-	15,121	-	224,826
-	-	-	-	-	-	-	169,290
-	-	-	-	-	-	-	62,962
-	-	-	-	-	-	-	1,227,260
-	-	-	-	-	-	-	1,459,512
-	-	-	-	-	-	-	216,763
-	-	-	-	-	15,121	-	4,282,604
-	-	-	-	-	-	-	22,487
10,208	-	-	-	-	-	-	26,975
389	45	3	113	104	2,439	-	3,093
-	-	-	37,284	-	-	-	37,284
389	45	3	37,397	104	2,439	-	40,377

Marshall County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	Mental Health
Revenues (continued):			
Fines, forfeitures and defaults	-	-	-
Miscellaneous:			
Sale of materials	-	15,836	-
Other	650	12,417	1,064
Total revenues	1,866,535	2,671,845	2,442,284
Expenditures:			
Operating:			
Public Safety Service Area:			
Law enforcement:			
Adult correction services	-	-	-
Administration	-	-	-
Legal services:			
Criminal prosecution	-	-	-
Physical Health and Education Service Area:			
Physical health services:			
Sanitation	19,823	-	-
Educational services:			
Libraries	51,300	-	-
Mental Health Service Area:			
Persons with mental health problems - mental illness:			
General administration	-	-	13,261
Coordination services	-	-	3,510
Treatment services	-	-	113,193
Institutional, hospital, and commitment services	-	-	38,627
Persons with chronic mental illness:			
General administration	-	-	15,935
Coordination services	-	-	7,323
Personal and environmental support	-	-	2,779
Treatment services	-	-	71,756

County Recorder's Records Management	Sheriff's Investigative	Sheriff's Dare	Jail Commissary	Attorney's Forfeiture	Resource Enhancement and Protection	Drainage Districts	Total
-	7,947	-	-	2,086	-	-	10,033
-	-	-	-	-	-	-	15,836
-	-	1,327	-	-	-	2,035	17,493
-	-	1,327	-	-	-	2,035	33,329
10,597	7,992	1,330	37,397	2,190	17,560	2,035	7,059,765
-	-	-	10,460	-	-	-	10,460
-	4,045	1,433	49	-	-	-	5,527
-	4,045	1,433	10,509	-	-	-	15,987
-	-	-	-	536	-	-	536
-	4,045	1,433	10,509	536	-	-	16,523
-	-	-	-	-	-	-	19,823
-	-	-	-	-	-	-	51,300
-	-	-	-	-	-	-	71,123
-	-	-	-	-	-	-	13,261
-	-	-	-	-	-	-	3,510
-	-	-	-	-	-	-	113,193
-	-	-	-	-	-	-	38,627
-	-	-	-	-	-	-	168,591
-	-	-	-	-	-	-	15,935
-	-	-	-	-	-	-	7,323
-	-	-	-	-	-	-	2,779
-	-	-	-	-	-	-	71,756

Marshall County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	Mental Health
Expenditures (continued):			
Operating:			
Mental Health Service Area:			
Persons with chronic mental illness:			
Vocational and day services	-	-	23,272
Licensed or certified living arrangements	-	-	193,501
Institutional, hospital, and commitment services	-	-	182,574
	-	-	497,140
Persons with mental retardation:			
General administration	-	-	69,412
Coordination services	-	-	54,268
Personal and environmental support	-	-	84,506
Treatment services	-	-	942
Vocational and day services	-	-	491,942
Licensed or certified living arrangements	-	-	956,375
Institutional, hospital, and commitment services	-	-	476,136
	-	-	2,133,581
Persons with other developmental disabilities:			
General administration	-	-	4,436
Coordination services	-	-	3,155
Personal and environmental support	-	-	230
Treatment services	-	-	376
Vocational and day services	-	-	31,183
Licensed or certified living arrangements	-	-	42,972
	-	-	82,352
	-	-	2,881,664
County Environment Service Area:			
Environmental quality:			
Natural resources conservation	836	-	-
Weed eradication	8,291	-	-
Solid waste disposal	30,796	-	-
	39,923	-	-
County development:			
Land use and building controls	42,257	-	-
	82,180	-	-

County Recorder's Records Management	Sheriff's Investigative	Sheriff's Dare	Jail Commissary	Attorney's Forfeiture	Resource Enhancement and Protection	Drainage Districts	Total
-	-	-	-	-	-	-	23,272
-	-	-	-	-	-	-	193,501
-	-	-	-	-	-	-	182,574
-	-	-	-	-	-	-	497,140
-	-	-	-	-	-	-	69,412
-	-	-	-	-	-	-	54,268
-	-	-	-	-	-	-	84,506
-	-	-	-	-	-	-	942
-	-	-	-	-	-	-	491,942
-	-	-	-	-	-	-	956,375
-	-	-	-	-	-	-	476,136
-	-	-	-	-	-	-	2,133,581
-	-	-	-	-	-	-	4,436
-	-	-	-	-	-	-	3,155
-	-	-	-	-	-	-	230
-	-	-	-	-	-	-	376
-	-	-	-	-	-	-	31,183
-	-	-	-	-	-	-	42,972
-	-	-	-	-	-	-	82,352
-	-	-	-	-	-	-	2,881,664
-	-	-	-	-	-	-	836
-	-	-	-	-	-	-	8,291
-	-	-	-	-	-	-	30,796
-	-	-	-	-	-	-	39,923
-	-	-	-	-	-	-	42,257
-	-	-	-	-	-	-	82,180

Marshall County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2002

	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Mental Health</u>
Expenditures (continued):			
Operating:			
Roads and Transportation Service Area:			
Secondary roads administration and engineering:			
Administration	-	195,922	-
Engineering	-	285,789	-
	-	481,711	-
Roadway maintenance:			
Bridges and culverts	134,428	90,170	-
Roads	-	1,558,851	-
Snow and ice control	-	137,271	-
Traffic controls	-	150,431	-
Road clearing	67,250	130,986	-
	201,678	2,067,709	-
General roadway expenditures:			
Equipment	-	552,876	-
Equipment operations	-	897,936	-
Tools, materials, and supplies	-	74,875	-
Real estate and buildings	-	13,617	-
	-	1,539,304	-
	201,678	4,088,724	-
State and Local Government			
Services Service Area:			
State administrative services:			
Recording of public documents	-	-	-
Capital Projects Service Area:			
Conservation land acquisition	-	-	-
Roadway construction	-	440,066	-
Other capital projects	-	-	-
	-	440,066	-
Total expenditures	354,981	4,528,790	2,881,664

County Recorder's Records Management	Sheriff's Investigative	Sheriff's Dare	Jail Commissary	Attorney's Forfeiture	Resource Enhancement and Protection	Drainage Districts	Total
-	-	-	-	-	-	-	195,922
-	-	-	-	-	-	-	285,789
-	-	-	-	-	-	-	481,711
-	-	-	-	-	-	-	224,598
-	-	-	-	-	-	-	1,558,851
-	-	-	-	-	-	-	137,271
-	-	-	-	-	-	-	150,431
-	-	-	-	-	-	-	198,236
-	-	-	-	-	-	-	2,269,387
-	-	-	-	-	-	-	552,876
-	-	-	-	-	-	-	897,936
-	-	-	-	-	-	-	74,875
-	-	-	-	-	-	-	13,617
-	-	-	-	-	-	-	1,539,304
-	-	-	-	-	-	-	4,290,402
9,864	-	-	-	-	-	-	9,864
-	-	-	-	-	2,086	-	2,086
-	-	-	-	-	-	-	440,066
-	-	-	-	-	-	4,191	4,191
-	-	-	-	-	2,086	4,191	446,343
9,864	4,045	1,433	10,509	536	2,086	4,191	7,798,099

Marshall County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2002

	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Mental Health</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,511,554</u>	<u>(1,856,945)</u>	<u>(439,380)</u>
Other financing sources (uses):			
Sale of general fixed assets	-	18,090	-
Operating transfers in (out):			
General	-	189,313	-
Special Revenue:			
Rural Services	-	1,411,000	-
Secondary Roads	<u>(1,411,000)</u>	-	-
Total other financing sources (uses)	<u>(1,411,000)</u>	<u>1,618,403</u>	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	100,554	(238,542)	(439,380)
Fund balances beginning of year	348,573	1,694,580	1,058,355
Increase in reserve for:			
Inventories	-	(1,832)	-
Prepaid expenditures	-	4,066	-
Fund balances end of year	<u>\$ 449,127</u>	<u>1,458,272</u>	<u>618,975</u>

See accompanying independent auditor's report.

See accompanying independent auditor's report.

County Recorder's Records Management	Sheriff's Investigative	Sheriff's Dare	Jail Commissary	Attorney's Forfeiture	Resource Enhance- ment and Protection	Drainage Districts	Total
733	3,947	(103)	26,888	1,654	15,474	(2,156)	(738,334)
-	-	-	-	-	-	-	18,090
-	-	-	-	-	-	-	189,313
-	-	-	-	-	-	-	1,411,000
-	-	-	-	-	-	-	(1,411,000)
-	-	-	-	-	-	-	207,403
733	3,947	(103)	26,888	1,654	15,474	(2,156)	(530,931)
35,716	2,378	124	4,418	12,025	127,234	5,276	3,288,679
-	-	-	-	-	-	-	(1,832)
-	-	-	-	-	-	-	4,066
36,449	6,325	21	31,306	13,679	142,708	3,120	2,759,982

Marshall County

Marshall 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	\$ 267,439	
Utility tax replacement excise tax	28,050	
Other	<u>878</u>	\$ 296,367
Intergovernmental:		
State tax replacements:		
State tax credits		<u>19,491</u>
Total revenues		<u>315,858</u>
Expenditures:		
Debt Service Service Area:		
Principal	155,000	
Interest	<u>161,073</u>	<u>316,073</u>
Deficiency of revenues under expenditures		(215)
Fund balance beginning of year		<u>11,542</u>
Fund balance end of year		<u>\$ 11,327</u>

See accompanying independent auditor's report.

Schedule 6

Marshall County

Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

Revenues:		
Use of money and property:		
Interest on investments		\$ 8,979
Expenditures:		
Capital Projects Service Area:		
Secondary roads building	\$ 269,688	
Nature Center	<u>46,488</u>	<u>316,176</u>
Deficiency of revenues under expenditures		(307,197)
Other financing sources:		
Deferred real estate contract		<u>180,000</u>
Deficiency of revenues and other financing sources under expenditures		(127,197)
Fund balance beginning of year		<u>331,504</u>
Fund balance end of year		<u><u>\$ 204,307</u></u>

See accompanying independent auditor's report.

Marshall County
Internal Service Funds
Combining Balance Sheet
June 30, 2002

	Expendable Group Health	Employee Group Dental	Total
Assets			
Cash and pooled investments: County Treasurer	\$ 470,132	3,265	473,397
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 74,783	-	74,783
Fund equity:			
Unreserved retained earnings	395,349	3,265	398,614
Total liabilities and fund equity	\$ 470,132	3,265	473,397

See accompanying independent auditor's report.

Schedule 8

Marshall County

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Retained Earnings

Year ended June 30, 2002

	Employee Group Health	Employee Group Dental	Total
Operating revenues:			
Individual stop loss reimbursements	\$ 10,513	-	10,513
Employee health insurance contributions	79,817	1,380	81,197
Employer health insurance contributions	980,113	1,885	981,998
Reimbursements from retirees	2,007	-	2,007
Total operating revenues	<u>1,072,450</u>	<u>3,265</u>	<u>1,075,715</u>
Operating expenses:			
Medical claims	556,642	-	556,642
Insurance premiums	197,811	-	197,811
Miscellaneous	3,716	-	3,716
Total operating expenses	<u>758,169</u>	<u>-</u>	<u>758,169</u>
Operating income	314,281	3,265	317,546
Non-operating revenues:			
Interest on investments	5,051	-	5,051
Net income	<u>319,332</u>	<u>3,265</u>	<u>322,597</u>
Retained earnings beginning of year	<u>76,017</u>	<u>-</u>	<u>76,017</u>
Retained earnings end of year	<u>\$ 395,349</u>	<u>3,265</u>	<u>398,614</u>

See accompanying independent auditor's report.

Marshall County
Internal Service Funds
Combining Statement of Cash Flows
Year ended June 30, 2002

	Employee Group Health	Employee Group Dental	Total
Cash flows from operating activities:			
Cash received from employee contributions	\$ 79,817	1,380	81,197
Cash received from retirees	2,007	-	2,007
Cash received from employer contributions	980,113	1,885	981,998
Cash received from others	187,231	-	187,231
Cash payments to suppliers for services	(853,353)	-	(853,353)
Net cash provided by operating activities	<u>395,815</u>	<u>3,265</u>	<u>399,080</u>
Cash flows from investing activities			
Interest on investments	5,051	-	5,051
Net increase in cash and cash equivalents	400,866	3,265	404,131
Cash and cash equivalents at beginning of year	69,266	-	69,266
Cash and cash equivalents at end of year	<u>\$ 470,132</u>	<u>3,265</u>	<u>473,397</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 314,281	3,265	317,546
Adjustments to reconcile operating income to net cash provided by operating activities:			
Decrease in accounts receivable	176,718	-	176,718
(Decrease) in accounts payable	(95,184)	-	(95,184)
Net cash provided by operating activities	<u>\$ 395,815</u>	<u>3,265</u>	<u>399,080</u>

See accompanying independent auditor's report.

Marshall County

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

	Expendable Trust	Agency	Total
Assets			
Cash and pooled investments:			
County Treasurer	\$ 636,333	2,440,965	3,077,298
Other County officials	-	147,751	147,751
Receivables:			
Property tax:			
Delinquent	-	47,955	47,955
Succeeding year	-	28,279,000	28,279,000
Accounts	-	53,257	53,257
Accrued interest	3,161	7,062	10,223
Assessments	-	28,162	28,162
Total assets	\$ 639,494	31,004,152	31,643,646
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	1,428	1,428
Salaries and benefits payable	-	544	544
Due to other funds	-	85,674	85,674
Due to other governments	-	30,816,013	30,816,013
Trusts payable	-	93,376	93,376
Compensated absences	-	7,117	7,117
Total liabilities	-	31,004,152	31,004,152
Fund equity:			
Unreserved fund balance	639,494	-	639,494
Total liabilities and fund equity	\$ 639,494	31,004,152	31,643,646

See accompanying independent auditor's report.

Schedule 11

Marshall County
Expendable Trust Funds
Combining Balance Sheet
June 30, 2002

	<u>Conservation Land Acquisition</u>		<u>Klauenberg Trust</u>	<u>Total</u>
	<u>Trust</u>		<u>Trust</u>	
Assets				
Cash and pooled investments:				
County Treasurer	\$ 256,139		380,194	636,333
Accrued interest receivable		-	3,161	3,161
Total assets	\$ 256,139		383,355	639,494
Liabilities and Fund Equity				
Fund equity:				
Unreserved fund balance	\$ 256,139		383,355	639,494
Total fund equity	\$ 256,139		383,355	639,494

See accompanying independent auditor's report.

Marshall County

Expendable Trust Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2002

	Conservation Land Acquisition Trust	Klauenberg Trust	Total
Revenues:			
Use of money and property:			
Interest on investments	\$ 3,135	698	3,833
Expenditures:			
Interprogram Services Service Area:			
Policy and administration:			
General county management	-	3,594	3,594
Capital Projects Service Area:			
Conservation land acquisition	32,501	-	32,501
Total expenditures	32,501	3,594	36,095
Deficiency of revenues under expenditures	(29,366)	(2,896)	(32,262)
Other financing sources:			
Operating transfers in:			
General	127,411	-	127,411
Excess (deficiency) of revenues and other financing sources over (under) expenditures	98,045	(2,896)	95,149
Fund balances beginning of year	158,094	386,251	544,345
Fund balances end of year	\$ 256,139	383,355	639,494

See accompanying independent auditor's report.

Marshall County
 Agency Funds
 Combining Balance Sheet
 June 30, 2002

	<u>County Offices</u>		Agricultural	
	County	County	Extension	County
	Recorder	Sheriff	Education	Assessor
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	-	1,338	246,236
Other County officials	38,938	67,416	-	-
Receivables:				
Property tax:				
Delinquent	-	-	136	614
Succeeding year	-	-	86,000	385,000
Accounts	289	-	-	-
Accrued interest	-	-	-	-
Assessments	-	-	-	-
Total assets	\$ 39,227	67,416	87,474	631,850
Liabilities				
Liabilities:				
Accounts payable	\$ -	-	-	118
Salaries and benefits payable	-	-	-	-
Due to other funds	22,397	43,364	-	-
Due to other governments	16,830	-	87,474	626,199
Trusts payable	-	24,052	-	-
Compensated absences	-	-	-	5,533
Total liabilities	\$ 39,227	67,416	87,474	631,850

Schools	Community Colleges	Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Local Emergency Management Services
253,255	47,824	139,946	4,146	83	14,522	672,849	73,955
-	-	-	-	-	-	-	-
26,665	1,401	18,993	138	8	-	-	-
16,733,000	1,379,000	9,393,000	299,000	4,000	-	-	-
-	-	-	-	-	-	-	3,819
-	-	-	-	-	-	-	-
-	-	-	-	-	28,162	-	-
17,012,920	1,428,225	9,551,939	303,284	4,091	42,684	672,849	77,774
-	-	-	-	-	-	-	1,310
-	-	-	-	-	-	-	544
-	-	-	-	-	-	19,913	-
17,012,920	1,428,225	9,551,939	303,284	4,091	42,684	652,936	74,336
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,584
17,012,920	1,428,225	9,551,939	303,284	4,091	42,684	672,849	77,774

Marshall County
 Agency Funds
 Combining Balance Sheet
 June 30, 2002

	Tax Sale Redemption Non-County	Solid Waste Irrevocable Trust	Marshall County Wellness	Advance Tax Collections
Assets				
Cash and pooled investments:				
County Treasurer	23,908	907,083	20,102	537
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	-
Accrued interest	-	6,949	113	-
Assessments	-	-	-	-
Total assets	23,908	914,032	20,215	537
Liabilities				
Liabilities:				
Accounts payable	-	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	914,032	-	-
Trusts payable	23,908	-	20,215	537
Compensated absences	-	-	-	-
Total liabilities	23,908	914,032	20,215	537

See accompanying independent auditor's report.

E911	Anatomical Gift Public Awareness and Transportation	Marshall County Fireworks	Marshall County Flexible Benefits	General Relief	Mid-Iowa Task Force	Total
10,201	316	7,114	8,675	8,875	-	2,440,965
-	-	-	-	-	41,397	147,751
-	-	-	-	-	-	47,955
-	-	-	-	-	-	28,279,000
49,149	-	-	-	-	-	53,257
-	-	-	-	-	-	7,062
-	-	-	-	-	-	28,162
59,350	316	7,114	8,675	8,875	41,397	31,004,152
-	-	-	-	-	-	1,428
-	-	-	-	-	-	544
-	-	-	-	-	-	85,674
59,350	316	-	-	-	41,397	30,816,013
-	-	7,114	8,675	8,875	-	93,376
-	-	-	-	-	-	7,117
59,350	316	7,114	8,675	8,875	41,397	31,004,152

Marshall County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	<u>County Recorder</u>	<u>County Sheriff</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>
Assets and Liabilities				
Balance beginning of year	\$ 43,805	48,458	86,452	608,458
Additions:				
Property and other County tax	-	-	85,633	384,511
E911 surcharge	-	-	-	-
State tax credits	-	-	5,741	34,448
Office fees and collections	483,351	109,673	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	573,568	-	-
Miscellaneous	-	-	-	11,032
Total additions	<u>483,351</u>	<u>683,241</u>	<u>91,374</u>	<u>429,991</u>
Deductions:				
Agency Remittances:				
To other funds	298,058	104,516	-	-
To other governments	189,871	430	90,352	406,599
Trusts paid out	-	559,337	-	-
Total deductions	<u>487,929</u>	<u>664,283</u>	<u>90,352</u>	<u>406,599</u>
Balance end of year	<u>\$ 39,227</u>	<u>67,416</u>	<u>87,474</u>	<u>631,850</u>

Schools	Community Colleges	Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax
16,106,981	1,598,188	8,556,451	281,883	5,088	62,082	712,791
16,735,443	1,323,475	9,454,125	296,485	4,261	-	-
-	-	-	-	-	-	-
1,066,400	59,086	507,778	20,370	357	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	7,987,360
-	-	-	-	-	15,274	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
17,801,843	1,382,561	9,961,903	316,855	4,618	15,274	7,987,360
-	-	-	-	-	-	246,025
16,895,904	1,552,524	8,966,415	295,454	5,615	34,672	7,781,277
-	-	-	-	-	-	-
16,895,904	1,552,524	8,966,415	295,454	5,615	34,672	8,027,302
17,012,920	1,428,225	9,551,939	303,284	4,091	42,684	672,849

Marshall County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	Local Emergency Management Services	Tax Sale Redemption Non-County	Solid Waste Irrevocable Trust
Assets and Liabilities			
Balance beginning of year	91,748	48,296	765,577
Additions:			
Property and other County tax	-	-	-
E911 surcharge	-	-	-
State tax credits	-	-	-
Office fees and collections	-	-	-
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Trusts	-	246,364	-
Miscellaneous	115,128	-	148,455
Total additions	115,128	246,364	148,455
Deductions:			
Agency Remittances:			
To other funds	-	-	-
To other governments	129,102	-	-
Trusts paid out	-	270,752	-
Total deductions	129,102	270,752	-
Balance end of year	77,774	23,908	914,032

Solid Waste Disposal Bond	Marshall County Wellness	Advance Tax Collection	E911	Anatomical Gift Public Awareness and Transportation	Marshall County Fireworks	Marshall County Flexible Benefits
-	22,243	3,955	63,047	173	7,495	6,125
-	-	-	-	-	-	-
-	-	-	240,682	-	-	-
-	-	-	-	-	-	-
-	-	-	-	872	-	-
-	-	-	-	-	-	-
-	8,144	537	-	-	-	-
452,650	-	-	-	-	22,357	37,793
452,650	8,144	537	240,682	872	22,357	37,793
-	-	-	-	-	-	-
452,650	-	-	244,379	729	-	-
-	10,172	3,955	-	-	22,738	35,243
452,650	10,172	3,955	244,379	729	22,738	35,243
-	20,215	537	59,350	316	7,114	8,675

Marshall County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	General Relief	Monies and Credits	Mid-Iowa Task Force	Total
Assets and Liabilities				
Balance beginning of year	1,422	-	58,483	29,179,201
Additions:				
Property and other County tax	-	6,044	-	28,289,977
E911 surcharge	-	-	-	240,682
State tax credits	-	-	-	1,694,180
Office fees and collections	-	-	-	593,024
Auto licenses, use tax and postage	-	-	-	7,988,232
Assessments	-	-	-	15,274
Trusts	28,818	-	45,707	903,138
Miscellaneous	-	-	424	787,839
Total additions	28,818	6,044	46,131	40,512,346
Deductions:				
Agency Remittances:				
To other funds	-	-	-	648,599
To other governments	-	6,044	-	37,052,017
Trusts paid out	21,365	-	63,217	986,779
Total deductions	21,365	6,044	63,217	38,687,395
Balance end of year	\$ 8,875	-	41,397	31,004,152

See accompanying independent auditor's report.

Marshall County

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2002	2001	2000	1999
Taxes:				
Property tax	\$ 6,604,915	6,511,459	7,530,711	7,816,717
Local option sales tax	923,660	826,917	-	-
Utility tax replacement excise tax	668,971	660,348	-	-
Other	22,847	21,980	22,725	-
	<u>8,220,393</u>	<u>8,020,704</u>	<u>7,553,436</u>	<u>7,816,717</u>
Intergovernmental:				
State shared revenues:				
Road use tax	2,381,503	2,283,730	2,316,940	2,287,444
Other	29,950	43,508	46,513	76,581
State grants and reimbursements including indirect federal funding:				
Byrne formula grant program	175,833	193,706	221,681	149,614
Human services administration reimbursements	94,267	101,757	110,329	78,044
Social services block grant	171,528	164,547	162,700	154,327
Child support enforcement	369,411	324,802	327,855	240,258
Highway planning and construction	103,851	191,076	-	-
Other	378,813	376,127	381,524	444,897
State tax replacements:				
State tax credits	546,951	607,215	607,962	658,718
State allocation	169,094	458,299	462,394	386,970
Mental health property tax relief	1,227,260	1,227,260	1,227,260	1,227,260
Mental health allowed growth factor	62,962	189,616	184,240	165,736
Other	-	-	82	-
Direct federal grants and entitlements:				
Public Safety Partnership and Community Policing grant	5,159	55,910	113,855	55,234
Other	92,455	86,441	81,232	-
Contributions and reimbursements from other governmental units				
	1,502,415	1,372,511	322,362	374,411
Total intergovernmental	<u>7,311,452</u>	<u>7,676,505</u>	<u>6,566,929</u>	<u>6,299,494</u>
Total	<u>\$ 15,531,845</u>	<u>15,697,209</u>	<u>14,120,365</u>	<u>14,116,211</u>

See accompanying independent auditor's report.

Schedule 16

Marshall County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Office of National Drug Control Policy:			
High Intensity Drug Trafficking Area Grant	16.000	I1PMWP588	\$ 78,947
High Intensity Drug Trafficking Area Grant	16.000	I2PMWP588	4,476
Total direct			<u>83,423</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Service Administration			
Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		<u>15,526</u>
U.S. Department of Justice:			
Iowa Department of Human Rights:			
Juvenile Accountability Incentive Block Grant	16.523	JJYD-S01-32	19,369
Juvenile Accountability Incentive Block Grant	16.523	JJYD-S02-32	13,048
			<u>32,417</u>
Governor's Office of Drug Control Policy:			
Violence Against Women Formula Grants	16.588	00V-0260A	5,568
Violence Against Women Formula Grants	16.588	01V-0217B	3,644
			<u>9,212</u>
Byrne Formula Grant Program	16.579	01A-0245	<u>175,833</u>
Iowa Department of Public Health:			
Tobacco Surveillance	16.000	5889TS86	<u>1,450</u>
State and Community Highway Safety	20.600	5882BS02	<u>1,478</u>

Marshall County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2002

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administration Reimbursement:			
Temporary Assistance for Needy Families	93.558		24,089
Refugee and Entrant Assistance-State Administered Programs	93.566		99
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		3,157
Foster Care-Title IV-E	93.658		8,171
Adoption Assistance	93.659		2,788
Medical Assistance Program	93.778		24,603
Social Services Block Grant	93.667		15,835
Social Services Block Grant	93.667		171,528
			187,363
Federal Emergency Management Agency:			
Iowa Department of Public Defense:			
Emergency Management Division:			
Emergency Management State and Local Assistance	83.552		19,754
Hazard Mitigation Grant	83.548	911-GIS-0011	5,000
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program	14.228	01-CF-026	103,851
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP-01-04 Task 19	2,454
State and Community Highway Safety	20.600	PAP-02-04 Task 19	2,704
			5,158
Total indirect			619,949
Total			\$ 703,372

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Marshall County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation, of the general purpose financial statements.

See accompanying independent auditor's report.

Marshall County



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

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Auditor of State

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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 Marshall County:

We have audited the general purpose financial statements of Marshall County, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated October 1, 2002. 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 Marshall 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 Part IV of the accompanying schedule of Findings and Questioned Costs.

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. There were no prior year statutory findings.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marshall 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 Marshall 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 Part II of the accompanying Schedule of Findings and Questioned Costs.

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 II-A-02 is a material weakness. Prior year reportable conditions have been resolved except for items II-A-02, II-B-02, II-C-02, II-D-02, II-E-02 and II-F-01.

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

October 1, 2002

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control Over Compliance**

Marshall County



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

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Warren G. Jenkins, CPA
Chief Deputy Auditor of State

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance**

To the Officials of Marshall County:

Compliance

We have audited the compliance of Marshall County, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. Marshall County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Marshall County's management. Our responsibility is to express an opinion on Marshall County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marshall County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marshall County's compliance with those requirements.

In our opinion, Marshall County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Marshall County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Marshall County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 non-compliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Marshall County and other parties to whom Marshall County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 1, 2002

Marshall County
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The County's major programs were:
 - CFDA Number 16.579 - Byrne Formula Grant Program
 - CFDA Number 14.228- Community Development Block Grant
 - CFDA Number 93.667 - Social Services Block Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Marshall County did not qualify as a low-risk auditee.

Marshall County
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-02 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) 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 should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Treasurer, Recorder, Sheriff
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.	Treasurer, 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.

Responses:

County Treasurer: We will try to comply with this. We watch our operation the best we can.

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County Recorder: Currently either the recorder, deputy, or next two staff persons in command open the mail, the exception being only in a severe emergency with heavy shortage of personnel. These persons may or may not be the persons receiving the mail and entering same into the daily records. However, in opening the mail, they make a list of mail and checks received on a periodic basis for verification purposes. Also the person entering the mail into the computer accounting system may not be the person entering same into the cash register system or on the daily fee book kept. Thus there are security precautions in place by switching staff persons around in daily functions. Also the prime accountant again balances the cash, checks and receipts the next morning as a precautionary measure to ensure all cash balances are proper. This has been done in this office since the current recorder took office in 1979 (at the suggestion of the State Auditor's Office at ISAC School that year).

Likewise check refunds are prepared by staff persons other than the person signing those checks. All checks received in payment of fees are stamped immediately with a "For Deposit Only" stamp and placed in the cash drawers until time for end-of-day balancing.

County Sheriff: The Sheriff's office had a system of recording of incoming checks until personnel numbers decreased. We will return to same system upon manpower replacement. The bank reconciliation is currently done by an individual who doesn't sign checks. All office personnel must continue to be able to handle cash.

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

II-B-02 Information Systems - The following weaknesses in the County's computer based systems were noted:

- The County does not have a formal data processing security policy or written policies for requiring password changes because the software does not require the user to change log-ins/passwords periodically.
- The County does not have a written disaster recovery plan and background checks for systems administrators are not performed.

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 be developed and background checks should be performed for systems administrators.

Response - While Marshall County does not have a formal written policy regarding data processing security, this should not be taken as an indication that we take the matter lightly. As a matter of fact, security is one of the 4 main pillars that Information Services mission statement identifies as supporting our data processing initiatives. Some security related policies are addressed in the Marshall County Personnel Policy Handbook, such as password privacy and confidentiality. In conjunction with the Personnel Policy Committee, I will draft

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appropriate wording and add it to this policy to address the issue of periodic password changes.

A formal Disaster Recovery Plan for Information Services is being drafted with the assistance of the Emergency Management Director and the Iowa Counties Information Technology organization's Business Continuation Committee. When completed, this plan will be included with any other disaster recovery plans already in place for the County.

The Marshall County Attorney has advised against conducting background checks for existing employees. However, background checks will be conducted by the Sheriff's Office on all new hires of the Information Services department.

Conclusion - Response accepted.

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II-C-02 Accounting Procedures Manuals - We encourage the development of office procedures and standardized accounting manuals for all County offices. These manuals should provide the following benefits:

1. Aids in training additional or replacement personnel.
2. Helps achieve uniformity in accounting and in the application of policies and procedures.
3. Saves supervisory time by recording decisions so that they will not have to be made each time the same, or a similar, situation arises.

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

Responses:

County Auditor: The current procedures manual for the Auditor's office will be updated to include accounting procedures that will help achieve uniformity in accounting, uniformity in application of policies and procedures and be useful as a tool to aid in personnel training.

County Treasurer: We will work on this and look at some procedure manuals that other Treasurers are using.

County Recorder: A heavy backload of work prevented us from preparing the above referenced manual during the past fiscal year. Both my current Deputy Recorder and I will begin preparation of this manual based on rough-draft instructions currently being used by staff persons. Beginning January 1, 2003, it will be up to the newly elected County Recorder to prepare any revisions or changes he or she may deem advisable.

County Sheriff: Within the first quarter, information will be gathered for manual development. Manual will be completed and issued to office personnel.

Conclusion - Responses accepted.

II-D-02 Fixed Assets - An independent person does not test the fixed asset listing for existence. Fixed assets are not tagged for identification.

Recommendation -An independent person should periodically test fixed assets for existence by observing them and tracing them back to the fixed asset listing. Fixed assets in all departments should be tagged for proper identification.

Response - Marshall County's fixed asset system will be updated with the implementation of GASB 34.

Conclusion - Response accepted.

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II-E-02 County Treasurer – Receipts were not deposited intact and timely. Also, the Treasurer has a change fund in the vault that is not replenished to the same amount each day.

Recommendation – All receipts should be deposited intact and daily change fund should reconcile to the same authorized amount each day.

Response – This vault fund was kept to replace money in the cash register in case we ran short. Sometimes we cashed checks for petty cash. We will close this fund and go to the bank to get cash when we need it.

Conclusion – Response acknowledged. However, procedures should also be established to ensure all receipts are deposited intact and timely.

II-F-02 County Sheriff Civil Account - Although prenumbered receipts were issued for all collections, receipts for prepayments for the service of civil papers were not posted to the receipt records or deposited.

Recommendation – Receipts for the prepayment for the service of papers should be posted to the receipt records and deposited.

Response – Due to variable potential of service cost it is impossible to accurately estimate amount to bill plaintiff. Therefore to eliminate duplicated entry (and thus potential for additional error) system shall remain as is.

Conclusion – Response acknowledged. However, the current system should be reviewed and modified to allow for timely posting and depositing of all prepayments of service papers.

II-G-02 Jail Commissary/Inmate Account – The following items were noted regarding the Sheriff's Commissary/Inmate Account records:

- Bank and book reconciliations were not performed timely throughout the year and variances were not resolved. The November 2001 through June 2002 reconciliations were performed in July 2002. Variances were noted each month, yet were not resolved.
- A deposit of \$1,111 from Evercom Phone Company was shown on the bank statement, but the deposit could not originally be traced to the commissary's receipt ledgers.
- The general ledger report that details receipts and disbursements for the fiscal year included several voids for incorrect entries. The void transactions were included in total receipts and disbursements for the year, overstating receipts and disbursements by approximately \$12,000.
- During the period May 2002 through June 2002, \$7,705 of checks were written to the County Treasurer but were not remitted to the County until July 2002.
- Signature cards were not updated to remove the names of employees who no longer work for the County.

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Recommendation – The jail commissary/inmate cash journal book balance should be reconciled to the bank statement monthly. This reconciliation should include reconciling the book and bank balances to the inmate trust account listing and variances, if any, should be resolved timely. All receipts should be properly reflected in the jail commissary/inmate account records. Void transactions should be properly removed from receipt and disbursement activity and a listing of receipts and disbursements should be made available each month to aid in reconciling. Checks issued should not be written and held, but should be remitted to the County Treasurer immediately upon issuance. Signature cards should be updated immediately upon an employee resigning.

Response – Reconciliation of the bank statement to book balances will be done at least monthly. I'm not sure the system allows a monthly listing of receipts and disbursements, but we will look into it. Checks written will be remitted to the County weekly. I will get an updated signature card within 30 days. All the above shall be completed during first quarter.

Conclusion – Response acknowledged. In addition, procedures should be established to ensure that all receipts are properly recorded and void transactions are not included in monthly transaction totals.

II-H-02 Unused Checks – Certain checks in the general relief office were signed in advance.

Recommendation – To strengthen internal controls over expenditures from the general relief office, checks should only be signed when the completed check and appropriate supporting documentation are available for review.

Response – This is a one person office and I'm the only one that can sign for the checks so, if I'm absent, nobody could write a check. I thought I was going to be out of the office for six weeks due to surgery.

Conclusion – Response acknowledged. However, procedures should be established immediately to ensure checks are not signed in advance.

II-I-02 County Owned Vehicles – The County owns vehicles for use by various employees while on County business. Although the County has established a policy to regulate the use of these vehicles, the policy is not specific to incidental personal use or additional compensation for employees as required by IRS regulations.

Recommendation – The County should revise its written policy regulating the use of County vehicles to include provisions for incidental personal use, commuting, assignment of vehicles, documentation required, restricted vehicle uses, and compensation for employees. The policy should be applied consistently for all County employees.

Response – The Marshall County Personnel Committee will revise its written policy regulating the use of County vehicles to include provisions for incidental personal use, commuting, restricted vehicle uses, compensation for employees, and documentation required. The Board of Supervisors will adopt the revised policy.

Conclusion – Response accepted.

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Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over major programs were reported.

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Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-02 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.
- IV-B-02 Certified Budget - Disbursements during the year ended June 30, 2002 did not exceed the amounts budgeted.
- IV-C-02 Questionable Expenditures - Except as noted in item IV-K-02, no expenditures that we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979 were noted.
- IV-D-02 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-E-02 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Business Connection</u>	<u>Description</u>	<u>Amount</u>
Todd Kelly, Sheriff's Office employee	Fire extinguishers	\$ 353
Dennis Bachman, husband of Deanna Neldeberg-Bachman, Emergency Management Director	EMS training	2,359

In accordance with Chapter 331.342 of the Code of Iowa, the transaction with Todd Kelly does not appear to represent a conflict of interest since the total was less than \$1,500 during the fiscal year. The transactions with Dennis Bachman may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa.

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

Response - The transactions with Dennis Bachman do not represent a conflict of interest. Mr. Bachman is reimbursed with training funds received from the state for the training of first responders. First responder training was formerly paid by the local hospital, but was changed to being paid by the County when state grant funds were available to the County. He has been providing this training for the last ten years, and his marriage to the Local Emergency Management Director was only during the fiscal year in question.

Conclusion - Since the County has contracted with Mr. Bachman for these services, regardless of the sources of funds, the transactions may represent a conflict of interest in accordance with Chapter 331.342 of the Code of Iowa. The County should consult legal counsel to determine the disposition of this matter.

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- IV-F-02 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.
- IV-G-02 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-02 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 policy were noted.
- IV-I-02 Resource Enhancement and Protection 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).
- IV-J-02 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The County retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The County should obtain and retain an image of both the front and back of each cancelled check as required.

Responses:

County Treasurer: I will talk to the bank today.

County Recorder: The current office head will contact F & M Bank, the sole banking institution of this office at the present time, where checks are written paying over the State and County funds to the appropriate governmental entities and/or check refunds for overpayments of fees to the proper persons/entities. A copy of the State Auditor's findings will be made available to that bank and a request made for them to comply with the findings and recommendations of the Iowa State Auditor's Office as to providing photocopies of both the front and back sides of all checks written by this office.

County Sheriff: No longer a problem. Farmers Savings Bank returns all checks after canceled.

Conclusion - Responses accepted.

- IV-K-02 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.

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

A disbursement was 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. The County Extension Office disbursed \$53 for flowers for a former Council Member's funeral.

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

Recommendation - The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the Council should establish written policies and procedures, including the requirement for proper documentation.

Response - Mr. Jefferson was a past council member elected to serve the public. He was also a major contributor to Extension with a recent \$2500 gift. It can be argued that the funds used for flowers were not tax dollars but came from his donation.

Conclusion - Response acknowledged. Regardless of the source of the funds, the public purpose served by the disbursements must be documented.

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Staff

This audit was performed by:

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