



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 31, 2011

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Decatur County, Iowa.

The County had local tax revenue of \$9,383,602 for the year ended June 30, 2010, which included \$463,196 in tax credits from the state. The County forwarded \$6,921,157 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,462,445 of the local tax revenue to finance County operations, a 6.2% increase over the prior year. Other revenues included charges for service of \$1,537,507, operating grants, contributions and restricted interest of \$3,157,927, capital grants, contributions and restricted interest of \$946,611, local option sales tax of \$207,294, unrestricted investment earnings of \$9,243 and other general revenues of \$74,702.

Expenses for County operations totaled \$8,002,582, a 4.5% increase over the prior year. Expenses included \$3,628,100 for roads and transportation, \$1,213,017 for physical health and social services and \$1,018,616 for mental health.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1010-0027-B00F.pdf>.

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DECATUR COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2010

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Decatur County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry Eastin	Board of Supervisors	Jan 2011
Morris Boswell	Board of Supervisors	Jan 2012
J. R. Cornett	Board of Supervisors	Jan 2012
Tiffani M. Edwards	County Auditor	Jan 2012
Mary Andrew	County Treasurer	Jan 2011
Gale Norman	County Recorder	Jan 2011
Herbert Muir	County Sheriff	Jan 2012
Lisa Hynden Jeanes	County Attorney	Jan 2011
James Fleming	County Assessor	Jan 2016

Decatur County



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Independent Auditor's Report

To the Officials of Decatur County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Decatur County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Decatur County's management. Our responsibility is to express opinions on these financial statements based on our audit.

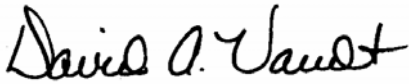
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Decatur County at June 30, 2010, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

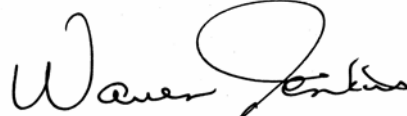
In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2011 on our consideration of Decatur County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 40 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Decatur County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 10, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Decatur County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- The County's governmental activities revenues decreased 14.95%, or approximately \$1,476,000, from fiscal year 2009 to fiscal year 2010. Capital grants, contributions and restricted interest decreased approximately \$1,338,000 and operating grants, contributions and restricted interest decreased approximately \$681,000 while charges for service increased approximately \$418,000 and property tax increased approximately \$181,000.
- The County's governmental activities expenses increased 4.51%, or approximately \$345,000, from fiscal year 2009 to fiscal year 2010. Roads and transportation expenses increased 11.70%, or approximately \$380,000.
- The County's net assets increased 2.64%, or approximately \$393,000, from June 30, 2009 to June 30, 2010.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Decatur County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Decatur County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Decatur County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Decatur County's combined net assets increased from approximately \$14.9 million to approximately \$15.3 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2010	2009
Current and other assets	\$ 5,372	5,156
Capital assets	12,934	12,445
Total assets	18,306	17,601
Long-term liabilities	230	136
Other liabilities	2,822	2,604
Total liabilities	3,052	2,740
Net assets:		
Invested in capital assets	12,934	12,445
Restricted	1,685	1,777
Unrestricted	635	639
Total net assets	\$ 15,254	14,861

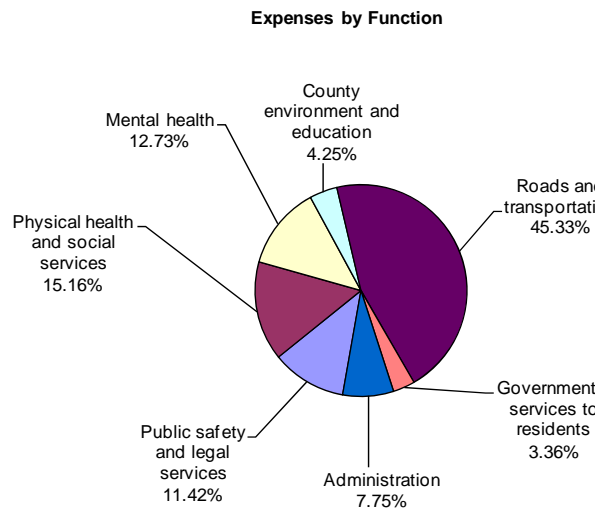
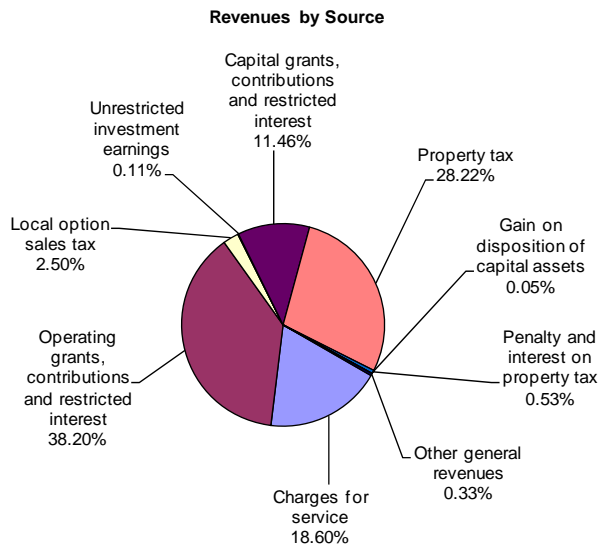
Net assets of Decatur County's governmental activities increased 2.64% (\$14,861,000 compared to \$15,254,000). The largest portion of the County's net assets is invested in capital assets (land, infrastructure, intangibles, buildings and equipment). Net assets invested in capital assets increased approximately \$489,000.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net assets decreased 5.18%, or approximately \$92,000, primarily due to a decrease in revenues associated with FEMA disaster grants.

Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements—decreased slightly from approximately \$639,000 at June 30, 2009 to approximately \$635,000 at the end of this year, a decrease of .63%.

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

	Year ended June 30,	
	2010	2009
Revenues:		
Program revenues:		
Charges for service	\$ 1,538	1,120
Operating grants, contributions and restricted interest	3,158	3,839
Capital grants, contributions and restricted interest	947	2,285
General revenues:		
Property tax	2,333	2,152
Penalty and interest on property tax	44	46
State tax credits	129	137
Local option sales tax	207	195
Unrestricted investment earnings	9	18
Gain on disposition of capital assets	4	65
Other general revenues	27	15
Total revenues	8,396	9,872
Program expenses:		
Public safety and legal services	914	903
Physical health and social services	1,213	1,235
Mental health	1,019	1,079
County environment and education	340	313
Roads and transportation	3,628	3,248
Governmental services to residents	269	255
Administration	620	617
Non-program	-	8
Total expenses	8,003	7,658
Increase in net assets	393	2,214
Net assets beginning of year	14,861	12,647
Net assets end of year	\$ 15,254	14,861



Decatur County's net assets of governmental activities increased approximately \$393,000 during the year. Revenues for governmental activities totaled approximately \$8,396,000, a decrease of 14.95% from the prior year. A decrease in capital grants, contributions and restricted interest of approximately \$1,338,000 was primarily due to contributions for roads from the State of Iowa to Decatur County. Property tax revenues account for 27.8% of the governmental activities revenues.

In fiscal year 2010, the urban tax rate was \$8.83483 per \$1,000 of taxable valuation compared to the fiscal year 2009 rate of \$9.01260 per \$1,000 of taxable valuation. The rural tax rate in fiscal 2010 was \$12.37995 per \$1,000 of taxable valuation compared to the fiscal year 2009 tax rate of \$11.68847 per \$1,000 of taxable valuation.

The cost of all governmental activities this year was approximately \$8.0 million compared to approximately \$7.7 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only approximately \$2.4 million because some of the costs were paid by those directly benefited from the programs (\$1,538,000) or by other governments and organizations which subsidized certain programs with grants and contributions (\$4,104,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in fiscal year 2010 from approximately \$7,244,000 to approximately \$5,642,000. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$2,754,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Decatur County completed the year, its governmental funds reported a combined fund balance of \$2,437,583, an increase of \$140,358 over last year's total of \$2,297,225. Following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased approximately \$345,000, or 11.3%, from the prior year. The ending fund balance decreased approximately \$43,000 from the prior year to approximately \$780,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2010, expenditures totaled approximately \$994,000, a decrease of 9.4% from the prior year. The decrease is primarily due to the increased Federal Medicare match applied by the State to the invoices received by the County which reduced the amount due from the County. The Special Revenue, Mental Health Fund balance at year end increased approximately \$165,000. Clients continue to use waiver programs funded, in part, with state and federal dollars and the County received additional state funding to support mental health operations.
- The Special Revenue, Rural Services Fund ending balance increased approximately \$65,000 over the prior year to approximately \$223,000. This increase is primarily due to an increase in property tax revenues of approximately \$150,000.
- The Special Revenue, Secondary Roads Fund expenditures increased approximately \$280,000 over the prior year due to an increase in road projects. The Secondary Roads Fund balance at year end decreased approximately \$154,000, or 14.8%, to approximately \$884,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, Decatur County amended its budget two times. The first amendment was made in November 2009 and resulted in an increase in budgeted disbursements of \$597,191. The primary reason for this amendment was to increase disbursements for public health H1N1 grant programs, conservation projects, secondary roads equipment and road maintenance and capital projects.

The second amendment was made in May 2010 and resulted in an increase in budgeted disbursements of \$67,330. This amendment was primarily to allow for an increase in roadway maintenance, employee wages and construction of watershed projects.

The County's receipts were \$83,691 less than budgeted, a variance of approximately 1.08%. Total disbursements were \$847,630 less than the final amended budget. Actual disbursements for all functions came in less than budgeted. This was partially due to disbursements for various grants budgeted at the maximum allowed under the grant, while some programs did not require the full amount of the grant. In other cases, potential projects initially planned were later scrapped because of timing and/or staffing issues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, Decatur County had approximately \$12.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of \$489,000, or 3.93%, above last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2010	2009
Land	\$ 2,716	2,612
Construction in progress	-	2,261
Buildings and improvements	1,408	1,378
Equipment and vehicles	1,304	1,460
Intangibles	520	-
Infrastructure	6,986	4,734
Total	<u>\$ 12,934</u>	<u>12,445</u>
This year's major additions included (in thousands):		
Capital assets contributed by the Iowa Department of Transportation	\$ 756	
Land donation - Elk Creek Wildlife Area	104	
County Sheriff and Conservation Department vehicles	82	
Replacement of the courthouse boiler system	31	
Construction of the Slip Bluff campground shower	11	
Total	<u>\$ 984</u>	

The County had depreciation expense of \$612,685 in fiscal year 2010 and total accumulated depreciation of \$4,750,539 at June 30, 2010. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2010, Decatur County had no general obligation debt outstanding.

Additional information about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Decatur County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 8.4% versus 7.1% a year ago. This compares with the State's unemployment rate of 6.7% and the national rate of 9.5%.

Property valuations are key to what services the County can provide. The Board of Supervisors has always been mindful of the need to provide cost efficient services with the resources available. Amounts available for appropriation in the fiscal year 2011 operating budget are approximately \$7,869,465, a decrease of 5.25% from the final fiscal year 2010 budget.

If these estimates are realized, Decatur County's operating fund balances are expected to increase from \$2,170,390 to \$2,186,406 by the close of fiscal year 2011.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Decatur County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Decatur County Auditor's Office, 207 N. Main Street, Leon, Iowa 50144.

Decatur County

Basic Financial Statements

Decatur County
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 2,170,076
Receivables:	
Property tax:	
Delinquent	19,563
Succeeding year	2,391,000
Interest and penalty on property tax	51,596
Accounts	52,217
Due from other governments	390,041
Inventories	297,989
Capital assets (net of accumulated depreciation)	12,933,902
Total assets	<u>18,306,384</u>
Liabilities	
Accounts payable	177,759
Salaries and benefits payable	36,571
Due to other governments	127,481
Deferred revenue:	
Succeeding year property tax	2,391,000
Other	88,639
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	179,617
Portion due or payable after one year:	
Compensated absences	5,946
Net OPEB liability	44,872
Total liabilities	<u>3,051,885</u>
Net Assets	
Invested in capital assets	12,933,902
Restricted for:	
Supplemental levy purposes	289,038
Mental health purposes	281,509
Secondary roads purposes	853,572
Debt service	6,995
Other purposes	254,015
Unrestricted	635,468
Total net assets	<u>\$ 15,254,499</u>

See notes to financial statements.

Decatur County
Statement of Activities
Year ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 913,977	44,034	3,992	-	(865,951)
Physical health and social services	1,213,017	762,002	380,588	-	(70,427)
Mental health	1,018,616	285,513	539,355	-	(193,748)
County environment and education	339,673	47,212	73,071	106,948	(112,442)
Roads and transportation	3,628,100	225,689	2,160,849	839,663	(401,899)
Governmental services to residents	269,183	156,677	72	-	(112,434)
Administration	620,016	16,380	-	-	(603,636)
Total	\$ 8,002,582	1,537,507	3,157,927	946,611	(2,360,537)
General Revenues:					
Property and other county tax levied for general purposes					2,333,375
Penalty and interest on property tax					44,017
State tax credits					129,070
Local option sales tax					207,294
Unrestricted investment earnings					9,243
Gain on disposition of capital assets					3,810
Miscellaneous					26,875
Total general revenues					2,753,684
Change in net assets					393,147
Net assets beginning of year					14,861,352
Net assets end of year					\$ 15,254,499

See notes to financial statements.

Decatur County
Balance Sheet
Governmental Funds

June 30, 2010

	General	Special Revenue	
		Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 756,795	362,146	216,645
Receivables:			
Property tax:			
Delinquent	13,620	2,666	3,277
Succeeding year	1,641,000	302,000	448,000
Interest and penalty on property tax	51,596	-	-
Accounts	5,149	4,180	-
Due from other funds	-	-	-
Due from other governments	115,935	37,125	33,164
Inventories	-	-	-
Total assets	\$ 2,584,095	708,117	701,086
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 59,899	8,234	24,919
Salaries and benefits payable	15,791	2,925	780
Due to other funds	96	75	1,119
Due to other governments	22,605	102,682	-
Deferred revenue:			
Succeeding year property tax	1,641,000	302,000	448,000
Other	64,651	2,633	3,277
Total liabilities	1,804,042	418,549	478,095
Fund balances:			
Reserved for supplemental levy purposes	308,138	-	-
Unreserved, reported in:			
General fund	471,915	-	-
Special revenue funds	-	289,568	222,991
Total fund balances	780,053	289,568	222,991
Total liabilities and fund balances	\$ 2,584,095	708,117	701,086

See notes to financial statements.

<hr/>		
Secondary		
Roads	Nonmajor	Total
<hr/>		
625,439	209,051	2,170,076
-	-	19,563
-	-	2,391,000
-	-	51,596
42,888	-	52,217
1,535	-	1,535
141,254	62,563	390,041
297,989	-	297,989
<hr/>		
1,109,105	271,614	5,374,017
<hr/>		
77,711	6,996	177,759
13,712	3,363	36,571
-	245	1,535
2,194	-	127,481
-	-	2,391,000
131,527	-	202,088
<hr/>		
225,144	10,604	2,936,434
<hr/>		
-	-	308,138
-	6,995	478,910
883,961	254,015	1,650,535
<hr/>		
883,961	261,010	2,437,583
<hr/>		
1,109,105	271,614	5,374,017
<hr/>		

Decatur County

Decatur County

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

June 30, 2010

Total governmental fund balances (page 19) \$ 2,437,583

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$17,684,441 and the accumulated depreciation is \$4,750,539. 12,933,902

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 113,449

Long-term liabilities, including compensated absences payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (230,435)

Net assets of governmental activities (page 16) \$ 15,254,499

See notes to financial statements.

Decatur County

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

Year ended June 30, 2010

	General	Special Revenue	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 1,540,459	301,557	488,675
Local option sales tax	-	-	207,294
Interest and penalty on property tax	35,905	-	-
Intergovernmental	866,319	825,839	26,772
Licenses and permits	6,737	-	-
Charges for service	212,221	2,040	48
Use of money and property	9,011	18,053	-
Miscellaneous	38,802	7,333	539
Total revenues	<u>2,709,454</u>	<u>1,154,822</u>	<u>723,328</u>
Expenditures:			
Operating:			
Public safety and legal services	763,864	-	145,711
Physical health and social services	831,459	-	-
Mental health	-	993,984	-
County environment and education	192,338	-	73,622
Roads and transportation	-	-	-
Governmental services to residents	248,170	-	2,872
Administration	628,403	-	-
Capital projects	-	-	-
Total expenditures	<u>2,664,234</u>	<u>993,984</u>	<u>222,205</u>
Excess (deficiency) of revenues over (under) expenditures	<u>45,220</u>	<u>160,838</u>	<u>501,123</u>
Other financing sources (uses):			
Sale of capital assets	600	4,444	-
Operating transfers in	-	-	-
Operating transfers out	(89,221)	-	(436,355)
Total other financing sources (uses)	<u>(88,621)</u>	<u>4,444</u>	<u>(436,355)</u>
Net change in fund balances	(43,401)	165,282	64,768
Fund balances beginning of year	823,454	124,286	158,223
Fund balances end of year	<u>\$ 780,053</u>	<u>289,568</u>	<u>222,991</u>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	-	2,330,691
-	-	207,294
-	-	35,905
2,403,279	404,023	4,526,232
260	-	6,997
30	47,284	261,623
83	101	27,248
213,439	16,492	276,605
2,617,091	467,900	7,672,595
-	1,439	911,014
-	344,000	1,175,459
-	-	993,984
-	98,420	364,380
2,988,154	-	2,988,154
-	5,605	256,647
-	396	628,799
219,324	-	219,324
3,207,478	449,860	7,537,761
(590,387)	18,040	134,834
480	-	5,524
436,355	89,221	525,576
-	-	(525,576)
436,835	89,221	5,524
(153,552)	107,261	140,358
1,037,513	153,749	2,297,225
883,961	261,010	2,437,583

Decatur County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement
of Activities

Year ended June 30, 2010

Net change in fund balances - Total governmental funds (page 23) \$ 140,358

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

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

Expenditures for capital assets	\$ 242,797	
Capital assets contributed by other governments	860,276	
Depreciation expense	<u>(612,685)</u>	490,388

In the Statement of Activities, the gain on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (1,714)

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

Property tax	10,041	
Other	<u>(150,993)</u>	(140,952)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(50,061)	
Other postemployment benefits	<u>(44,872)</u>	<u>(94,933)</u>

Change in net assets of governmental activities (page 17) \$ 393,147

See notes to financial statements.

Decatur County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2010

Assets

Cash and pooled investments:	
County Treasurer	\$ 524,304
Other County officials	12,973
Receivables:	
Property tax:	
Delinquent	52,539
Succeeding year	6,593,000
Accounts	71
Assessments	18,909
Due from other governments	401
Total assets	7,202,197

Liabilities

Accounts payable	1,459
Salaries and benefits payable	1,437
Due to other governments	7,182,896
Trusts payable	16,405
Total liabilities	7,202,197

Net assets	\$ -
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See notes to financial statements.

Decatur County

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

Decatur County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Decatur County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Decatur County Assessor's Conference Board, Decatur County Joint E911 Service Board and Decatur County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations: the Wayne, Ringgold and Decatur County Solid Waste Management Commission, Southern Iowa Resource Conservation and Development Area, Inc., Southern Iowa Rural Water Association and Southern Iowa Council of Governments.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories.

Invested in capital assets consists of capital assets net of accumulated depreciation.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 65,000
Intangibles	25,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	25 - 50
Land improvements	10 - 50
Equipment	3 -20
Vehicles	5 - 15
Infrastructure	10 - 65
Intangibles	5 - 20

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

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

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

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,772,534 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Agency Investment Trust is unrated for credit risk purposes.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 96
	Special Revenue: Mental Health	75
	Rural Services	1,119
	Juvenile Tracking	<u>245</u>
Total		<u>\$ 1,535</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 436,355
Special Revenue: Juvenile Tracking	General	<u>89,221</u>
Total		<u>\$ 525,576</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 2,611,644	104,000	-	2,715,644
Intangibles, road network	519,719	-	-	519,719
Construction in progress	2,261,166	905,776	3,166,942	-
Total capital assets not being depreciated/amortized	5,392,529	1,009,776	3,166,942	3,235,363
Capital assets being depreciated:				
Buildings	1,446,558	69,329	-	1,515,887
Improvements other than buildings	364,897	-	-	364,897
Equipment and vehicles	4,525,342	123,740	85,857	4,563,225
Infrastructure, road network	4,931,899	3,097,613	24,443	8,005,069
Total capital assets being depreciated	11,268,696	3,290,682	110,300	14,449,078
Less accumulated depreciation for:				
Buildings	358,188	30,849	-	389,037
Improvements other than buildings	74,805	8,620	-	83,425
Equipment and vehicles	3,065,248	272,323	78,143	3,259,428
Infrastructure, road network	717,756	300,893	-	1,018,649
Total accumulated depreciation	4,215,997	612,685	78,143	4,750,539
Total capital assets being depreciated, net	7,052,699	2,677,997	32,157	9,698,539
Governmental activities capital assets, net	\$ 12,445,228	3,687,773	3,199,099	12,933,902

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 28,854
Physical health and social services	12,667
Mental health	14,990
County environment and education	16,229
Roads and transportation	519,402
Administration	20,543
Total depreciation expense - governmental activities	\$ 612,685

Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets, was implemented during fiscal year 2010. A right of way totaling \$519,719 which was previously reported as infrastructure, road network was reclassified as intangibles, road network. Restatement of the beginning net assets and capital assets for governmental activities was not necessary because the right of way has an indefinite useful life and, therefore, is not subject to amortization.

(6) Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 22,605</u>
Special Revenue:		
Mental Health	Services	102,682
Secondary Roads		<u>2,194</u>
		<u>104,876</u>
Total for governmental funds		<u>\$ 127,481</u>
Agency:		
County Assessor	Collections	\$ 268,893
Schools		4,213,180
Community Colleges		171,386
Corporations		1,321,579
Townships		124,102
Auto License and Use Tax		132,887
All other		<u>950,869</u>
Total for agency funds		<u>\$ 7,182,896</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	<u>Compensated</u>	<u>Net OPEB</u>	
	<u>Absences</u>	<u>Liability</u>	<u>Total</u>
Balance beginning of year	\$ 135,502	-	135,502
Increases	194,660	44,872	239,532
Decreases	144,599	-	144,599
Balance end of year	<u>\$ 185,563</u>	<u>44,872</u>	<u>230,435</u>
Due within one year	<u>\$ 179,617</u>	<u>-</u>	<u>179,617</u>

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the County is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$206,237, \$200,880 and \$181,117, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

The County implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions, during the year ended June 30, 2010.

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 73 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount determined using the alternative measurement method permitted by GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 44,872
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>44,872</u>
Contributions made	-
Increase in net OPEB obligation	<u>44,872</u>
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u><u>\$ 44,872</u></u>

For the year ended June 30, 2010, there were no contributions to the medical plan by the County or from plan members eligible for benefits.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 44,872	0.0%	\$ 44,872

Funded Status and Funding Progress. As of June 30, 2010, the most recent actuarial accrued liability was \$281,997, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$281,997. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,786,000 and the ratio of the UAAL to covered payroll was 10.1%. As of June 30, 2010, there were no trust fund assets.

The projection of future benefit payments for ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 valuation date, a simplified version of the unit credit actuarial cost method was used. The assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table, projected to 2010 using scale AA. Protective service employees are assumed to retire at age 58 and administrative employees are assumed to retire at age 61 subject to the minimum age/service retirement eligibility.

Projected claim costs of the medical plan are \$570 per month for retirees and \$1,276 for retirees and spouses less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The County is a member in the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool whose membership includes ten counties throughout the State of Iowa. The Pool was formed in July 1987 to provide workers' compensation and property/casualty insurance for its members. The risk pool was created for the purposes of providing and maintaining self-insurance benefits on a group basis substantially at cost.

Each member county is responsible for the payment of member contributions to the risk pool on an annual basis. Member contributions to the risk pool are recorded as expenditures from the operating funds at the time of payment to the risk pool. In the event of payment of any loss by the risk pool, the risk pool is subrogated to the extent of such payment to all the rights of the member County against any person or other entity legally responsible for damages for said loss, and in such event, the member County is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery. The risk pool is responsible for paying the reinsurance premiums on the insurance policies when due, to pay claims in accordance with the various coverages and to make other payments as required by applicable law, to establish and accumulate a reserve or reserves in amounts which are deemed advisable or required by law to carry out the purposes of the risk pool, and to pay all reasonable and necessary expenses for administering the risk pool and fund.

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2010, which covers exposures of specific losses in excess of \$750,000, with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers compensation, and in excess of \$400,000 per occurrence, up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general liability, police professional, errors and omissions and automobile liability. The risk pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2010, 2009 and 2008, the risk pool reported a surplus of assets over liabilities.

Each member retains the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the risk pool by means of an assessment that would be charged to the member County in addition to the premium contributions. At June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since commencement of the risk pool.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2010 were \$167,454.

Initial membership into the risk pool is for a mandatory three year period. Subsequent to the initial term, a member County may withdraw at the end of any given fiscal year. The initial membership period for Decatur commenced July 1, 1987, and is subject to renewal every three years. The County also carries commercial insurance purchased by the risk pool from other insurers for coverages associated with the employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Southern Iowa Rural Water Association (SIRWA) Agreement

On May 23, 2005, the County entered into a 28E agreement with SIRWA and nine other counties to provide joint financing of certain water development facilities at Gooseberry Lake to enable SIRWA to withdraw water sufficient to supply treated water to portions of SIRWA's rural water distribution system. Pursuant to the agreement, SIRWA planned to obtain a loan of \$500,000 to cover the initial costs. Liability for repayment of the loan was to be borne by the respective parties (counties) to the agreement. Decatur County's share of the debt was 12.5%, or \$62,500. Each participant was required to establish a SIRWA Grid sinking and reserve fund, into which there shall be appropriated from the participant's General Fund sufficient funds to pay the principal and interest on the loan. The County established the Special Revenue, SIRWA Grid Fund and transferred \$50,000 from the General Fund to this fund in compliance with the 28E agreement. During the year ended June 30, 2010, the County was informed the project would not proceed and the 28E agreement with SIRWA would be dissolved. The County is waiting for the final dissolution of the 28E agreement and formal termination of the project before redirecting the funds previously set aside.

(12) Deficit Balance

The Special Revenue, Recorder Electronic Transaction Fund had a deficit balance of \$5,605 at June 30, 2010.

Required Supplementary Information

Decatur County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2010

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 2,537,452	2,548,691	2,548,691	(11,239)
Interest and penalty on property tax	35,892	30,500	30,500	5,392
Intergovernmental	4,537,964	4,254,406	4,648,235	(110,271)
Licenses and permits	6,947	2,988	2,988	3,959
Charges for service	255,707	231,920	197,760	57,947
Use of money and property	27,834	51,564	51,564	(23,730)
Miscellaneous	264,931	119,865	270,680	(5,749)
Total receipts	<u>7,666,727</u>	<u>7,239,934</u>	<u>7,750,418</u>	<u>(83,691)</u>
Disbursements:				
Public safety and legal services	882,762	932,274	932,274	49,512
Physical health and social services	1,175,316	1,196,641	1,301,533	126,217
Mental health	1,041,612	1,225,456	1,235,914	194,302
County environment and education	367,699	315,100	376,969	9,270
Roads and transportation	2,924,357	2,855,815	3,184,422	260,065
Governmental services to residents	255,543	274,978	274,978	19,435
Administration	590,916	644,374	718,069	127,153
Capital projects	219,324	196,000	281,000	61,676
Total disbursements	<u>7,457,529</u>	<u>7,640,638</u>	<u>8,305,159</u>	<u>847,630</u>
Excess (deficiency) of receipts over (under) disbursements	209,198	(400,704)	(554,741)	763,939
Other financing sources, net	6,024	5,000	5,000	1,024
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	215,222	(395,704)	(549,741)	764,963
Balance beginning of year	1,954,854	1,737,876	1,949,017	5,837
Balance end of year	<u>\$ 2,170,076</u>	<u>1,342,172</u>	<u>1,399,276</u>	<u>770,800</u>

See accompanying independent auditor's report.

Decatur County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,666,727	5,868	7,672,595
Expenditures	7,457,529	80,232	7,537,761
Net	209,198	(74,364)	134,834
Other financing sources (uses), net	6,024	(500)	5,524
Beginning fund balances	1,954,854	342,371	2,297,225
Ending fund balances	\$ 2,170,076	267,507	2,437,583

See accompanying independent auditor's report.

Decatur County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$664,521. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted.

Decatur County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 282	282	0.0%	\$ 2,786	10.1%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB obligation, funded status and funding progress.

Decatur County

Other Supplementary Information

Decatur County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2010

	County Recorder's Records Management	Resource Enhance- ment and Protection	Little River Lake Improvement	Structure Operation and Main- tenance	Juvenile Tracking
Assets					
Cash and pooled investments	\$ 10,673	16,053	36,861	5,085	78,898
Due from other governments	144	-	-	-	62,419
Total assets	\$ 10,817	16,053	36,861	5,085	141,317
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	-	5,286	-	1,710
Salaries and benefits payable	-	-	441	-	2,922
Due to other funds	-	-	-	-	245
Total liabilities	-	-	5,727	-	4,877
Fund equity:					
Fund balances:					
Reserved for debt service	-	-	-	-	-
Unreserved	10,817	16,053	31,134	5,085	136,440
Total fund equity	10,817	16,053	31,134	5,085	136,440
Total liabilities and fund equity	\$ 10,817	16,053	36,861	5,085	141,317

See accompanying independent auditor's report.

Special Revenue							
Emergency Medical Systems	Special Law Enforcement Proceeds	Recorder Electronic Transaction	County Attorney Forfeiture	SIRWA Water Grid	Courthouse Repair	Debt Service	Total
109	3,497	(5,605)	1,619	51,083	3,783	6,995	209,051
-	-	-	-	-	-	-	62,563
109	3,497	(5,605)	1,619	51,083	3,783	6,995	271,614
-	-	-	-	-	-	-	6,996
-	-	-	-	-	-	-	3,363
-	-	-	-	-	-	-	245
-	-	-	-	-	-	-	10,604
-	-	-	-	-	-	6,995	6,995
109	3,497	(5,605)	1,619	51,083	3,783	-	254,015
109	3,497	(5,605)	1,619	51,083	3,783	6,995	261,010
109	3,497	(5,605)	1,619	51,083	3,783	6,995	271,614

Decatur County

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

Year ended June 30, 2010

	County Recorder's Records Management	Resource Enhance- ment and Protection	Little River Lake Improvement	Structure Operation and Main- tenance	Juvenile Tracking
Revenues:					
Intergovernmental	\$ -	14,090	27,510	-	361,613
Charges for service	1,522	-	45,762	-	-
Use of money and property	12	15	-	-	-
Miscellaneous	-	-	11,423	-	515
Total revenues	1,534	14,105	84,695	-	362,128
Expenditures:					
Operating:					
Public safety and legal services	-	-	-	-	-
Physical health and social services	-	-	-	-	342,030
County environment and education	-	8,037	90,383	-	-
Governmental services to residents	-	-	-	-	-
Administrative	-	-	-	-	-
Total expenditures	-	8,037	90,383	-	342,030
Excess (deficiency) of revenues over (under) expenditures	1,534	6,068	(5,688)	-	20,098
Other financing sources:					
Operating transfers in	-	-	-	-	89,221
Excess (deficiency) of revenues and other financing sources over (under) expenditures	1,534	6,068	(5,688)	-	109,319
Fund balances beginning of year	9,283	9,985	36,822	5,085	27,121
Fund balances end of year	\$ 10,817	16,053	31,134	5,085	136,440

See accompanying independent auditor's report.

Special Revenue								
Emergency	Special	Recorder	County	SIRWA	Courthouse	Debt		
Medical	Law	Electronic	Attorney	Water	Repair	Service	Total	
Systems	Enforcement	Transaction	Forfeiture	Grid				
	Proceeds							
410	400	-	-	-	-	-	404,023	
-	-	-	-	-	-	-	47,284	
-	-	-	-	59	6	9	101	
70	4,484	-	-	-	-	-	16,492	
480	4,884	-	-	59	6	9	467,900	
-	1,439	-	-	-	-	-	1,439	
1,970	-	-	-	-	-	-	344,000	
-	-	-	-	-	-	-	98,420	
-	-	5,605	-	-	-	-	5,605	
-	-	-	-	-	396	-	396	
1,970	1,439	5,605	-	-	396	-	449,860	
(1,490)	3,445	(5,605)	-	59	(390)	9	18,040	
-	-	-	-	-	-	-	89,221	
(1,490)	3,445	(5,605)	-	59	(390)	9	107,261	
1,599	52	-	1,619	51,024	4,173	6,986	153,749	
109	3,497	(5,605)	1,619	51,083	3,783	6,995	261,010	

Decatur County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,303	93,698	74,691	3,082
Other County officials	12,973	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	555	1,315	31,489	1,304
Succeeding year	-	70,000	175,000	4,107,000	167,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 12,973	71,858	270,013	4,213,180	171,386
Liabilities					
Accounts payable	\$ -	-	149	-	-
Salaries and benefits payable	-	-	971	-	-
Due to other governments	10,169	71,858	268,893	4,213,180	171,386
Trusts payable	2,804	-	-	-	-
Total liabilities	\$ 12,973	71,858	270,013	4,213,180	171,386

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Other	Total
28,954	2,144	132,887	187,545	524,304
-	-	-	-	12,973
11,625	958	-	5,293	52,539
1,281,000	121,000	-	672,000	6,593,000
-	-	-	71	71
-	-	-	18,909	18,909
-	-	-	401	401
<u>1,321,579</u>	<u>124,102</u>	<u>132,887</u>	<u>884,219</u>	<u>7,202,197</u>
-	-	-	1,310	1,459
-	-	-	466	1,437
1,321,579	124,102	132,887	868,842	7,182,896
-	-	-	13,601	16,405
<u>1,321,579</u>	<u>124,102</u>	<u>132,887</u>	<u>884,219</u>	<u>7,202,197</u>

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

Year ended June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 2,523	65,121	238,568	3,738,870	153,009
Additions:					
Property and other county tax	-	69,796	175,731	4,113,357	167,411
E911 surcharge	-	-	-	-	-
State tax credits	-	3,570	8,457	204,593	8,425
Office fees and collections	174,595	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	137,005	-	-	-	-
Miscellaneous	-	-	1,329	-	-
Total additions	311,600	73,366	185,517	4,317,950	175,836
Deductions:					
Agency remittances:					
To other funds	81,590	-	-	-	-
To other governments	84,149	66,629	154,072	3,843,640	157,459
Trusts paid out	135,411	-	-	-	-
Total deductions	301,150	66,629	154,072	3,843,640	157,459
Balances end of year	\$ 12,973	71,858	270,013	4,213,180	171,386

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Other	Total
1,179,026	123,891	131,095	790,037	6,422,140
1,265,952	121,798	-	672,986	6,587,031
-	-	-	45,200	45,200
68,509	6,522	-	34,050	334,126
-	-	-	-	174,595
-	-	1,634,424	-	1,634,424
-	-	-	2,576	2,576
-	-	-	-	137,005
-	-	-	453,086	454,415
1,334,461	128,320	1,634,424	1,207,898	9,369,372
-	-	69,181	-	150,771
1,191,908	128,109	1,563,451	961,964	8,151,381
-	-	-	151,752	287,163
1,191,908	128,109	1,632,632	1,113,716	8,589,315
1,321,579	124,102	132,887	884,219	7,202,197

Decatur County

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

For the Last Ten Years

	2010	2009	2008	2007
Revenues:				
Property and other county tax	\$ 2,330,691	2,147,097	1,917,384	1,883,153
Local option sales tax	207,294	194,886	210,406	221,697
Interest and penalty on property tax	35,905	35,961	34,997	31,338
Intergovernmental	4,526,232	4,524,871	4,575,473	4,199,531
Licenses and permits	6,997	4,552	3,489	4,431
Charges for service	261,623	260,759	297,940	270,620
Use of money and property	27,248	32,866	97,023	109,774
Miscellaneous	276,605	196,132	179,808	210,735
Total	\$ 7,672,595	7,397,124	7,316,520	6,931,279
Expenditures:				
Operating:				
Public safety and legal services	\$ 911,014	889,564	896,793	841,586
Physical health and social services	1,175,459	1,219,969	1,241,444	1,008,891
Mental health	993,984	1,096,615	1,176,131	1,099,423
County environment and education	364,380	357,413	301,919	300,666
Roads and transportation	2,988,154	2,934,283	2,726,522	2,808,097
Governmental services to residents	256,647	255,150	240,104	218,865
Administration	628,799	594,887	578,576	581,694
Non-program	-	7,542	-	-
Debt service	-	-	80,736	68,090
Capital projects	219,324	27,697	64,936	123,954
Total	\$ 7,537,761	7,383,120	7,307,161	7,051,266

See accompanying independent auditor's report.

Modified Accrual Basis					
2006	2005	2004	2003	2002	2001
1,818,723	1,679,263	1,734,577	1,619,832	1,653,713	1,661,809
181,061	197,900	141,449	179,512	138,914	-
32,839	34,739	35,514	35,918	41,588	34,660
3,887,731	3,443,926	3,692,694	3,642,197	3,487,548	3,457,653
2,182	1,423	1,928	1,088	1,258	2,138
291,073	201,075	215,488	171,324	148,214	128,807
97,725	71,165	47,470	52,372	93,532	164,907
154,284	121,849	145,044	168,066	171,776	98,268
6,465,618	5,751,340	6,014,164	5,870,309	5,736,543	5,548,242
800,104	750,691	729,783	713,309	762,979	600,532
947,087	262,646	241,225	222,525	282,426	287,817
1,036,031	984,180	1,401,743	1,569,514	1,393,662	876,500
246,993	294,236	271,347	242,942	226,864	296,113
2,709,029	2,333,815	2,863,419	2,408,685	2,166,778	2,225,251
356,007	231,351	203,776	192,437	190,211	169,997
571,962	485,066	503,373	471,991	487,619	445,162
-	-	-	-	-	-
76,325	73,226	74,972	75,000	75,138	75,000
130,190	116,314	100,150	88,127	95,925	330,855
6,873,728	5,531,525	6,389,788	5,984,530	5,681,602	5,307,227

Decatur County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Decatur County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Decatur County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 10, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Decatur County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Decatur County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Decatur County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (D) through (M) to be significant deficiencies.

Compliance and Other Matters

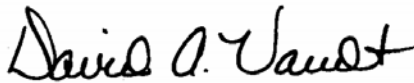
As part of obtaining reasonable assurance about whether Decatur County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Decatur County and other parties to whom Decatur County may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Decatur County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 10, 2011

Decatur County

Schedule of Findings

Year ended June 30, 2010

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

- (1) Treasurer – The duties of opening and listing mail receipts, collecting, depositing, posting, daily reconciling, maintaining the detailed accounts receivable listing and custodian of the change fund are not segregated. Bank accounts are not reconciled monthly by an individual who does not handle cash and the reconciliations are not reviewed periodically by an independent person for propriety. Also, a list of checks received in the mail is not periodically completed and compared with recorded receipts. A change fund for the Treasurer's Office is shared among employees.
- (2) Recorder – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. Bank reconciliations are not reviewed periodically by an independent person for propriety. A list of receipts received in the mail is not prepared by the person opening the mail. Also, the person who signs checks is not independent of the person approving disbursements, handling cash, recording cash receipts and preparing checks.
- (3) Sheriff – The duties of opening and listing mail receipts, collecting, depositing, posting, daily reconciling and custodian of the change fund are not segregated. Also, a list of checks received in the mail is periodically completed, but is not reviewed by an independent individual.
- (4) Secondary Roads Department – The duties of collecting, depositing, posting and daily reconciling are not segregated. There is a lack of segregation of duties between purchasing, recording, reconciling and custody of assets.
- (5) Conservation Department – Duties of collecting and listing receipts for camping fees are not segregated and an initial listing is not completed and used to reconcile amounts collected to the cash receipts recorded.
- (6) Public Health Department – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated.

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

Decatur County
Schedule of Findings
Year ended June 30, 2010

Responses –

Treasurer – The Office will attempt to segregate duties as much as a limited number of staff permits.

Recorder – The Recorder’s Office will segregate office duties between the two employees to the best of our ability. This includes opening mail, writing checks, alternation of daily receipting, balancing check books, and totaling fee book.

Sheriff – The Office is doing what it can to segregate duties with the limited staff on hand.

Secondary Roads Department – Secondary Roads Department will continue to segregate duties as much but with only two people in the office, it is difficult. The Engineer does certify all secondary road payroll.

Conservation Department – Conservation will continue to provide segregation of duties as well as possible with current budget constraints.

Public Health Department – The Office will continue to work toward segregation of duties with limited staff.

Conclusions – Responses accepted.

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

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

Response – The Office will review procedures to ensure all receivables, payables and capital asset additions and deletions are properly included in the financial statements.

Conclusion – Response accepted.

- (C) Annual Financial Report – The County’s Cash Basis Annual Financial Report contained material errors and amounts which could not be substantiated. In addition, the amounts reported as budgeted did not agree with the final amended budget approved by the Board of Supervisors.

Recommendation – The Annual Financial Report should be amended to correct material errors and the amounts reported should be substantiated.

Response – The Annual Report had adjustments made, was re-issued to the Iowa Department of Management, and was published in the Lamoni Chronicle and the Leon Journal Reporter.

Conclusion – Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2010

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

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

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

Responses –

Treasurer – The Treasurer’s Office is in the process of getting this done. The office has drafted an outline, but haven’t prepared it in a readable document yet. The office does have complete documentation for Motor Vehicle from DOT and tax and miscellaneous receipt collection from Tyler (our software provider).

Board of Supervisors – The Board of Supervisors is in the process of creating an interoffice procedures manual.

Auditor – The Auditor’s Office has been compiling all documentation/instructions from our computer software provider on all procedures that may occur. Also, each employee has been notified that a job description will be required. We have discussed a joint training policy between offices as well.

Recorder – The office has not yet completed a procedures manual but will work on compiling the duties of the office and include it in an employee manual as soon as possible.

Sheriff – The Sheriff’s Office will prepare an updated manual of office procedures.

Conclusions – Responses accepted.

(E) Capital Assets Inventory – The capital assets listing was not reviewed periodically during the year to verify whether assets on the listing existed or all assets were included on the capital assets list. In addition, the County does not use authorization forms for capital asset additions and deletions.

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

Decatur County

Schedule of Findings

Year ended June 30, 2010

Response – The Auditor’s Office has created an addition/deletion form to properly identify any changes in capital assets. A notice has been given to all departments informing them of such forms and submission to the auditor’s Office is required. The Chairman of the Board of Supervisors will perform periodic checks on all capital assets for Decatur County.

Conclusion – Response accepted.

- (F) Information Systems – The following weaknesses in the County’s computer based systems were noted:

The County does not have written policies for:

- password privacy and confidentiality.
- requiring password changes because software does not require the user to change log-ins/passwords periodically.
- requiring unique user login identifications.
- Logging off unattended terminals or screensaver protected terminals.

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over computer based systems

Response – Each office has been informed of the importance of computer security. The County has brought the issue to the County Attorney for addition to the policy manual.

Conclusion – Response accepted.

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

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

Response – Book balances will be reconciled at the end of each month and reconciled to a list of trusts on hand by the Sheriff’s Office clerk.

Conclusion – Response accepted.

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

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

Decatur County

Schedule of Findings

Year ended June 30, 2010

Response – The system the County has in place now has been working well. However, we are encouraging each department to provide the Auditor’s Office with a list of cards they hold and vendors used. The County will seek counsel on adding a formal written policy addressing the control and use of credit cards.

Conclusion – Response accepted.

- (I) Supporting Documentation – Adequate supporting documentation was not available to support three disbursements totaling \$41,405. This was subsequently resolved for financial reporting purposes.

Recommendation – The Board should ensure claims are sufficiently itemized and proper documentation accompanies all claims before they are paid.

Response – The Board of Supervisors will closely monitor the issue and each department head will be notified and reminded of the requirements for supporting documentation.

Conclusion – Response accepted.

- (J) Employee Evaluations – Regular employee performance evaluations are not being conducted.

Recommendation – The County should perform employee evaluations, as stated in the County’s personnel policy.

Response – The Board of Supervisors has consulted with the County Attorney on this issue. The County Attorney is preparing an evaluation form for County use.

Conclusion – Response accepted.

- (K) County Sheriff Bank Reconciliation – Monthly bank reconciliations should be prepared timely and be reviewed by an independent person.

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared and retained. Any variances should be investigated and resolved in a timely manner.

Response – Bank reconciliations will be completed in a timely manner and reviewed by an independent person.

Conclusion – Response accepted.

- (L) Summary of Receipts and Disbursements – The County Sheriff’s Office does not prepare a summary worksheet of receipts and disbursements to ensure completeness of financial records.

Recommendation – The County Sheriff’s Office should summarize receipts and disbursements at the end of each month.

Decatur County

Schedule of Findings

Year ended June 30, 2010

Response – The office will prepare a summary worksheet of all receipts and disbursements received during the year.

Conclusion - Response accepted.

- (M) Compensated Absences – The County prepares a listing of vacation and compensated absences as of June 30, 2010 to calculate the County's liability at year end. The listing prepared by the County was not complete. Adjustments were subsequently made by the County for financial reporting purposes.

Recommendation – The County should complete a listing of vacation and compensated absences as of year-end and reconcile the report to the County's payroll system to ensure the listing is complete.

Response – The Auditor's Office will run monthly reports to reconcile against the payroll system to ensure an accurate listing is complete.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Decatur County

Schedule of Findings

Year ended June 30, 2010

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted. Disbursements in certain departments exceeded the amounts appropriated. In addition, the notice of a budget amendment hearing was not published at least 10 days prior to the hearing as required by Chapters 331.434(2) and 331.435 of the Code of Iowa.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

The notice of the budget amendment hearing should be published not less than 10 days or more than 20 days prior to the hearing date.

Response – The Auditor’s Office will ensure all budget amendments are published within the timeframe required by the Code of Iowa. All budgets will be monitored by department heads on a monthly basis and amendments will be made as needed. Reports will be prepared by the Auditor’s Office on a monthly basis.

Conclusion – Response accepted.

- (2) Questionable Expenditures – Lodging expenses of \$1,007 were paid to Bridges Bay Resort for 4 nights for the County Attorney to attend the County Attorney Spring Training Conference in Arnolds Park, Iowa. This expenditure 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.

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

The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures which document the public purpose served.

Response – The Board of Supervisors will review the Attorney General’s Opinion and make necessary arrangements to meet such requirements.

Conclusion – Response accepted.

- (3) Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Decatur County

Schedule of Findings

Year ended June 30, 2010

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

Name, Title and Business Connection	Transaction Description	Amount
Gary Boswell, Owner of Boswell Guns & Ammo, Sheriff's Reserve Officer, father of Deputy Ben Boswell	Ammunition, guns	\$ 1,074
Monte Hamilton, Owner of Hamilton Service, brother of Secondary Roads employee Merrill Hamilton	Auto repair	55
Steve Fulkerson, Owner of M & M Welding, husband of Deputy Recorder Lori Fulkerson	Welding supplies, steel, repair	546
Gene Olson, Conservation Board Member	Supplies	1,140
Erin Burton, Owner of Toddler Junction Child Care, daughter of Deputy Treasurer Kathy Martin	Child care services, empowerment	878
Taylor Waddell, grandson of Conservation Board Member Ron Tellier	Supplies	240

In accordance with Chapter 331.342 of the Code of Iowa, the transactions do not appear to represent conflicts of interest since total transactions with each were less than \$1,500 during the year.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, minutes of two official Board of Supervisor meetings were not properly signed. In addition, certain official Conservation Board meeting minutes were not signed.

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

Responses –

Board of Supervisors – The Board of Supervisors will make every attempt to sign all board minutes.

Conservation - The Conservation Board will make every attempt to sign all board minutes.

Conclusions – Responses accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2010

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection (REAP) Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2010 for the County Extension Office did not exceed the amount budgeted.

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

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

Response – The Office will attempt to segregate duties as best as possible with the limited number of employees in the office. Program Manager does review reconciliations, tax monies received, etc. periodically.

Conclusion – Response accepted.

- (11) Reserve Peace Officer – While performing official duties, each Reserve Peace Officer should be considered an employee of the governing body which the officer represents and should be paid a minimum of one dollar per year.

Recommendation – Each Reserve Peace Officer considered an employee of the County should be paid a minimum of one dollar per year in accordance with Chapter 80D.11 of the Code of Iowa.

Response – The Auditor's Office will make every attempt to pay the required \$1 per year to any and all reserve officers for Decatur County.

Conclusion – Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2010

- (12) Emergency Management Commission Budget – The disbursements during the year ended June 30, 2010 exceeded the amount budgeted for Emergency Management.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – All budgets will be monitored by department heads on a monthly basis and amendments will be made as needed. Reports will be prepared by the Auditor's Office on a monthly basis.

Conclusion – Response accepted.

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

Recommendation – County ordinances should be compiled and published as required by Section 331.302(10) of the Code of Iowa.

Response – County ordinances will be compiled and published as required by Section 331.302(10) of the code of Iowa.

Conclusion – Response accepted.

- (14) Financial Condition – The Special Revenue, Recorder Electronic Transaction Fund had a deficit unreserved fund balance of \$5,605 at June 30, 2010.

Recommendation – The County should investigate alternatives to eliminate the deficit to return the fund to a sound financial position.

Response – The Auditor's Office is currently looking into this issue and will make adjustments as necessary.

Conclusion – Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2010

- (15) Vacation Limits – During the year ended June 30, 2010, the Board of Supervisors approved a new personnel policy. The policy changed the method vacation was earned from a lump-sum on the employee’s anniversary date to an accrual method where employees earn hours each pay period. Also included in the policy were limits on the number of vacation hours which can be accrued. Hours in excess of the limit will be forfeited. Due to the change in the way vacation is earned, the Board of Supervisors decided to implement an 18 month moratorium on vacation hour limits, allowing employees to have vacation balances in excess of their maximum in order to allow employees to use up their vacation balances.

There was no evidence of the Board of Supervisors taking any action approving the moratorium on vacation limits.

Recommendation – The Board should take official action approving any temporary or permanent changes to the County’s personnel policy.

Response – The County will take official action approving any temporary or permanent changes to the County’s personnel policy. Software issues have occurred due to changes in how the County accrues vacation. The County is currently working with Tyler Technologies to resolve the issue.

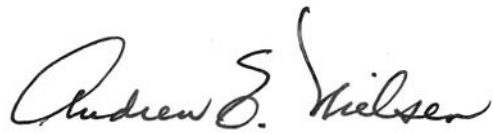
Conclusion – Response accepted.

Decatur County

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Donald J. Lewis, CPA, Senior Auditor
Tiffany M. Ainger, Staff Auditor
Tracey L. Gerrish, Staff Auditor
Beth A. Harriss, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State