



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE January 2, 2004

Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released an audit report on Lucas County, Iowa.

The County had local tax revenue of \$9,132,481 for the year ended June 30, 2003, which included \$674,011 in tax credits from the state. The County forwarded \$6,545,821 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,586,660 of the local tax revenue to finance County operations, a two percent increase from the prior year. Other revenues included \$3,098,559 from other governments and \$66,151 in interest on investments.

Expenditures for County operations totaled \$5,891,932, a nine percent increase from the prior year. Expenditures included \$2,175,662 for roads and transportation, \$756,214 for mental health and \$725,331 for public safety and legal services. The significant increase in expenditures is due primarily to the completion of the Pin Oak Marsh Trail and bridge replacement projects during the year ended June 30, 2003.

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

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

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**LUCAS COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2003**



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**Lucas County**

**Officials**

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

**(After January 2003)**

Clarence Gee	Board of Supervisors	Jan 2005
Cathy Reece	Board of Supervisors	Jan 2005
Larry Davis	Board of Supervisors	Jan 2007
Linda Reed	County Auditor	Jan 2005
Phyllis Baker	County Treasurer	Jan 2007
Sheryl Pierce	County Recorder	Jan 2007
Delbert Longley	County Sheriff	Jan 2005
Paul Goldsmith	County Attorney	Jan 2007
Tim McGee	County Assessor	Jan 2004

**Lucas County**



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Independent Auditor's Report

To the Officials of Lucas County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Lucas County, Iowa, as of and for the year ended June 30, 2003. These general purpose financial statements are the responsibility of Lucas County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

The general purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with U.S. generally accepted accounting principles. The amounts that should be recorded in the general fixed assets account group are not known. Also, the County has not included materials and supplies inventory, pertaining primarily to the Special Revenue Funds, although required by U.S. generally accepted accounting principles. The amounts of such inventory are not determinable.

In our opinion, except for the effects on the general purpose financial statements of the omissions described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Lucas County at June 30, 2003 and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances – Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and the expendable trust fund of Lucas County for the year ended June 30, 2003.

As discussed in Note 13 to the financial statements, Lucas County 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 County's financial statements and related notes in the year of implementation. The revised requirements include the use of the economic resources measurement focus and full accrual accounting, as well as an analytical overview of the County's financial activities in the Management's Discussion and Analysis introduction to the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our reports dated October 15, 2003 on our consideration of Lucas County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed qualified opinions on those financial statements for the effects of the omission of the statement of general fixed assets and the omission of the materials and supplies inventory pertaining primarily to the Special Revenue Funds. The supplemental information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U. S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, except for the effects of the omission of the statement of general fixed assets and the omission of the materials and supplies inventory pertaining primarily to the Special Revenue Funds, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 15, 2003



## **Financial Statements**

Lucas County  
 Combined Balance Sheet  
 All Fund Types and Account Group  
 June 30, 2003

	Governmental	
	General	Special Revenue
<b>Assets and Other Debits</b>		
Cash and pooled investments:		
County Treasurer	\$ 1,003,528	2,811,642
Other County officials	-	-
Cash held in escrow by South Iowa Area Detention Service Agency (note 5)	-	-
Receivables:		
Property tax:		
Delinquent	5,538	3,670
Succeeding year	1,291,000	1,022,000
Interest and penalty on property tax	16,620	-
Accounts	11,460	30
Accrued interest	3,808	-
Special assessments	-	-
Due from other funds (note 3)	43,949	-
Due from other governments	37,158	172,162
Amount available for debt service	-	-
Amount to be provided for retirement of general long-term debt	-	-
<b>Total assets and other debits</b>	<b>\$ 2,413,061</b>	<b>4,009,504</b>

Fund Types		Fiduciary Fund Type	Account Group	Total
Debt Service	Capital Projects	Trust and Agency	General Long-Term Debt	(Memorandum Only)
11,719	-	453,833	-	4,280,722
-	-	44,670	-	44,670
-	15,000	-	-	15,000
-	-	29,592	-	38,800
45,000	-	6,046,000	-	8,404,000
-	-	-	-	16,620
-	-	14,331	-	25,821
-	-	-	-	3,808
-	-	138,000	-	138,000
-	-	-	-	43,949
-	-	9,798	-	219,118
-	-	-	11,719	11,719
-	-	-	194,923	194,923
56,719	15,000	6,736,224	206,642	13,437,150

Lucas County  
 Combined Balance Sheet  
 All Fund Types and Account Group  
 June 30, 2003

	Governmental	
	General	Special Revenue
<b>Liabilities and Fund Equity</b>		
Liabilities:		
Accounts payable	\$ 26,001	73,114
Salaries and benefits payable	15,875	11,239
Due to other funds (note 3)	-	-
Due to other governments (note 4)	15,683	66,613
Trusts payable	-	-
Deferred revenue:		
Succeeding year property tax	1,291,000	1,022,000
Other	65,202	3,295
Capital loan notes payable (note 5)	-	-
Compensated absences	14,043	18,530
Total liabilities	1,427,804	1,194,791
Fund equity:		
Fund balances:		
Reserved for:		
Supplemental levy purposes	497,305	140,337
Debt service	-	-
Unreserved:		
Designated for future capital project	-	200,000
Undesignated	487,952	2,474,376
Total fund equity	985,257	2,814,713
<b>Total liabilities and fund equity</b>	<b>\$ 2,413,061</b>	<b>4,009,504</b>

See notes to financial statements.

Fund Types		Fiduciary Fund Type	Account Group General	Total (Memorandum Only)
Debt Service	Capital Projects	Trust and Agency	Long-Term Debt	
-	47,130	658	-	146,903
-	-	-	-	27,114
-	-	43,949	-	43,949
-	-	6,623,274	-	6,705,570
-	-	10,430	-	10,430
45,000	-	-	-	2,358,000
-	-	-	-	68,497
-	-	-	106,000	106,000
-	-	14,690	100,642	147,905
45,000	47,130	6,693,001	206,642	9,614,368
-	-	-	-	637,642
11,719	15,000	-	-	26,719
-	-	-	-	200,000
-	(47,130)	43,223	-	2,958,421
11,719	(32,130)	43,223	-	3,822,782
56,719	15,000	6,736,224	206,642	13,437,150

Lucas County

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

Year ended June 30, 2003

	Governmental	
	General	Special Revenue
Revenues:		
Property and other county tax	\$ 1,267,720	1,145,073
Interest and penalty on property tax	33,861	-
Intergovernmental	493,797	2,585,933
Licenses and permits	450	235
Charges for service	311,111	24,935
Use of money and property	66,664	97
Miscellaneous	20,310	55,955
Total revenues	<u>2,193,913</u>	<u>3,812,228</u>
Expenditures:		
Operating:		
Public safety and legal services	650,677	74,654
Physical health and social services	441,207	20,459
Mental health	-	756,214
County environment and education	140,780	56,982
Roads and transportation	-	2,175,662
Governmental services to residents	158,622	-
Administration	621,486	33,668
Debt service	105,473	-
Capital projects	-	585,158
Total expenditures	<u>2,118,245</u>	<u>3,702,797</u>
Excess (deficiency) of revenues over (under) expenditures	<u>75,668</u>	<u>109,431</u>
Other financing sources (uses):		
Operating transfers in	-	506,767
Operating transfers out	(32,329)	(474,438)
Total other financing sources (uses)	<u>(32,329)</u>	<u>32,329</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	43,339	141,760
Fund balances beginning of year	<u>941,918</u>	<u>2,672,953</u>
Fund balances end of year	<u>\$ 985,257</u>	<u>2,814,713</u>

See notes to financial statements.

Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
-	-	-	2,412,793
-	-	-	33,861
-	-	18,829	3,098,559
-	-	-	685
-	-	-	336,046
-	-	14,408	81,169
-	-	820	77,085
-	-	34,057	6,040,198
-	-	-	725,331
-	-	-	461,666
-	-	-	756,214
-	-	-	197,762
-	-	-	2,175,662
-	-	-	158,622
-	-	-	655,154
-	-	-	105,473
-	47,130	23,760	656,048
-	47,130	23,760	5,891,932
-	(47,130)	10,297	148,266
-	-	-	506,767
-	-	-	(506,767)
-	-	-	-
-	(47,130)	10,297	148,266
11,719	15,000	32,926	3,674,516
11,719	(32,130)	43,223	3,822,782

Lucas County

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

Year ended June 30, 2003

	Actual	Amended Budget
Receipts:		
Property and other county tax	\$ 2,412,418	2,400,459
Interest and penalty on property tax	33,643	12,800
Intergovernmental	3,078,613	3,182,932
Licenses and permits	685	450
Charges for service	338,960	341,300
Use of money and property	87,184	167,845
Miscellaneous	76,643	32,114
Total receipts	<u>6,028,146</u>	<u>6,137,900</u>
Disbursements:		
Public safety and legal services	711,401	802,358
Physical health and social services	457,918	592,415
Mental health	763,897	1,164,250
County environment and education	195,792	207,711
Roads and transportation	2,161,509	2,511,913
Governmental services to residents	160,463	198,404
Administration	659,930	705,403
Debt service	105,473	-
Capital projects	625,268	1,314,450
Total disbursements	<u>5,841,651</u>	<u>7,496,904</u>
Excess (deficiency) of receipts over (under) disbursements	186,495	(1,359,004)
Other financing sources, net	-	500
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	186,495	(1,358,504)
Balance beginning of year	<u>3,688,927</u>	<u>3,673,924</u>
Balance end of year	<u>\$ 3,875,422</u>	<u>2,315,420</u>

See notes to financial statements.



Variance - Favorable (Unfavorable)	Actual as % of Amended Budget
11,959	100%
20,843	263%
(104,319)	97%
235	152%
(2,340)	99%
(80,661)	52%
44,529	239%
<u>(109,754)</u>	<u>98%</u>
90,957	89%
134,497	77%
400,353	66%
11,919	94%
350,404	86%
37,941	81%
45,473	94%
(105,473)	
<u>689,182</u>	<u>48%</u>
<u>1,655,253</u>	<u>78%</u>

Lucas County

Notes to Financial Statements

June 30, 2003

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

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

A. Reporting Entity

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but 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: Lucas County Assessor's Conference Board and Lucas County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County.

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

## B. Fund Accounting

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

### Governmental Funds

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

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

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

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

### Fiduciary Funds

Trust Funds – The Trust Funds are used to account for assets held by the County in a trustee capacity. These include an Expendable Trust Fund which is accounted for in essentially the same manner as Governmental Funds.

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

### Account Group

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

## C. Measurement Focus

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

D. Basis of Accounting

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

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

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

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

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

E. Assets, Liabilities and Fund Equity

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property 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 fiscal year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2002.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2003, balances of interfund amounts receivable or payable have been recorded.

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, death or retirement. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of vacation and comp time payments expected to be liquidated currently are recorded as liabilities of the Governmental Funds. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003.

F. Budgets and Budgetary Accounting

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 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, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Expendable Trust Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

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

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

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$2,199,715	-	2,193,913	3,804,172	8,056	3,812,228
Expenditures	2,102,847	15,398	2,118,245	3,715,152	(12,355)	3,702,797
Net	96,868	(15,398)	75,668	89,020	20,411	109,431
Other financing sources (uses)	(32,329)	-	(32,329)	32,329	-	32,329
Beginning fund balances	938,989	2,929	941,918	2,690,293	(17,340)	2,672,953
Ending fund balances	\$1,003,528	(12,469)	985,257	2,811,642	3,071	2,814,713

  

	Governmental Fund Types					
	Debt Service			Capital Projects		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ -	-	-	-	-	-
Expenditures	-	-	-	-	47,130	47,130
Net	-	-	-	-	(47,130)	(47,130)
Other financing sources (uses)	-	-	-	-	-	-
Beginning fund balances	11,719	-	11,719	15,000	-	15,000
Ending fund balances	\$ 11,719	-	11,719	15,000	(47,130)	(32,130)

	Fiduciary Fund Type					
	Expendable Trusts			Total		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ 24,259	9,798	34,057	6,028,146	12,052	6,040,198
Expenditures	23,652	108	23,760	5,841,651	50,281	5,891,932
Net	607	9,690	10,297	186,495	(38,229)	148,266
Other financing sources (uses)	-	-	-	-	-	-
Beginning fund balances	32,926	-	32,926	3,688,927	(14,411)	3,674,516
Ending fund balances	\$ 33,533	9,690	43,223	3,875,422	(52,640)	3,822,782

G. Total (Memorandum Only)

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

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,568,512 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2003 is as follows:

Receivable Fund	Payable Fund	Amount
General	Trust and Agency:	
	Public Health Nurse	\$ 10,877
	County Auditor	8,502
	County Recorder	303
	County Sheriff	24,167
	Auto and Driver License and Use Tax	100
Total		<u>\$ 43,949</u>

**(4) Due to Other Governments**

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 15,683</u>
Special Revenue:		
Rural Services	Services	779
Secondary Roads		6,516
Mental Health		<u>59,318</u>
		<u>66,613</u>
Trust and Agency:		
County Assessor	Collections	189,351
Schools		3,714,424
Community Colleges		186,683
Corporations		1,357,291
Townships		128,883
Auto and Driver License and Use Tax		147,451
County Hospital		651,903
All other		<u>247,288</u>
		<u>6,623,274</u>
Total		<u><u>\$ 6,705,570</u></u>

**(5) Changes in Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2003 is as follows:

	<u>General Obligation Notes</u>	<u>Capital Loan Notes</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year	\$ 100,000	143,500	86,377	329,877
Additions	-	-	14,265	14,265
Reductions	<u>100,000</u>	<u>37,500</u>	-	<u>137,500</u>
Balance end of year	<u>\$ -</u>	<u>106,000</u>	<u>100,642</u>	<u>206,642</u>

General Obligation Notes

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



### Capital Loan Notes

Lucas County is one of ten participating member counties in the South Iowa Area Detention Service Agency (SIADSA) Capital Loan Note Certificate agreement. Each member County issued \$230,000 of General Obligation Capital Loan Notes on May 1, 1991 to the SIADSA which secured \$2,300,000 of Capital Loan Note Certificates issued by SIADSA. SIADSA is holding cash of \$15,000, which represents the unspent note proceeds, in escrow for Lucas County at June 30, 2003.

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

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

Year Ending June 30,	South Iowa Area Detention Service Agency				Heartland Group			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2004	6.90%	21,000	4,740	25,740	5.00%	19,000	1,919	20,919
2005	7.00	22,500	3,290	25,790	5.10	19,000	969	19,969
2006	7.00	24,500	1,716	26,216		-	-	-
Total		\$ 68,000	9,746	77,746		\$ 38,000	2,888	40,888

During the year ended June 30, 2003, the County retired \$37,500 of these notes.

#### **(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages are 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$118,089, \$113,159, and \$110,531, respectively, equal to the required contributions for each year.

#### **(7) Risk Management**

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

**(8) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by function or amounts appropriated by department. During the year ended June 30, 2003, disbursements exceeded the amount budgeted in the debt service function and disbursements in the road clearing department exceeded the amount appropriated.

**(9) Deficit Fund Balance**

The Capital Projects, Sheriff's Vehicles Fund had a deficit balance of \$47,130 at June 30, 2003. The deficit will be eliminated upon the issuance and receipt of general obligation note proceeds.

**(10) Subsequent Event**

On July 7, 2003, the County issued \$47,250 of general obligation notes to pay the costs of acquiring County Sheriff patrol cars. The repayment terms require two equal installments of \$23,625 to be paid on December 1, 2003 and June 1, 2004, including 4.75% per annum interest.

**(11) Pending Litigation**

The County is a defendant in a lawsuit seeking unspecified amounts of damages. The probability and amount of loss, if any, is indeterminable.

**(12) Contingent Liability for Closure and Postclosure Costs**

Lucas County participates in an agreement with the South Central Iowa Solid Waste Agency, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Agency includes providing economic disposal of solid waste produced or generated within the member counties and municipalities.

The County has provided a local government guarantee for a portion of the closure and postclosure costs of the Agency in accordance with Chapter 111.6(8) of the Iowa Administrative Code. The County's financial assurance obligation is \$113,384.

In the event the South Central Iowa Solid Waste Agency fails to perform closure or postclosure care in accordance with the appropriate plan or permit, whenever required to do so, or fails to obtain alternate financial assurance within 90 days of intent to cancel, Lucas County will perform or pay a third party to perform closure and/or postclosure care or establish a standby trust fund in the name of the South Central Iowa Solid Waste Agency or obtain alternate financial assurance in the amount of \$113,384.

**(13) Prospective Accounting Change**

The Governmental Accounting Standards Board has 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 County's financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. Also, the revised minimum reporting requirements include Management's Discussion and Analysis to introduce the basic financial statements and to provide an analytical overview of the County's financial activities.

## **Supplemental Information**

**Lucas County**

## Lucas County

## General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

## Revenues:

## Property and other county tax:

Property tax	\$ 1,194,051	
Utility tax replacement excise tax	72,095	
Other	<u>1,574</u>	\$1,267,720

Interest and penalty on property tax		33,861
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## Intergovernmental:

## State shared revenues:

Franchise tax	8,256	
Other	<u>990</u>	
	<u>9,246</u>	

## State and federal pass-thru revenues:

Homemaker health grant	41,133	
Human services administrative reimbursement	23,803	
Public health nursing grant	79,939	
Other	<u>11,289</u>	
	<u>156,164</u>	

## State tax replacements:

State tax credits	98,038	
State allocation	<u>62,542</u>	
	<u>160,580</u>	

## Contributions and reimbursements

## from other intergovernmental units:

Remittance from E911 Service Board	105,473	
Other	<u>62,334</u>	
	<u>167,807</u>	493,797

## Licenses and permits

450

## Charges for service:

## Office fees and collections:

County Recorder	70,615	
County Sheriff	21,429	
Auto registration, use tax, drivers license and mailing	69,118	
Homemaker health and nursing services	135,633	
Tax sale certificate and deed fees	13,738	
Other	<u>578</u>	311,111

**Schedule 1**

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Lucas County

General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Revenues (continued):		
Use of money and property:		
Interest on investments	66,054	
Other	<u>610</u>	66,664
Miscellaneous		<u>20,310</u>
Total revenues		<u>2,193,913</u>
Expenditures:		
Operating:		
Public safety and legal services		650,677
Physical health and social services		441,207
County environment and education		140,780
Governmental services to residents		158,622
Administration		621,486
Debt service		<u>105,473</u>
Total expenditures		<u>2,118,245</u>
Excess of revenues over expenditures		75,668
Other financing uses:		
Operating transfers out:		
Special Revenue:		
Secondary Roads		<u>(32,329)</u>
Excess of revenues over expenditures and other financing uses		43,339
Fund balance beginning of year		<u>941,918</u>
Fund balance end of year		<u>\$ 985,257</u>

See accompanying independent auditor's report.

Lucas County  
 General Fund  
 Statement of Expenditures  
 Year ended June 30, 2003

Public safety and legal services:			
Law enforcement:			
Uniformed patrol services	\$	117,237	
Adult correctional services		324,996	
Administration		117,668	
		<u>559,901</u>	
Legal services:			
Criminal prosecution		74,942	
Medical examinations		5,059	
		<u>80,001</u>	
Emergency services:			
Emergency management		6,000	
Assistance to district court system:			
Research and other assistance		530	
Court proceedings:			
Juries and witnesses		1,007	
Juvenile justice administration:			
Juvenile victim restitution		1,872	
Court-appointed attorneys and court costs for juveniles		1,366	
		<u>3,238</u>	\$ 650,677
Physical health and social services:			
Physical health services:			
Health administration		311,851	
Services to the poor:			
Administration		66,567	
General welfare services		13,153	
		<u>79,720</u>	
Services to military veterans:			
Administration		8,963	
General services to veterans		9,570	
		<u>18,533</u>	

**Schedule 2**

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## Lucas County

## General Fund

## Statement of Expenditures

Year ended June 30, 2003

## Physical health and social services (continued):

## Children's and family services:

Youth guidance 6,460

## Services to other adults:

Services to the elderly 11,300

## Chemical dependency:

Treatment services 13,343 441,207

## County environment and education:

## Environmental quality program:

Weed eradication 176

## Conservation and recreation services:

Administration 45,046

Maintenance and operations 37,300

Recreation and environmental education services 2,19784,543

## Animal control:

Animal shelter 1,350

## County development:

Land use and building controls 9,640

Economic development 12,06021,700

## Educational services:

Historic preservation 16,811

Fair and 4-H Clubs 7,800

Fairgrounds 8,40033,011 140,780

## Governmental services to residents:

## Representation services:

Elections administration 9,293

Local elections 746

Township officials 87010,909



## Lucas County

## General Fund

## Statement of Expenditures

Year ended June 30, 2003

## Governmental services to residents (continued):

## State administrative services:

Motor vehicle registrations and licensing	66,648	
Recording of public documents	81,065	
	<u>147,713</u>	158,622

## Administration:

## Policy and administration:

General County management	85,977	
Administration management services	86,104	
Treasury management services	86,833	
Other policy and administration	209,504	
	<u>468,418</u>	

## Central services:

General services	84,796	
Data processing services	28,320	
	<u>113,116</u>	

## Risk management services:

Tort liability	25,490	
Safety of workplace	11,808	
Unemployment compensation	2,654	
	<u>39,952</u>	621,486

## Debt service:

Principal	100,000	
Interest	5,473	105,473
		<u>105,473</u>
Total		<u>\$ 2,118,245</u>

See accompanying independent auditor's report.

Lucas County  
Special Revenue Funds  
Combining Balance Sheet  
June 30, 2003

	Rural Services	Secondary Roads
<b>Assets</b>		
Cash and pooled investments	\$ 403,428	1,360,695
Receivables:		
Property tax:		
Delinquent	1,885	-
Succeeding year	730,000	-
Accounts	-	-
Due from other governments	-	171,881
<b>Total assets</b>	<b>\$ 1,135,313</b>	<b>1,532,576</b>
<b>Liabilities and Fund Equity</b>		
Liabilities:		
Accounts payable	\$ -	55,662
Salaries and benefits payable	4,613	6,042
Due to other governments	779	6,516
Deferred revenue:		
Succeeding year property tax	730,000	-
Other	1,602	-
Compensated absences	2,252	15,781
Total liabilities	739,246	84,001
Fund equity:		
Fund balance:		
Reserved for:		
Supplemental levy purposes	140,337	-
Unreserved:		
Designated for future capital project	-	-
Undesignated	255,730	1,448,575
Total fund equity	396,067	1,448,575
<b>Total liabilities and fund equity</b>	<b>\$ 1,135,313</b>	<b>1,532,576</b>

See accompanying independent auditor's report.

Resource Enhance- ment and Protection	Construction Donation	County Recorder's Records Management	Mental Health	Total
38	9,127	17,101	1,021,253	2,811,642
-	-	-	1,785	3,670
-	-	-	292,000	1,022,000
-	-	-	30	30
243	-	-	38	172,162
<b>281</b>	<b>9,127</b>	<b>17,101</b>	<b>1,315,106</b>	<b>4,009,504</b>
-	-	-	17,452	73,114
-	-	-	584	11,239
-	-	-	59,318	66,613
-	-	-	292,000	1,022,000
-	-	-	1,693	3,295
-	-	-	497	18,530
-	-	-	371,544	1,194,791
-	-	-	-	140,337
-	-	-	200,000	200,000
281	9,127	17,101	743,562	2,474,376
281	9,127	17,101	943,562	2,814,713
281	9,127	17,101	1,315,106	4,009,504

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Lucas County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	<u>Rural Services</u>	<u>Secondary Roads</u>
Revenues:		
Property and other county tax:		
Property tax	\$ 697,700	-
Utility tax replacement excise tax	38,747	-
Other	86	-
	<u>736,533</u>	<u>-</u>
Intergovernmental:		
State shared revenues:		
Road use tax	-	1,633,809
State tax replacements:		
State tax credits	44,232	-
State allocation	-	39,445
Mental health property tax relief	-	-
	<u>44,232</u>	<u>39,445</u>
State and federal pass-thru revenues:		
Social services block grant	-	-
Highway planning and construction grants	-	420,856
Other	-	24,223
	<u>-</u>	<u>445,079</u>
Contributions from other intergovernmental units	-	61,487
	<u>44,232</u>	<u>2,179,820</u>
Licenses and permits	-	235
Charges for service:		
Sanitary landfill fees	14,553	-
Client care charges	-	-
Document management fee	-	-
	<u>14,553</u>	<u>-</u>
Use of money and property:		
Interest on investments	-	-

Resource Enhance- ment and Protection	Construction Donation	Sheriff Grant	County Recorder's Records Management	Mental Health	Total
-	-	-	-	384,798	1,082,498
-	-	-	-	23,235	61,982
-	-	-	-	507	593
-	-	-	-	408,540	1,145,073
-	-	-	-	-	1,633,809
-	-	-	-	31,597	75,829
-	-	-	-	-	39,445
-	-	-	-	268,269	268,269
-	-	-	-	299,866	383,543
-	-	-	-	58,545	58,545
-	-	-	-	-	420,856
430	-	3,040	-	-	27,693
430	-	3,040	-	58,545	507,094
-	-	-	-	-	61,487
430	-	3,040	-	358,411	2,585,933
-	-	-	-	-	235
-	-	-	-	-	14,553
-	-	-	-	7,455	7,455
-	-	-	2,927	-	2,927
-	-	-	2,927	7,455	24,935
52	-	-	45	-	97

Lucas County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads
Revenues (continued):		
Miscellaneous:		
Sale of materials	-	24,002
Donations	-	-
Other	-	5,453
	<u>-</u>	<u>29,455</u>
Total revenues	<u>795,318</u>	<u>2,209,510</u>
Expenditures:		
Operating:		
Public safety and legal services:		
Law enforcement:		
Uniformed patrol services	<u>74,654</u>	-
Physical health and social services:		
Physical health services:		
Sanitation	<u>20,459</u>	-
Mental health:		
Persons with mental health problems - mental illness:		
General administration	-	-
Personal and environmental support	-	-
Treatment services	-	-
Licensed or certified living arrangements	-	-
Institutional, hospital, and commitment services	-	-
	<u>-</u>	<u>-</u>
Persons with chronic mental illness:		
Personal and environmental support	-	-
Treatment services	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
Institutional, hospital, and commitment services	-	-
	<u>-</u>	<u>-</u>

Resource Enhance- ment and Protection	Construction Donation	Sheriff Grant	County Recorder's Records Management	Mental Health	Total
-	-	-	-	-	24,002
-	26,500	-	-	-	26,500
-	-	-	-	-	5,453
-	26,500	-	-	-	55,955
482	26,500	3,040	2,972	774,406	3,812,228
-	-	-	-	-	74,654
-	-	-	-	-	20,459
-	-	-	-	61,799	61,799
-	-	-	-	1,282	1,282
-	-	-	-	30,906	30,906
-	-	-	-	15,530	15,530
-	-	-	-	16,515	16,515
-	-	-	-	126,032	126,032
-	-	-	-	19,500	19,500
-	-	-	-	15,202	15,202
-	-	-	-	984	984
-	-	-	-	46,562	46,562
-	-	-	-	93,238	93,238
-	-	-	-	175,486	175,486

Lucas County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads
Expenditures (continued):		
Operating:		
Mental health:		
Persons with mental retardation:		
General administration	-	-
Coordination services	-	-
Personal and environmental support	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
Institutional, hospital, and commitment services	-	-
	<u>-</u>	<u>-</u>
Persons with other developmental disabilities:		
Coordination services	-	-
Personal and environmental support	-	-
Vocational and day services	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
County environment and education:		
Environmental quality:		
Weed eradication	2,089	-
Solid waste disposal	20,760	-
	<u>22,849</u>	<u>-</u>
County development:		
Land use and building controls	-	-
Educational services:		
Libraries	15,260	-
	<u>38,109</u>	<u>-</u>
Roads and transportation:		
Secondary roads administration and engineering:		
Administration	-	100,838
Engineering	-	152,582
	<u>-</u>	<u>253,420</u>
Roadway maintenance:		
Bridges and culvert	-	337,292
Roads	104,226	803,479
Snow and ice control	-	27,077
Traffic controls	-	44,317
Road clearing	60,613	70,890
	<u>164,839</u>	<u>1,283,055</u>



Resource Enhance- ment and Protection	Construction Donation	Sheriff Grant	County Recorder's Records Management	Mental Health	Total
-	-	-	-	2,500	2,500
-	-	-	-	5,732	5,732
-	-	-	-	10,597	10,597
-	-	-	-	118,153	118,153
-	-	-	-	203,503	203,503
-	-	-	-	99,875	99,875
-	-	-	-	440,360	440,360
-	-	-	-	387	387
-	-	-	-	308	308
-	-	-	-	13,641	13,641
-	-	-	-	14,336	14,336
-	-	-	-	756,214	756,214
-	-	-	-	-	2,089
-	-	-	-	-	20,760
-	-	-	-	-	22,849
-	18,873	-	-	-	18,873
-	-	-	-	-	15,260
-	18,873	-	-	-	56,982
-	-	-	-	-	100,838
-	-	-	-	-	152,582
-	-	-	-	-	253,420
-	-	-	-	-	337,292
-	-	-	-	-	907,705
-	-	-	-	-	27,077
-	-	-	-	-	44,317
-	-	-	-	-	131,503
-	-	-	-	-	1,447,894

Lucas County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	<u>Rural Services</u>	<u>Secondary Roads</u>
Expenditures (continued):		
Operating:		
Roads and transportation:		
General roadway:		
Equipment	-	60,000
Equipment operation	-	387,832
Tools, materials, and supplies	-	15,870
Real estate and buildings	-	10,646
	<u>-</u>	<u>474,348</u>
	164,839	2,010,823
	<u>164,839</u>	<u>2,010,823</u>
Administration:		
Risk management services:		
Safety of the workplace	33,668	-
	<u>33,668</u>	<u>-</u>
Capital projects:		
Roadway construction	-	584,558
Other capital projects	-	-
	<u>-</u>	<u>584,558</u>
Total expenditures	331,729	2,595,381
	<u>331,729</u>	<u>2,595,381</u>
Excess (deficiency) of revenues over (under) expenditures	463,589	(385,871)
	<u>463,589</u>	<u>(385,871)</u>
Other financing sources (uses):		
Operating transfers in (out):		
General	-	32,329
Special Revenue:		
Rural Services	-	451,683
Secondary Roads	(451,683)	-
Resource Enhancement and Protection	-	22,755
Total other financing sources (uses)	<u>(451,683)</u>	<u>506,767</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	11,906	120,896
Fund balances beginning of year	384,161	1,327,679
	<u>384,161</u>	<u>1,327,679</u>
Fund balances end of year	<u>\$ 396,067</u>	<u>1,448,575</u>

See accompanying independent auditor's report.

Resource Enhance- ment and Protection	Construction Donation	Sheriff Grant	County Recorder's Records Management	Mental Health	Total
-	-	-	-	-	60,000
-	-	-	-	-	387,832
-	-	-	-	-	15,870
-	-	-	-	-	10,646
-	-	-	-	-	474,348
-	-	-	-	-	2,175,662
-	-	-	-	-	33,668
-	-	-	-	-	584,558
600	-	-	-	-	600
600	-	-	-	-	585,158
600	18,873	-	-	756,214	3,702,797
(118)	7,627	3,040	2,972	18,192	109,431
-	-	-	-	-	32,329
-	-	-	-	-	451,683
(22,755)	-	-	-	-	(474,438)
-	-	-	-	-	22,755
(22,755)	-	-	-	-	32,329
(22,873)	7,627	3,040	2,972	18,192	141,760
23,154	1,500	(3,040)	14,129	925,370	2,672,953
281	9,127	-	17,101	943,562	2,814,713

**Schedule 5**

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Lucas County

Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Revenues:	
None	\$ -
Expenditures:	
None	<u>-</u>
Excess of revenues over expenditures	-
Fund balance beginning of year	<u>11,719</u>
Fund balance end of year	<u><u>\$ 11,719</u></u>

See accompanying independent auditor's report.

## Lucas County

## Capital Projects Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)

Year ended June 30, 2003

	Sheriff's Vehicles	Capital Improvements	Total
Revenues:			
None	\$ -	-	-
Expenditures:			
Capital projects:			
Other	47,130	-	47,130
Deficiency of revenues under expenditures	(47,130)	-	(47,130)
Fund balance beginning of year	-	15,000	15,000
Fund balance (deficit) end of year	\$ (47,130)	15,000	(32,130)

See accompanying independent auditor's report.

**Schedule 7**

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Lucas County

Expendable Trust Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

	<u>Conservation Land Acquisition Trust</u>
Revenues:	
Intergovernmental:	
Wetlands Reserve grant	\$ 8,164
State grant	9,798
Other	867
	<u>18,829</u>
Use of money and property:	
Land rental	14,408
Miscellaneous:	
Contributions and donations	820
Total revenues	<u>34,057</u>
Expenditures:	
Capital projects:	
Conservation land acquisition	<u>23,760</u>
Excess of revenues over expenditures	10,297
Fund balance beginning of year	<u>32,926</u>
Fund balance end of year	<u><u>\$ 43,223</u></u>

See accompanying independent auditor's report.

**Lucas County**

Lucas County  
Trust and Agency Funds  
Combining Balance Sheet  
June 30, 2003

	Expendable Trust - Conservation Land Acquisition	County Offices			
		Public Health Nurse	County Auditor	County Recorder	County Sheriff
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ 33,533	-	-	-	-
Other County officials	-	10,877	8,502	254	25,037
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	-	-	-	49	-
Special assessments	-	-	-	-	-
Due from other governments	9,798	-	-	-	-
<b>Total assets</b>	<b>\$ 43,331</b>	<b>10,877</b>	<b>8,502</b>	<b>303</b>	<b>25,037</b>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Accounts payable	\$ -	-	-	-	-
Due to other funds	-	10,877	8,502	303	24,167
Due to other governments	108	-	-	-	-
Trusts payable	-	-	-	-	870
Compensated absences	-	-	-	-	-
Total liabilities	108	10,877	8,502	303	25,037
Fund equity:					
Unreserved fund balance	43,223	-	-	-	-
<b>Total liabilities and fund equity</b>	<b>\$ 43,331</b>	<b>10,877</b>	<b>8,502</b>	<b>303</b>	<b>25,037</b>



Agency Funds				
Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
1,048	85,960	79,612	3,899	32,045
-	-	-	-	-
209	494	15,812	784	9,246
49,000	118,000	3,619,000	182,000	1,316,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
50,257	204,454	3,714,424	186,683	1,357,291
-	413	-	-	-
-	-	-	-	-
50,257	189,351	3,714,424	186,683	1,357,291
-	-	-	-	-
-	14,690	-	-	-
50,257	204,454	3,714,424	186,683	1,357,291
-	-	-	-	-
50,257	204,454	3,714,424	186,683	1,357,291

Lucas County  
Trust and Agency Funds  
Combining Balance Sheet  
June 30, 2003

	Townships	Auto and Driver License and Use Tax	Brucellosis and Tuberculosis Eradication	E911 Service Board
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	2,645	147,551	418	36,650
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	238	-	4	-
Succeeding year	126,000	-	1,000	-
Accounts	-	-	-	14,282
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>128,883</b>	<b>147,551</b>	<b>1,422</b>	<b>50,932</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	-	-	-	245
Due to other funds	-	100	-	-
Due to other governments	128,883	147,451	1,422	50,687
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	128,883	147,551	1,422	50,932
Fund equity:				
Unreserved fund balance	-	-	-	-
<b>Total liabilities and fund equity</b>	<b>128,883</b>	<b>147,551</b>	<b>1,422</b>	<b>50,932</b>

See accompanying independent auditor's report.

Agency Funds							
Emergency Management Services	Anatomical Gift Donations	Special Assessments	County Hospital	Advance Tax	Tax Sale Redemption Proceeds		Total
1,265	84	5,465	14,098	9,468	92		453,833
-	-	-	-	-	-		44,670
-	-	-	2,805	-	-		29,592
-	-	-	635,000	-	-		6,046,000
-	-	-	-	-	-		14,331
-	-	138,000	-	-	-		138,000
-	-	-	-	-	-		9,798
1,265	84	143,465	651,903	9,468	92		6,736,224
-	-	-	-	-	-		658
-	-	-	-	-	-		43,949
1,265	84	143,465	651,903	-	-		6,623,274
-	-	-	-	9,468	92		10,430
-	-	-	-	-	-		14,690
1,265	84	143,465	651,903	9,468	92		6,693,001
-	-	-	-	-	-		43,223
1,265	84	143,465	651,903	9,468	92		6,736,224

Lucas County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	County Offices				Agricultural
	Public Health Nurse	County Auditor	County Recorder	County Sheriff	Extension Education
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 8,446	8,476	289	20,049	49,117
Additions:					
Property and other County tax	-	-	-	-	48,773
E911 surcharge	-	-	-	-	-
State tax credits	-	-	-	-	3,692
Office fees and collections	7,274	-	140,145	22,620	-
Driver license fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	146,423	-
Miscellaneous	-	26	-	-	-
Total additions	7,274	26	140,145	169,043	52,465
Deductions:					
Agency remittances:					
To other funds	-	-	73,530	21,924	-
To other governments	-	-	66,601	697	51,325
Remittance to County for payment of debt	-	-	-	-	-
Trusts paid out	4,843	-	-	141,434	-
Total deductions	4,843	-	140,131	164,055	51,325
Balances end of year	\$ 10,877	8,502	303	25,037	50,257

County Assessor	Schools	Community Colleges	Corporations	Townships
200,924	3,702,227	182,047	1,342,556	124,540
118,241	3,628,291	182,282	1,303,441	126,979
-	-	-	-	-
10,467	279,886	13,780	134,783	7,813
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,757	-	-	-	-
130,465	3,908,177	196,062	1,438,224	134,792
-	-	-	-	-
126,935	3,895,980	191,426	1,423,489	130,449
-	-	-	-	-
-	-	-	-	-
126,935	3,895,980	191,426	1,423,489	130,449
204,454	3,714,424	186,683	1,357,291	128,883

Lucas County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	Auto and Driver License and Use Tax	Brucellosis and Tuberculosis Eradication	E911 Service Board	Emergency Management Services
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 129,559	973	209,185	1,224
Additions:				
Property and other County tax	-	1,033	-	-
E911 surcharge	-	-	118,285	-
State tax credits	-	72	-	-
Office fees and collections	-	-	-	-
Driver license fees	46,550	-	-	-
Auto licenses, use tax and postage	1,803,454	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	3,920	9,775
Total additions	1,850,004	1,105	122,205	9,775
Deductions:				
Agency remittances:				
To other funds	66,352	-	-	-
To other governments	1,765,660	656	174,985	9,734
Remittance to County for payment of debt	-	-	105,473	-
Trusts paid out	-	-	-	-
Total deductions	1,832,012	656	280,458	9,734
Balances end of year	\$ 147,551	1,422	50,932	1,265

See accompanying independent auditor's report.

Anatomical Gift Donations	Special Assessments	County Hospital	Advance Taxes	Tax Sale Redemption Proceeds	Total
-	160,971	654,648	9,200	-	6,804,431
-	-	636,637	-	-	6,045,677
-	-	-	-	-	118,285
-	-	49,651	-	-	500,144
-	-	-	-	-	170,039
-	-	-	-	-	46,550
-	-	-	-	-	1,803,454
-	23,158	-	-	-	23,158
-	-	-	-	169,058	315,481
84	-	-	268	-	15,830
84	23,158	686,288	268	169,058	9,038,618
-	-	-	-	-	161,806
-	40,664	689,033	-	-	8,567,634
-	-	-	-	-	105,473
-	-	-	-	168,966	315,243
-	40,664	689,033	-	168,966	9,150,156
84	143,465	651,903	9,468	92	6,692,893

**Schedule 10**

## Lucas County

## Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2003	2002	2001	2000
<b>Taxes:</b>				
Property tax	\$ 2,276,549	2,185,595	2,075,115	1,949,051
Utility tax replacement excise tax	134,077	136,145	137,653	-
Other	2,167	2,490	2,480	-
	<u>2,412,793</u>	<u>2,324,230</u>	<u>2,215,248</u>	<u>1,949,051</u>
<b>Intergovernmental:</b>				
State shared revenues:				
Road use tax	1,633,809	1,651,505	1,583,689	1,606,717
Other	9,246	2,860	8,343	11,182
State tax replacements:				
State tax credits	173,867	202,274	215,745	204,705
State allocation	101,987	107,457	110,044	110,361
Mental health property tax relief	268,269	268,270	268,269	268,269
Other	-	-	92,192	42,547
State and federal pass-thru revenues:				
Highway planning and construction grant	420,856	-	169,072	3,493
Federal emergency management assistance	-	30,825	-	-
Social services block grant	58,545	55,117	54,585	53,824
Public health nursing grant	79,939	79,271	70,385	48,651
Homemaker health grant	41,133	49,437	32,669	44,947
Human services administrative reimbursements	23,803	29,637	45,019	31,004
Other	57,811	17,793	88,184	78,939
Contributions and reimbursements from other intergovernmental units	229,294	226,943	119,924	132,716
Federal grants and entitlements:				
Wetlands restoration grant	-	-	43,677	36,674
Payments in lieu of taxes	-	-	-	1,316
	<u>3,098,559</u>	<u>2,721,389</u>	<u>2,901,797</u>	<u>2,675,345</u>
<b>Total</b>	<u>\$ 5,511,352</u>	<u>5,045,619</u>	<u>5,117,045</u>	<u>4,624,396</u>

See accompanying independent auditor's report.



Lucas County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2003

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture: Wetlands Reserve Program	10.072	6561146643A	\$ <u>4,115</u>
Indirect:			
U.S. Department of Agriculture: Iowa Department of Human Services: Human Services Administrative Reimbursements: State Administrative Matching Grants for Food Stamp Program	10.561		<u>4,058</u>
Iowa Department of Public Health: Marion County Public Health: Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		<u>7,563</u>
U.S. Department of Justice: Governor's Office on Drug Control Policy: Local Law Enforcement Block Grants Program	16.592		<u>2,475</u>
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	BROS-CO59-(26)-8J-59	173,563
Highway Planning and Construction	20.205	BROS-CO59-(29)-8J-59	161,745
Highway Planning and Construction	20.205	STP-E-CO59(23)-8V-59	84,500
			<u>419,808</u>
Iowa Department of Public Safety: Safety Incentive Grants for Use of Seatbelts	20.604		<u>4,000</u>
U.S. Department of Health and Human Services: Iowa Department of Human Services: Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		<u>6,036</u>
Refugee and Entrant Assistance - State Administered Programs	93.566		<u>17</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>1,159</u>
Foster Care - Title IV-E	93.658		<u>2,053</u>
Adoption Assistance	93.659		<u>675</u>
Medical Assistance Program	93.778		<u>5,864</u>
Social Services Block Grant	93.667		<u>3,941</u>
Social Services Block Grant	93.667		<u>58,545</u>
			<u>62,486</u>

Lucas County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2003

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Cooperative Agreements for State-Based Cancer Early Detection Programs	93.919		<u>4,344</u>
Appanoose County Public Health:			
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197		<u>2,630</u>
Clarke County Public Health Nursing:			
Immunization Grants	93.268		<u>6,543</u>
Marion County Public Health:			
Maternal and Child Health Services Block Grant to the States	93.994		<u>6,775</u>
Total indirect			<u>536,486</u>
Total			<u>\$ 540,601</u>

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

See accompanying independent auditor's report.



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

David A. Vaudt, CPA  
Auditor of State

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

To the Officials of Lucas County:

We have audited the general purpose financial statements of Lucas County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 15, 2003. Our audit expressed a qualified opinion on the financial statements due to the omission of the general fixed assets account group and materials and supplies inventory pertaining primarily to the Special Revenue Funds which should be included in order to conform to U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items IV-B-03 and IV-J-03.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-03 is a material weakness. Prior year reportable conditions have been resolved except for items II-A-03, II-B-03, II-C-03 and II-D-03.

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

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

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 15, 2003

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

**Lucas County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
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Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Officials of Lucas County:

Compliance

We have audited the compliance of Lucas County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2003. Lucas County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Lucas County's management. Our responsibility is to express an opinion on Lucas County's compliance based on our audit.

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

In our opinion, Lucas County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 15, 2003



Lucas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

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

- (a) A qualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 - Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Lucas County did not qualify as a low-risk auditee.

Lucas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

II-A-03 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Sheriff
(2) The collection, deposit preparation and reconciliation functions are not performed by an individual who does not record and account for cash receipts.	Sheriff, Recorder
(3) The person who signs checks is not independent of the person preparing the checks, approving disbursements and recording cash disbursements.	Sheriff

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

Response –

County Sheriff – We try to segregate duties within the Sheriff's Office as much as possible. However, we are limited with personnel.

County Recorder – As only two people are in the office, we try to share jobs as equally as possible.

Lucas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

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

- II-B-03 County Auditor – A separate bank account is maintained for the remaining balance of the self-funded group health program that has been discontinued. The balance in this bank account totaled \$8,502 at June 30, 2003.

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

Response – The Board of Supervisors has requested that this account be left as is for improvements for certain areas around the Courthouse.

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

- II-C-03 County Sheriff – Separate bank accounts totaling \$10,694 were maintained for the collection and expenditure of the canteen, inmate reimbursements and forfeiture accounts. Canteen profits, inmate reimbursements for housing and medical and forfeiture funds have been accumulating in these accounts and are not remitted to the County Treasurer. Also, expenditures other than those for canteen resale items were not charged against the budget.

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

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

Response – The County Auditor has just recently set up line items in the budget for the inmate housing funds. We will be remitting the housing money to the County at the end of October with the understanding that 60% of that money is to be put into an account that will continue to roll over from year to year. Expenditures from this line item will be according to what the Iowa Code mandates. The remaining 40% will be put into General Fund. The accumulated medical money from inmates will also be remitted to the County at the end of October.

The drug forfeiture account and canteen profits will remain the same. Expenditures from the drug forfeiture account, as well as quarterly reports for the funds, have to be approved by the State.

Lucas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

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

II-D-03 Fixed Assets Records – Other than the established capitalization threshold, the County does not have a written policy for fixed assets. Also, an accurate, complete record of fixed assets was not maintained.

Recommendations – The Board of Supervisors should develop a written policy for fixed assets. The policy should include, but is not limited to, the following: responsibilities for custody and safekeeping of assets, procedures for the acquisition and disposal of assets, placing identification tags on assets, annual physical inventories and reporting the results of the inventory to the Board of Supervisors. In addition, historical values need to be provided and a complete record of fixed assets should be maintained and kept current to facilitate the proper insurance, maintenance and safeguarding of these assets.

Response – With GASB 34 approaching we will develop a written policy for capital assets and maintain an accurate listing of assets.

Conclusion – Response accepted.

Lucas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

No material weaknesses in internal control over the major program were noted.

Lucas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

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

IV-A-03 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year.

IV-B-03 Certified Budget – Disbursements during the year ended June 30, 2003 exceeded the amount budgeted in the debt service function. Disbursements in the road clearing department exceeded the amount appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by 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.

Response – In the future we will try to budget accordingly.

Conclusion – Response accepted.

IV-C-03 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-03 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-03 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-F-03 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

IV-G-03 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-03 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.

IV-I-03 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

Lucas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

IV-J-03 Deficit Fund Balance – The Capital Projects, Sheriff's Vehicles Fund had a deficit balance of \$47,130 at June 30, 2003. This appears to violate Chapter 331.476 of the Code of Iowa.

Recommendation – Claims should not be approved for payment when funds are not available unless the debt is authorized by resolution of the Board of Supervisors and takes the form of anticipatory warrants, loans from other County funds or other formal short-term debt instruments or obligations in accordance with Chapter 331.478 of the Code of Iowa.

Response – We will be aware of this in the future and try to handle this matter according to law.

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

IV-K-03 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, 2003 for the County Extension Office did not exceed the amount budgeted.

The budget was not certified by March 15 as required by Chapter 24.9 of the Code of Iowa.

Recommendation – The budget should be certified by March 15 as required by Chapter 331.434(7) of the Code of Iowa.

Response – We are aware the Lucas County Extension budget was filed after the deadline. We regret the error and will make every effort to prevent it from happening again.

Conclusion – Response accepted.

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Lucas County

Staff

This audit was performed by:

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