



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ February 11, 2004

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the South Central Iowa Regional E-911 Service Board.

Vaudt reported that the Service Board had total receipts of \$463,125 for the year ended June 30, 2003, a 37% decrease from 2002. The receipts included \$448,564 in surcharge fees and \$14,528 in interest on investments. The Board had total receipts of \$735,544 during the year ended June 30, 2002, which included surcharge fees of \$455,159, \$242,618 from the statewide enhanced wireless 911 service plan and interest on investments of \$37,602.

Disbursements for the year ended June 30, 2003 totaled \$531,764, a 33% increase over 2002, which included \$215,801 for signs and equipment, \$119,904 for E-911 phone calls and cable expansion, \$95,841 for administration, and \$100,218 for debt service. Disbursements totaled \$400,887 for the year ended June 30, 2002, which included \$101,180 for signs and equipment, \$112,366 for E-911 phone calls and cable expansion, \$89,634 for administration and \$97,707 for debt service.

A copy of the audit report is available for review in the Office of Auditor of State and the South Central Iowa Regional E-911 Service Board's Secretary's office.

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**SOUTH CENTRAL REGIONAL E-911 SERVICE BOARD**

**INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS  
SCHEDULE OF FINDINGS**

**JUNE 30, 2003 AND 2002**

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**South Central Iowa Regional E-911 Service Board**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Bob Derrickson	Board Chairman	Madison County
Lynn Eddy	Board Member	Adair County
John Van Fleet	Board Member	Adair County
Merlin Dixon	Board Member	Adams County
Phyllis Mullen	Board Member	Adams County
Karen Benson	Board Member	Clarke County
Stephen L. Niebur	Board Member	Clarke County
Charles Cleveland	Board Member	Guthrie County
Paul D. Welch	Board Member	Madison County
Mick Ware	Board Member	Taylor County
Lonnie Weed	Board Member	Taylor County
Roger Nurnberg	Board Member	Union County
Curt Turner	Board Member	Union County
Stephen Patterson	Board Secretary/Treasurer	Guthrie County
David E. Holben	Administrator (Deceased)	
Joni Jackson	Administrator (Effective February 2003)	

**South Central Iowa Regional E-911 Service Board**



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Independent Auditor's Report

To the Members of the South Central  
Iowa Regional E-911 Service Board:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the South Central Iowa Regional E-911 Service Board as of and for the years ended June 30, 2003 and 2002. These financial statements are the responsibility of the Service Board officials. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the 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 that our audits provide a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the South Central Iowa Regional E-911 Service Board as of and for the years ended June 30, 2003 and 2002, and its indebtedness at June 30, 2003 and 2002 on the basis of accounting described in note 1.

As discussed in note 6 to the financial statements, the South Central Iowa Regional E-911 Service Board intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the Board's financial statements and related notes in the year of implementation. The revised requirements include an analytical overview of the Board's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated November 25, 2003 on the South Central Iowa Regional E-911 Service Board's internal control over financial reporting and our tests of its compliance with certain laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 25, 2003



## **Financial Statements**

**Exhibit A**

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## South Central Iowa Regional E-911 Service Board

## Statements of Cash Transactions

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Receipts:		
Telephone surcharge fees	\$ 448,564	455,159
Statewide enhanced wireless 911 service plan	-	242,618
Interest on investments	14,528	37,602
Miscellaneous	33	165
Total receipts	<u>463,125</u>	<u>735,544</u>
Disbursements:		
Signs and equipment	215,801	101,180
Administration	95,841	89,634
E-911 phone calls and cable expansion	119,904	112,366
Debt service:		
Principal	65,000	60,000
Interest	34,918	37,407
Registrar fees	300	300
Total disbursements	<u>531,764</u>	<u>400,887</u>
Excess (deficiency) of receipts over (under) disbursements	(68,639)	334,657
Balance beginning of year	<u>668,218</u>	<u>333,561</u>
Balance end of year	<u>\$ 599,579</u>	<u>668,218</u>

See notes to financial statements.

## South Central Iowa Regional E-911 Service Board

## Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2003

	Actual	Amended Budget	Variance - Favorable (Unfavorable)
Receipts:			
Telephone surcharge fees	\$ 448,564	455,000	(6,436)
Miscellaneous	14,561	2,000	12,561
Total receipts	<u>463,125</u>	<u>457,000</u>	<u>6,125</u>
Disbursements:			
Signs and equipment	215,801	750,037	534,236
Administration	95,841	84,360	(11,481)
E-911 phone calls and cable expansion	119,904	120,000	96
Debt service	100,218	100,500	282
Total disbursements	<u>531,764</u>	<u>1,054,897</u>	<u>523,133</u>
Deficiency of receipts under expenditures	(68,639)	(597,897)	<u><u>529,258</u></u>
Balance beginning of year	<u>668,218</u>	<u>597,897</u>	
Balance end of year	<u><u>\$ 599,579</u></u>	<u><u>-</u></u>	

See notes to financial statements.

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South Central Iowa Regional E-911 Service Board

Statement of Indebtedness

Years ended June 30, 2003 and 2002

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Obligation	Date of Issue	Interest Rates
Year ended June 30, 2003: Loan agreement – Guthrie County: E-911 Operating	April 15, 1999	4 – 4.75%
Year ended June 30, 2002: Loan agreement – Guthrie County: E-911 Operating	April 15, 1999	4 – 4.75%

See notes to financial statements.

Amount Originally Issued	Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 955,000	<u>780,000</u>	65,000	<u>715,000</u>	34,918
\$ 955,000	<u>840,000</u>	60,000	<u>780,000</u>	37,407

South Central Iowa Regional E-911 Service Board

Notes to Financial Statements

June 30, 2003 and 2002

**(1) Summary of Significant Accounting Policies**

The South Central Iowa Regional E-911 Service Board was formed in 1991 pursuant to the provisions of Chapters 28E and 34A of the Code of Iowa. The Service Board is to provide public safety service to the citizens of the region which includes Adair, Adams, Clarke, Guthrie, Madison, Taylor, and Union Counties.

The Service Board is composed of two representatives from each participating County. One shall be a representative of the County Board of Supervisors and the other shall be a representative of the County E-911 Service Board. Each representative has one vote and each representative may have an alternate who can vote in the member's absence.

A. Reporting Entity

For financial reporting purposes, the South Central Iowa Regional E-911 Service Board has included all funds and organizations. The Service Board 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 Service Board are such that exclusion would cause the Service Board'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 Service Board 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 Service Board. The Service Board has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Accounting

The South Central Iowa Regional E-911 Service Board maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Service Board are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

C. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Service Board annually adopts a budget on the cash basis of accounting following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

**(2) Cash and Investments**

The Service Board's deposits in banks at June 30, 2003 were entirely covered by Federal depository insurance or by 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 Service Board 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 Service Board; 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 Service Board had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

**(3) Loan Agreement**

On April 15, 1999, the South Central Iowa Regional E-911 Service Board entered into a loan agreement with Guthrie County for assistance in financing the repayment of debt and specific improvements and upgrades for the E-911 service system. The agreement provided for Guthrie County to sell \$955,000 of general obligation E-911 notes on behalf of the Service Board. The Service Board received \$936,402 under the loan agreement.

The loan agreement was entered into pursuant to authority contained in Chapter 331.402 and 331.443 of the Code of Iowa. The intention of the South Central Iowa Regional E-911 Service Board and the County is to repay the loan exclusively from the E-911 service surcharge fees.

The Service Board is required to make semi-annual payments due on June 1 and December 1 in each of the years 1999 to 2012.

A summary of the South Central Iowa Regional E-911 Service Board's June 30, 2003 loan indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2004	4.25%	\$ 65,000	32,187	97,187
2005	4.30	70,000	29,425	99,425
2006	4.35	75,000	26,415	101,415
2007	4.40	75,000	23,152	98,152
2008	4.45	80,000	19,853	99,853
2009	4.55	80,000	16,293	96,293
2010	4.60	85,000	12,653	97,653
2011	4.70	90,000	8,743	98,743
2012	4.75	95,000	4,512	99,512
Total		<u>\$ 715,000</u>	<u>173,233</u>	<u>888,233</u>

During the year ended June 30, 2003, \$65,000 of the loan was repaid to Guthrie County.

**(4) Risk Management**

South Central Iowa Regional E-911 Service Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Service Board assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

**(5) Contracts**

The Service Board has entered into a contract for \$491,199 for replacement of equipment. As of June 30, 2003, costs of \$122,800 had been incurred against the contract. The balance of \$368,399 remaining at June 30, 2003 will be paid as work on the project progresses.

**(6) Prospective Accounting Change**

The Governmental Accounting Standards Board issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised requirements include Management’s Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the Service Board’s financial activities.





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

To the Members of the South Central  
Iowa Regional E-911 Service Board:

We have audited the financial statements of the South Central Iowa Regional E-911 Service Board as of and for the year ended June 30, 2003, and have issued our report thereon dated November 25, 2003. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the South Central Iowa Regional E-911 Service Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Service Board's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Service Board. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the South Central Iowa Regional E-911 Service Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the South Central Iowa Regional E-911 Service Board's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the South Central Iowa Regional E-911 Service Board and other parties to whom the Service Board may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the South Central Iowa Regional E-911 Service Board 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

November 25, 2003

South Central Iowa Regional E-911 Service Board

Schedule of Findings

Year ended June 30, 2003

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**REPORTABLE CONDITIONS:**

Disbursements – Several disbursements were not adequately supported by invoices, contracts, or timesheets.

Recommendation – Supporting documentation for disbursements should be filed with the monthly billing packets and retained for a minimum of five years per South Central Iowa Regional E-911 Service Board Retention Policy.

Response – This was discussed at the January 2004 Board meeting and will be complied with in the future. It was a misunderstanding on the part of the Administrator.

Conclusion – Response accepted.

South Central Iowa Regional E-911 Service Board

Schedule of Findings

Year ended June 30, 2003

**Other Findings Related to Required Statutory Reporting:**

- (1) Official Depository – A resolution naming official depositories has been adopted by the Board. The maximum deposit amount stated in the resolution for First National Bank was exceeded during the year ended June 30, 2003. In addition, the Board did not adopt a new depository resolution at the time Citizen’s Bank became Great Western Bank.

Recommendation – A new resolution in an amount sufficient to cover anticipated balances at the approved depositories should be adopted by the Board. A new depository resolution should be approved for the name change to ensure continued coverage.

Response – This was discussed at the January 2004 Board meeting. The Treasurer is drafting a new resolution for the February meeting that will comply with this requirement.

Conclusion – Response accepted.

- (2) Certified Budget – Disbursements during the year ended June 30, 2003 did not exceed the amount budgeted.
- (3) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No disbursements of Service Board money for travel expenses of spouses of Service Board officials or employees were noted.
- (5) Business Transactions – No business transactions between the Service Board and Service Board officials or employees were noted.
- (6) Bond Coverage – Surety bond coverage of Service Board 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.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Service Board minutes but were not.
- (8) Deposits and Investments – The Board has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. The interest rate on one time certificate of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee. Public fund time certificates of deposit, when renewed, shall be renewed at a rate of interest which conforms with current rates for public funds on date of renewal.

South Central Iowa Regional E-911 Service Board

Schedule of Findings

Year ended June 30, 2003

Recommendation – The Service Board should seek reimbursement of the additional interest due on this certificate of deposit. In addition, the Service Board should be aware of the current allowable rates to insure at least the minimum allowable rate is received for all investments.

Response – The Service Board was unaware of the minimum interest payment requirement. The Administrator has been directed to check each deposit instrument to be sure the financial institution is complying with the law.

Conclusion – Response accepted.

- (9) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Service Board to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Service Board retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The Service Board should obtain and retain an image of both the front and back of each cancelled check as required.

Response – We will discuss this with the bank.

Conclusion – Response accepted.

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South Central Iowa Regional E-911 Service Board

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
M. Crystal A. Berg CPA, Staff Auditor

Andrew E. Nielsen, CPA  
Deputy Auditor of State