



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

June 18, 2012

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$9,746,052 for the year ended June 30, 2011, which included \$438,251 in tax credits from the state. The County forwarded \$7,229,529 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,516,523 of the local tax revenue to finance County operations, a 2.2% increase over the prior year. Other revenues included charges for service of \$1,063,863, operating grants, contributions and restricted interest of \$3,910,413, capital grants, contributions and restricted interest of \$2,440,723, local option sales tax of \$196,528, unrestricted investment earnings of \$8,388 and other general revenues of \$84,068.

Expenses for County operations totaled \$7,973,770, a less than 1% decrease from the prior year. Expenses included \$3,459,254 for roads and transportation, \$1,217,030 for physical health and social services and \$1,153,230 for mental health.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1110-0027-B00F.pdf>.

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DECATUR COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2011

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Decatur County

Officials

(Before January 2011)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry Eastin	Board of Supervisors	Jan 2011
Morris Boswell	Board of Supervisors	Jan 2013
J. R. Cornett	Board of Supervisors	Jan 2013
Tiffani M. Edwards	County Auditor	Jan 2013
Mary Andrew	County Treasurer	Jan 2011
Gale Norman	County Recorder	Jan 2011
Herbert Muir	County Sheriff	Jan 2013
Lisa Hynden Jeanes	County Attorney	Jan 2011
James Fleming	County Assessor	Jan 2016

(After January 2011)

Morris Boswell	Board of Supervisors	Jan 2013
J. R. Cornett	Board of Supervisors	Jan 2013
Gary Boswell	Board of Supervisors	Jan 2015
Tiffani M. Edwards	County Auditor	Jan 2013
Mary Andrew	County Treasurer	Jan 2015
Gale Norman	County Recorder	Jan 2015
Herbert Muir	County Sheriff	Jan 2013
Lisa Hynden Jeanes	County Attorney	Jan 2015
James Fleming	County Assessor	Jan 2016

Decatur County



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Independent Auditor's Report

To the Officials of Decatur County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Decatur County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Decatur County's management. Our responsibility is to express opinions on these financial statements based on our audit.

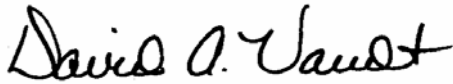
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Decatur County at June 30, 2011, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

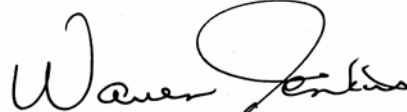
In accordance with Government Auditing Standards, we have also issued our report dated June 1, 2012 on our consideration of Decatur County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Decatur County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 1, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Decatur County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- The County's governmental activities revenues increased 21.7%, or approximately \$1,825,000, from fiscal year 2010 to fiscal year 2011. Capital grants, contributions and restricted interest increased approximately \$1,494,000.
- The County's governmental activities expenses decreased less than 1%, or approximately \$29,000, from fiscal year 2010 to fiscal year 2011. Roads and transportation expenses decreased 4.7%, or approximately \$169,000, while mental health expenses increased 13.2%, or approximately \$134,000.
- The County's net assets increased 14.7%, or approximately \$2,247,000, from June 30, 2010 to June 30, 2011.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Decatur County's combined net assets increased from approximately \$15.3 million to approximately \$17.5 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2011	2010
Current and other assets	\$ 6,033	5,372
Capital assets	14,975	12,934
Total assets	21,008	18,306
Long-term liabilities	269	230
Other liabilities	3,238	2,822
Total liabilities	3,507	3,052
Net assets:		
Invested in capital assets	14,975	12,934
Restricted	2,080	1,908
Unrestricted	446	412
Total net assets	\$ 17,501	15,254

Net assets of Decatur County's governmental activities increased 14.7% (\$15,254,000 compared to \$17,501,000) from June 30, 2010 to June 30, 2011. The largest portion of the County's net assets is invested in capital assets (land, infrastructure, intangibles, buildings and equipment). Net assets invested in capital assets increased approximately \$2,041,000 due to infrastructure assets contributed by the State of Iowa.

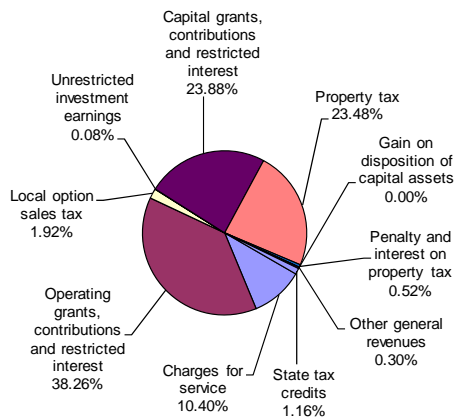
Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net assets increased 9.0%, or approximately \$172,000, primarily due to increased revenues in the Special Revenue, Secondary Roads Fund.

Unrestricted net assets — the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements — increased from approximately \$412,000 at June 30, 2010 to approximately \$446,000 at the end of this year, an increase of 8.3%.

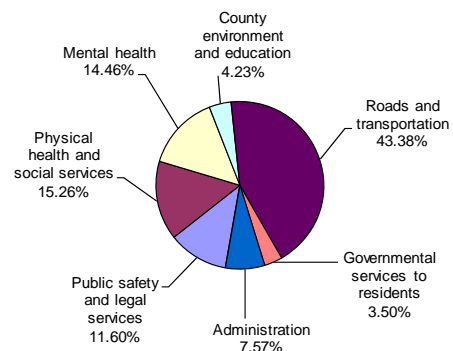
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2011	2010
Revenues:		
Program revenues:		
Charges for service	\$ 1,064	1,538
Operating grants, contributions and restricted interest	3,910	3,158
Capital grants, contributions and restricted interest	2,441	947
General revenues:		
Property tax	2,399	2,333
Penalty and interest on property tax	53	44
State tax credits	118	129
Local option sales tax	197	207
Unrestricted investment earnings	8	9
Gain on disposition of capital assets	1	4
Other general revenues	30	27
Total revenues	10,221	8,396
Program expenses:		
Public safety and legal services	925	914
Physical health and social services	1,217	1,213
Mental health	1,153	1,019
County environment and education	337	340
Roads and transportation	3,459	3,628
Governmental services to residents	279	269
Administration	604	620
Total expenses	7,974	8,003
Increase in net assets	2,247	393
Net assets beginning of year	15,254	14,861
Net assets end of year	\$ 17,501	15,254

Revenues by Source



Expenses by Function



Decatur County's net assets of governmental activities increased approximately \$2,247,000 during the year. Revenues for governmental activities totaled approximately \$10,221,000, an increase of 21.7% over the prior year. An increase in capital grants, contributions and restricted interest of approximately \$1,494,000 was primarily due to contributions of infrastructure from the State of Iowa. Property tax revenues account for 23.5% of the governmental activities revenues.

In fiscal year 2011, the urban tax rate was \$8.29909 per \$1,000 of taxable valuation compared to the fiscal year 2010 rate of \$8.83483 per \$1,000 of taxable valuation. The rural tax rate in fiscal 2011 was \$11.28908 per \$1,000 of taxable valuation compared to the fiscal year 2010 tax rate of \$12.37995 per \$1,000 of taxable valuation.

The cost of all governmental activities was approximately \$8.0 million for both fiscal years 2010 and 2011. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only approximately \$559,000 because some of the costs were paid by those directly benefited from the programs (approximately \$1,064,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$6,351,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in fiscal year 2011 from approximately \$5,643,000 to approximately \$7,415,000. The County paid for the remaining "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Decatur County completed the year, its governmental funds reported a combined fund balance of \$2,644,506, an increase of \$206,923 over last year's total of \$2,437,583. Following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$22,000, or less than 1%, over the prior year while expenditures increased approximately \$78,000, or 2.9%, over the prior year. The ending fund balance decreased approximately \$11,000 from the prior year to approximately \$852,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2011, expenditures totaled approximately \$1,133,000, an increase of approximately \$139,000, or 14.0%, over the prior year. Revenues decreased approximately \$36,000, or 3.0%. The Special Revenue, Mental Health Fund balance at year end decreased approximately \$14,000 to approximately \$276,000.
- The Special Revenue, Rural Services Fund balance decreased approximately \$37,000 from the prior year to approximately \$186,000. This decrease is primarily due to a decrease in property tax revenues of approximately \$39,000.
- Special Revenue, Secondary Roads Fund expenditures decreased approximately \$87,000 from the prior year while revenues increased approximately \$290,000. The increase in revenues is primarily due to an increase in funding from the State of Iowa. The Secondary Roads Fund balance at year end increased approximately \$258,000, or 29.2%, to approximately \$1,142,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, Decatur County amended its budget one time. The amendment was made in May 2011 and resulted in an increase in budgeted disbursements of \$557,049. The primary reason for this amendment was to increase disbursements for the Public Health, Mental Health and Secondary Roads Departments. The increases in budgeted disbursements were partially offset by increases in budgeted receipts of \$288,443.

The County's receipts were \$209,586 less than budgeted, a variance of approximately 2.6%. Total disbursements were \$882,805, or 10.5%, less than the final amended budget. Actual disbursements for all functions came in less than budgeted. Disbursements in the mental health function were \$307,239 less than the final budget due to a decline in patient usage and population served.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, Decatur County had approximately \$15.0 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$2.0 million, or 15.8%, above last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2011	2010
Land	\$ 2,716	2,716
Buildings and improvements	1,381	1,408
Equipment and vehicles	1,195	1,304
Intangibles	520	520
Infrastructure	9,163	6,986
Total	\$ 14,975	12,934

The County had depreciation expense of \$783,673 in fiscal year 2011 and total accumulated depreciation of \$5,479,709 at June 30, 2011. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2011, Decatur County had no general obligation debt outstanding.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Decatur County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 6.0% versus 7.0% a year ago. This compares with the State's unemployment rate of 6.0% and the national rate of 9.3%.

Property valuations are key to what services the County can provide. The Board of Supervisors has always been mindful of the need to provide cost efficient services with the resources available. Amounts available for appropriation in the fiscal year 2012 operating budget are approximately \$10,397,000, an increase of 8.5% from the final fiscal year 2011 budget.

If these estimates are realized, Decatur County's operating fund balances are expected to decrease from \$2,170,389 to \$1,868,732 by the close of fiscal year 2012.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Decatur County

Basic Financial Statements

Exhibit A

Decatur County
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 2,445,114
Receivables:	
Property tax:	
Delinquent	32,636
Succeeding year	2,638,000
Interest and penalty on property tax	68,668
Accounts	14,034
Accrued interest	507
Due from other governments	427,971
Inventories	405,868
Capital assets (net of accumulated depreciation)	<u>14,975,286</u>
Total assets	<u>21,008,084</u>
Liabilities	
Accounts payable	237,148
Salaries and benefits payable	53,576
Due to other governments	253,343
Deferred revenue:	
Succeeding year property tax	2,638,000
Other	56,182
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	178,700
Portion due or payable after one year:	
Net OPEB liability	<u>89,900</u>
Total liabilities	<u>3,506,849</u>
Net Assets	
Invested in capital assets	14,975,286
Restricted for:	
Supplemental levy purposes	357,418
Mental health purposes	260,966
Rural services purposes	171,601
Secondary roads purposes	1,049,389
Debt service	6,999
Other purposes	233,309
Unrestricted	<u>446,267</u>
Total net assets	<u>\$ 17,501,235</u>

See notes to financial statements.

Decatur County

Statement of Activities

Year ended June 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 924,898	125,591	3,513	-	(795,794)
Physical health and social services	1,217,030	367,998	678,380	-	(170,652)
Mental health	1,153,230	212,585	590,485	-	(350,160)
County environment and education	336,345	45,363	39,906	-	(251,076)
Roads and transportation	3,459,254	178,382	2,595,755	2,440,723	1,755,606
Governmental services to residents	278,949	125,606	25	-	(153,318)
Administration	604,064	8,338	2,349	-	(593,377)
Total	<u>\$ 7,973,770</u>	<u>1,063,863</u>	<u>3,910,413</u>	<u>2,440,723</u>	<u>(558,771)</u>
General Revenues:					
Property and other county tax levied for general purposes					2,398,873
Penalty and interest on property tax					52,732
State tax credits					117,650
Local option sales tax					196,528
Unrestricted investment earnings					8,388
Gain on disposition of capital assets					1,273
Miscellaneous					30,063
Total general revenues					<u>2,805,507</u>
Change in net assets					2,246,736
Net assets beginning of year					<u>15,254,499</u>
Net assets end of year					<u>\$ 17,501,235</u>
See notes to financial statements.					

Decatur County
Balance Sheet
Governmental Funds

June 30, 2011

	General	Special Revenue	
		Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 850,824	475,469	153,724
Receivables:			
Property tax:			
Delinquent	23,411	4,311	4,914
Succeeding year	1,629,000	289,000	449,000
Interest and penalty on property tax	68,668	-	-
Accounts	11,762	-	-
Accrued interest	507	-	-
Due from other funds	6,777	-	-
Due from other governments	117,322	18,217	34,154
Inventories	-	-	-
Total assets	\$ 2,708,271	786,997	641,792
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 41,589	16,818	641
Salaries and benefits payable	25,044	3,963	1,521
Due to other funds	-	-	-
Due to other governments	32,086	197,171	-
Deferred revenue:			
Succeeding year property tax	1,629,000	289,000	449,000
Other	129,035	4,311	4,914
Total liabilities	1,856,754	511,263	456,076
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Restricted for:			
Supplemental levy purposes	360,911	-	-
Mental health purposes	-	275,734	-
Rural services purposes	-	-	185,716
Secondary roads purposes	-	-	-
SIRWA water grid	51,116	-	-
Debt service	-	-	-
Other purposes	-	-	-
Assigned:			
Conservation purposes	12,431	-	-
Unassigned	427,059	-	-
Total fund balances	851,517	275,734	185,716
Total liabilities and fund balances	\$ 2,708,271	786,997	641,792

See notes to financial statements.

Secondary Roads	Nonmajor	Total
795,946	169,151	2,445,114
-	-	32,636
-	271,000	2,638,000
-	-	68,668
2,070	202	14,034
-	-	507
-	-	6,777
225,406	32,872	427,971
405,868	-	405,868
<u>1,429,290</u>	<u>473,225</u>	<u>6,039,575</u>
175,425	2,675	237,148
19,467	3,581	53,576
-	6,777	6,777
24,086	-	253,343
-	271,000	2,638,000
67,965	-	206,225
<u>286,943</u>	<u>284,033</u>	<u>3,395,069</u>
405,868	-	405,868
-	-	360,911
-	-	275,734
-	-	185,716
736,479	-	736,479
-	-	51,116
-	6,999	6,999
-	188,995	188,995
-	-	12,431
-	(6,802)	420,257
<u>1,142,347</u>	<u>189,192</u>	<u>2,644,506</u>
<u>1,429,290</u>	<u>473,225</u>	<u>6,039,575</u>

Decatur County

Decatur County

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

June 30, 2011

Total governmental fund balances (page 19) \$ 2,644,506

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$20,454,995 and the accumulated depreciation is \$5,479,709. 14,975,286

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 150,043

Long-term liabilities, including compensated absences payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (268,600)

Net assets of governmental activities (page 16) \$ 17,501,235

See notes to financial statements.

Decatur County

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

Year ended June 30, 2011

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 1,634,890	301,073	449,623
Local option sales tax	-	-	196,528
Interest and penalty on property tax	35,276	-	-
Intergovernmental	675,622	800,159	22,613
Licenses and permits	7,412	-	-
Charges for service	295,247	1,939	-
Use of money and property	8,417	10,766	-
Miscellaneous	74,668	5,155	1,108
Total revenues	<u>2,731,532</u>	<u>1,119,092</u>	<u>669,872</u>
Expenditures:			
Operating:			
Public safety and legal services	782,206	-	141,886
Physical health and social services	846,909	-	-
Mental health	-	1,132,926	-
County environment and education	256,619	-	90,314
Roads and transportation	-	-	-
Governmental services to residents	267,408	-	3,194
Administration	589,143	-	-
Capital projects	-	-	-
Total expenditures	<u>2,742,285</u>	<u>1,132,926</u>	<u>235,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,753)</u>	<u>(13,834)</u>	<u>434,478</u>
Other financing sources (uses):			
Sale of capital assets	-	-	-
Operating transfers in	-	-	-
Operating transfers out	-	-	(471,753)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(471,753)</u>
Net change in fund balances	(10,753)	(13,834)	(37,275)
Fund balances beginning of year, as restated	<u>862,270</u>	<u>289,568</u>	<u>222,991</u>
Fund balances end of year	<u>\$ 851,517</u>	<u>275,734</u>	<u>185,716</u>

See notes to financial statements.

<hr/>		
<hr/>		
Secondary		
Roads	Nonmajor	Total
<hr/>		
-	-	2,385,586
-	-	196,528
-	-	35,276
2,765,330	399,373	4,663,097
50	-	7,462
11	1,667	298,864
-	23	19,206
141,406	14,706	237,043
<hr/>	<hr/>	<hr/>
2,906,797	415,769	7,843,062
<hr/>		
-	4,196	928,288
-	396,806	1,243,715
-	-	1,132,926
-	1,599	348,532
2,990,872	-	2,990,872
-	819	271,421
-	1,950	591,093
129,701	-	129,701
<hr/>	<hr/>	<hr/>
3,120,573	405,370	7,636,548
<hr/>		
(213,776)	10,399	206,514
<hr/>		
409	-	409
471,753	-	471,753
-	-	(471,753)
<hr/>	<hr/>	<hr/>
472,162	-	409
<hr/>		
258,386	10,399	206,923
883,961	178,793	2,437,583
<hr/>	<hr/>	<hr/>
1,142,347	189,192	2,644,506
<hr/>		

Decatur County

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

Year ended June 30, 2011

23) \$ 206,923

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

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

Expenditures for capital assets	\$ 484,616	
Capital assets contributed by other governments	2,339,168	
Depreciation expense	<u>(783,673)</u>	2,040,111

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 1,273

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

Property tax	13,287	
Other	<u>23,307</u>	36,594

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

Compensated absences	6,863	
Other postemployment benefits	<u>(45,028)</u>	<u>(38,165)</u>

Change in net assets of governmental activities (page 17) \$2,246,736

See notes to financial statements.

Decatur County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2011

Assets

Cash and pooled investments:	
County Treasurer	\$ 706,122
Other County officials	11,886
Receivables:	
Property tax:	
Delinquent	97,811
Succeeding year	6,900,000
Accounts	9,485
Accrued interest	5
Assessments	23,937
Due from other governments	7,787
Total assets	<u>7,757,033</u>

Liabilities

Accounts payable	64,843
Salaries and benefits payable	1,916
Due to other governments	7,641,118
Trusts payable	49,156
Total liabilities	<u>7,757,033</u>
Net assets	<u>\$ -</u>

See notes to financial statements.

Decatur County

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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

Due from and Due to Other Funds – Deficit cash balances of certain funds are eliminated against cash from other funds. The balances of the interfund amounts receivable or payable at June 30, 2011 are recorded in the fund financial statements.

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

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

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

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,773,701 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Agency Investment Trust is unrated for credit risk purposes.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Emergency Medical Services	\$ 353
	Recorder Electronic Transaction	6,424
Total		\$ 6,777

These balances result from the reclassification of deficit cash balances in the Special Revenue, Emergency Medical Services and Recorder Electronic Transaction Funds to the General Fund for reporting purposes.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 471,753

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 2,715,644	-	-	2,715,644
Intangibles, road network	519,719	-	-	519,719
Construction in progress		2,628,862	2,628,862	-
Total capital assets not being depreciated	<u>3,235,363</u>	<u>2,628,862</u>	<u>2,628,862</u>	<u>3,235,363</u>
Capital assets being depreciated:				
Buildings	1,515,887	-	-	1,515,887
Improvements other than buildings	364,897	12,089	-	376,986
Equipment and vehicles	4,563,225	190,833	61,230	4,692,828
Infrastructure, road network	8,005,069	2,628,862	-	10,633,931
Total capital assets being depreciated	<u>14,449,078</u>	<u>2,831,784</u>	<u>61,230</u>	<u>17,219,632</u>
Less accumulated depreciation for:				
Buildings	389,037	30,649	-	419,686
Improvements other than buildings	83,425	8,862	-	92,287
Equipment and vehicles	3,259,428	292,409	54,503	3,497,334
Infrastructure, road network	1,018,649	451,753	-	1,470,402
Total accumulated depreciation	<u>4,750,539</u>	<u>783,673</u>	<u>54,503</u>	<u>5,479,709</u>
Total capital assets being depreciated, net	<u>9,698,539</u>	<u>2,048,111</u>	<u>6,727</u>	<u>11,739,923</u>
Governmental activities capital assets, net	<u>\$ 12,933,902</u>	<u>4,676,973</u>	<u>2,635,589</u>	<u>14,975,286</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 36,753
Physical health and social services	19,181
Mental health	14,990
County environment and education	19,800
Roads and transportation	672,164
Administration	<u>20,785</u>
Total depreciation expense - governmental activities	<u>\$ 783,673</u>

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 32,086
Special Revenue:		
Mental Health	Services	197,171
Secondary Roads		24,086
		<u>221,257</u>
Total for governmental funds		<u>\$ 253,343</u>
Agency:		
County Assessor	Collections	\$ 329,792
Schools		4,470,046
Community Colleges		200,677
Corporations		1,344,866
Townships		133,705
Auto License and Use Tax		131,540
All other		1,030,492
Total for agency funds		<u>\$ 7,641,118</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 185,563	44,872	230,435
Increases	197,793	45,028	242,821
Decreases	204,656	-	204,656
Balance end of year	\$ 178,700	89,900	268,600
Due within one year	\$ 178,700	-	178,700

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$216,757, \$206,237 and \$200,880, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 75 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark through February 28, 2011 and United Health Care starting March 1, 2011. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 44,928
Interest on net OPEB obligation	1,800
Adjustment to annual required contribution	<u>(1,700)</u>
Annual OPEB cost	45,028
Contributions made	-
Increase in net OPEB obligation	<u>45,028</u>
Net OPEB obligation beginning of year	<u>44,872</u>
Net OPEB obligation end of year	<u><u>\$ 89,900</u></u>

For the year ended June 30, 2011, there were no contributions to the medical plan by the County or from plan members eligible for benefits.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 44,872	0.0%	\$ 44,872
2011	45,028	0.0	89,900

Funded Status and Funding Progress – As of June 30, 2011, the most recent actuarial accrued liability was \$281,997, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$281,997. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,685,000 and the ratio of the UAAL to covered payroll was 10.5%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

(10) Risk Management

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

Each member county is responsible for the payment of member contributions to the risk pool on an annual basis. Member contributions to the risk pool are recorded as expenditures from the operating funds at the time of payment to the risk pool. In the event of payment of any loss by the risk pool, the risk pool is subrogated to the extent of such payment to all the rights of the member County against any person or other entity

legally responsible for damages for said loss, and in such event, the member County is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery. The risk pool is responsible for paying the reinsurance premiums on the insurance policies when due, to pay claims in accordance with the various coverages and to make other payments as required by applicable law, to establish and accumulate a reserve or reserves in amounts which are deemed advisable or required by law to carry out the purposes of the risk pool, and to pay all reasonable and necessary expenses for administering the risk pool and fund.

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2011, which covers exposures of specific losses in excess of \$750,000, with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers compensation, and in excess of \$400,000 per occurrence, up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general liability, police professional, errors and omissions and automobile liability. The risk pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2011, 2010 and 2009, the risk pool reported a surplus of assets over liabilities.

Each member retains the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the risk pool by means of an assessment that would be charged to the member County in addition to the premium contributions. At June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since commencement of the risk pool.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2011 were \$136,513.

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

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

On May 23, 2005, the County entered into a 28E agreement with SIRWA and nine other counties to provide joint financing of certain water development facilities at Gooseberry Lake to enable SIRWA to withdraw water sufficient to supply treated water to portions of SIRWA's rural water distribution system. Pursuant to the agreement, SIRWA planned to obtain a loan of \$500,000 to cover the initial costs. Liability for repayment of the loan was to be borne by the respective parties (counties) to the agreement. Decatur County's share of the debt was to be 12.5%, or \$62,500. Each participant was required to establish a SIRWA Grid Sinking and Reserve Fund, into which sufficient funds to pay the principal and interest on the loan were to be deposited from the participant's General Fund. The County established the Special Revenue, SIRWA Water Grid Fund and transferred \$50,000 from the General Fund to this fund in compliance with the 28E agreement. During the year ended June 30, 2010, the County was informed the project would not proceed and the 28E agreement with SIRWA would be dissolved. The County is waiting for the final dissolution of the 28E agreement and formal termination of the project before redirecting the funds previously set aside. The Special Revenue, SIRWA Water Grid Fund was reclassified into the General Fund as of July 1, 2010 as a result of the County implementing GASB Statement No. 54.

(12) Deficit Fund Balances

The Special Revenue, Emergency Medical Services and Recorder Electronic Transaction Funds had deficit fund balances of \$378 and \$6,424, respectively, at June 30, 2011. The County has indicated alternatives will be investigated to eliminate the deficits.

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

		Special Revenue	
	General	Little River Lake Improvement	SIRWA Water Grid
Balances June 30, 2010, as previously reported	\$ 780,053	31,134	51,083
Change in fund type classification per implementation of GASB Statement No. 54	82,217	(31,134)	(51,083)
Balances July 1, 2010, as restated	<u>\$ 862,270</u>	<u>-</u>	<u>-</u>

(14) Subsequent Event

On September 30, 2011, the County entered into a \$60,000 loan agreement for the purchase of a public health building. The loan has a fixed interest rate of 4.85% per annum and is payable over 20 years beginning December 1, 2011.

Required Supplementary Information

Decatur County

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

Required Supplementary Information

Year ended June 30, 2011

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 2,581,339	2,602,454	2,602,454	(21,115)
Interest and penalty on property tax	35,660	30,500	30,500	5,160
Intergovernmental	4,656,838	4,461,795	4,668,824	(11,986)
Licenses and permits	7,462	4,188	4,188	3,274
Charges for service	297,095	199,360	248,136	48,959
Use of money and property	18,700	19,450	24,659	(5,959)
Miscellaneous	221,244	421,734	449,163	(227,919)
Total receipts	7,818,338	7,739,481	8,027,924	(209,586)
Disbursements:				
Public safety and legal services	946,027	952,010	1,001,748	55,721
Physical health and social services	1,218,486	1,241,689	1,362,654	144,168
Mental health	1,028,891	1,175,891	1,336,130	307,239
County environment and education	350,637	341,646	372,894	22,257
Roads and transportation	2,996,264	2,911,482	3,039,982	43,718
Governmental services to residents	271,721	275,012	288,811	17,090
Administration	624,855	723,985	732,570	107,715
Nonprogram	-	-	84,725	84,725
Capital projects	106,828	247,750	207,000	100,172
Total disbursements	7,543,709	7,869,465	8,426,514	882,805
Excess (deficiency) of receipts over (under) disbursements	274,629	(129,984)	(398,590)	673,219
Other financing sources, net	409	146,000	146,000	(145,591)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	275,038	16,016	(252,590)	527,628
Balance beginning of year	2,170,076	1,408,116	1,408,116	761,960
Balance end of year	\$ 2,445,114	1,424,132	1,155,526	1,289,588

See accompanying independent auditor's report.

Decatur County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,818,338	24,724	7,843,062
Expenditures	7,543,709	92,839	7,636,548
Net	274,629	(68,115)	206,514
Other financing sources (uses), net	409	-	409
Beginning fund balances	2,170,076	267,507	2,437,583
Ending fund balances	\$ 2,445,114	199,392	2,644,506

See accompanying independent auditor's report.

Decatur County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$557,049. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted.

Decatur County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 282	282	0.00%	\$ 2,786	10.1%
2011	July 1, 2009	-	282	282	0.00	2,685	10.5

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

See accompanying independent auditor's report.

Decatur County

Other Supplementary Information

Decatur County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2011

	County Recorder's Records Management	Resource Enhance- ment and Protection	Structure Operation and Main- tenance	Juvenile Tracking
Assets				
Cash and pooled investments	\$ 12,333	26,426	5,085	108,938
Receivables:				
Succeeding year property tax	-	-	-	-
Accounts	157	-	-	-
Due from other governments	-	-	-	32,872
Total assets	\$ 12,490	26,426	5,085	141,810
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	-	2,650
Salaries and benefits payable	-	-	-	3,581
Due to other funds	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Total liabilities	-	-	-	6,231
Fund balances:				
Restricted for:				
Debt service	-	-	-	-
Other purposes	12,490	26,426	5,085	135,579
Unassigned	-	-	-	-
Total fund balances	12,490	26,426	5,085	135,579
Total liabilities and fund balances	\$ 12,490	26,426	5,085	141,810

See accompanying independent auditor's report.

Special Revenue							
Emergency Medical Services	Special Law Enforcement Proceeds	Recorder Electronic Transaction	County Attorney Forfeiture	Courthouse Repair	Debt Service	Total	
-	3,051	-	2,137	4,182	6,999	169,151	
-	-	-	-	-	271,000	271,000	
-	-	-	45	-	-	202	
-	-	-	-	-	-	32,872	
-	3,051	-	2,182	4,182	277,999	473,225	
25	-	-	-	-	-	2,675	
-	-	-	-	-	-	3,581	
353	-	6,424	-	-	-	6,777	
-	-	-	-	-	271,000	271,000	
378	-	6,424	-	-	271,000	284,033	
-	-	-	-	-	6,999	6,999	
-	3,051	-	2,182	4,182	-	188,995	
(378)	-	(6,424)	-	-	-	(6,802)	
(378)	3,051	(6,424)	2,182	4,182	6,999	189,192	
-	3,051	-	2,182	4,182	277,999	473,225	

Decatur County

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

Year ended June 30, 2011

	County Recorder's Records Management	Resource Enhance- ment and Protection	Structure Operation and Main- tenance	Juvenile Tracking
Revenues:				
Intergovernmental	\$ -	11,962	-	377,282
Charges for service	1,667	-	-	-
Use of money and property	6	10	-	-
Miscellaneous	-	-	-	8,812
Total revenues	1,673	11,972	-	386,094
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	-	-	-	386,955
County environment and education	-	1,599	-	-
Governmental services to residents	-	-	-	-
Administration	-	-	-	-
Total expenditures	-	1,599	-	386,955
Excess (deficiency) of revenues over (under) expenditures	1,673	10,373	-	(861)
Fund balances beginning of year, as restated	10,817	16,053	5,085	136,440
Fund balances end of year	\$ 12,490	26,426	5,085	135,579

See accompanying independent auditor's report.

Special Revenue							
Emergency Medical Services	Special Law Enforcement Proceeds	Recorder Electronic Transaction	County Attorney Forfeiture	Courthouse Repair	Debt Service		Total
9,284	800	-	45	-	-		399,373
-	-	-	-	-	-		1,667
-	-	-	-	3	4		23
80	2,660	-	808	2,346	-		14,706
9,364	3,460	-	853	2,349	4		415,769
-	3,906	-	290	-	-		4,196
9,851	-	-	-	-	-		396,806
-	-	-	-	-	-		1,599
-	-	819	-	-	-		819
-	-	-	-	1,950	-		1,950
9,851	3,906	819	290	1,950	-		405,370
(487)	(446)	(819)	563	399	4		10,399
109	3,497	(5,605)	1,619	3,783	6,995		178,793
(378)	3,051	(6,424)	2,182	4,182	6,999		189,192

Decatur County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,401	156,649	80,861	3,312
Other County officials	11,886	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,005	2,502	58,185	2,365
Succeeding year	-	74,000	172,000	4,331,000	195,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 11,886	76,406	331,151	4,470,046	200,677
Liabilities					
Accounts payable	\$ -	-	-	-	-
Salaries and benefits payable	-	-	1,359	-	-
Due to other governments	10,092	76,406	329,792	4,470,046	200,677
Trusts payable	1,794	-	-	-	-
Total liabilities	\$ 11,886	76,406	331,151	4,470,046	200,677

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Other	Total
27,161	2,247	131,540	302,951	706,122
-	-	-	-	11,886
22,705	1,458	-	9,591	97,811
1,295,000	130,000	-	703,000	6,900,000
-	-	-	9,485	9,485
-	-	-	5	5
-	-	-	23,937	23,937
-	-	-	7,787	7,787
1,344,866	133,705	131,540	1,056,756	7,757,033
-	-	-	64,843	64,843
-	-	-	557	1,916
1,344,866	133,705	131,540	943,994	7,641,118
-	-	-	47,362	49,156
1,344,866	133,705	131,540	1,056,756	7,757,033

Decatur County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 12,973	71,858	270,013	4,213,180	171,386
Additions:					
Property and other county tax	-	74,652	172,896	4,344,243	195,266
E911 surcharge	-	-	-	-	-
State tax credits	-	3,486	8,674	201,009	8,242
Office fees and collections	202,107	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	88,623	-	-	-	-
Miscellaneous	-	-	870	-	-
Total additions	290,730	78,138	182,440	4,545,252	203,508
Deductions:					
Agency remittances:					
To other funds	107,430	-	-	-	-
To other governments	95,444	73,590	121,302	4,288,386	174,217
Trusts paid out	88,943	-	-	-	-
Total deductions	291,817	73,590	121,302	4,288,386	174,217
Balances end of year	\$ 11,886	76,406	331,151	4,470,046	200,677

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Other	Total
1,321,579	124,102	132,887	884,219	7,202,197
1,286,311	130,385	-	705,175	6,908,928
-	-	-	46,617	46,617
59,844	6,089	-	33,257	320,601
-	-	-	-	202,107
-	-	1,733,492	-	1,733,492
-	-	-	11,979	11,979
-	-	-	182,942	271,565
-	-	-	278,963	279,833
1,346,155	136,474	1,733,492	1,258,933	9,775,122
-	-	70,615	-	178,045
1,322,868	126,871	1,664,224	937,215	8,804,117
-	-	-	149,181	238,124
1,322,868	126,871	1,734,839	1,086,396	9,220,286
1,344,866	133,705	131,540	1,056,756	7,757,033

Decatur County

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

For the Last Ten Years

	2011	2010	2009	2008
Revenues:				
Property and other county tax	\$ 2,385,586	2,330,691	2,147,097	1,917,384
Local option sales tax	196,528	207,294	194,886	210,406
Interest and penalty on property tax	35,276	35,905	35,961	34,997
Intergovernmental	4,663,097	4,526,232	4,524,871	4,575,473
Licenses and permits	7,462	6,997	4,552	3,489
Charges for service	298,864	261,623	260,759	297,940
Use of money and property	19,206	27,248	32,866	97,023
Miscellaneous	237,043	276,605	196,132	179,808
Total	\$ 7,843,062	7,672,595	7,397,124	7,316,520
Expenditures:				
Operating:				
Public safety and legal services	\$ 928,288	911,014	889,564	896,793
Physical health and social services	1,243,715	1,175,459	1,219,969	1,241,444
Mental health	1,132,926	993,984	1,096,615	1,176,131
County environment and education	348,532	364,380	357,413	301,919
Roads and transportation	2,990,872	2,988,154	2,934,283	2,726,522
Governmental services to residents	271,421	256,647	255,150	240,104
Administration	591,093	628,799	594,887	578,576
Non-program	-	-	7,542	-
Debt service	-	-	-	80,736
Capital projects	129,701	219,324	27,697	64,936
Total	\$ 7,636,548	7,537,761	7,383,120	7,307,161

See accompanying independent auditor's report.

Modified Accrual Basis					
2007	2006	2005	2004	2003	2002
1,883,153	1,818,723	1,679,263	1,734,577	1,619,832	1,653,713
221,697	181,061	197,900	141,449	179,512	138,914
31,338	32,839	34,739	35,514	35,918	41,588
4,199,531	3,887,731	3,443,926	3,692,694	3,642,197	3,487,548
4,431	2,182	1,423	1,928	1,088	1,258
270,620	291,073	201,075	215,488	171,324	148,214
109,774	97,725	71,165	47,470	52,372	93,532
210,735	154,284	121,849	145,044	168,066	171,776
6,931,279	6,465,618	5,751,340	6,014,164	5,870,309	5,736,543
841,586	800,104	750,691	729,783	713,309	762,979
1,008,891	947,087	262,646	241,225	222,525	282,426
1,099,423	1,036,031	984,180	1,401,743	1,569,514	1,393,662
300,666	246,993	294,236	271,347	242,942	226,864
2,808,097	2,709,029	2,333,815	2,863,419	2,408,685	2,166,778
218,865	356,007	231,351	203,776	192,437	190,211
581,694	571,962	485,066	503,373	471,991	487,619
-	-	-	-	-	-
68,090	76,325	73,226	74,972	75,000	75,138
123,954	130,190	116,314	100,150	88,127	95,925
7,051,266	6,873,728	5,531,525	6,389,788	5,984,530	5,681,602

Decatur County



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David A. Vaudt, CPA
Auditor of State

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

To the Officials of Decatur County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Decatur County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated June 1, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

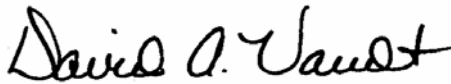
As part of obtaining reasonable assurance about whether Decatur County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

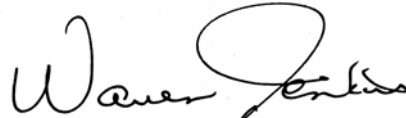
Decatur County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Decatur County's responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 1, 2012

Decatur County

Schedule of Findings

Year ended June 30, 2011

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. One or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:
- (1) Treasurer – The duties of opening the mail, collecting, depositing, posting, daily reconciling, maintaining the detailed accounts receivable listing and being custodian of the change fund are not segregated. A list of checks received in the mail is periodically prepared by the mail opener and compared with recorded receipts by an independent person. Bank accounts are not reconciled monthly by an individual who does not handle cash and the reconciliations are not reviewed periodically by an independent person for propriety. A change fund for the Treasurer’s Office is shared among employees.
 - (2) Recorder – The duties of opening mail receipts, collecting, depositing, posting and daily reconciling are not segregated. A list of checks received in the mail is not prepared by the person opening the mail. Bank reconciliations are not reviewed periodically by an independent person for propriety. Also, the person who signs checks is not independent of the person approving disbursements, handling cash, recording cash receipts and preparing checks.
 - (3) Sheriff – The duties of opening and listing mail receipts, collecting, depositing, posting, daily reconciling and being custodian of the change fund are not segregated. Although a list of checks received in the mail is periodically completed, the listing is not compared with recorded receipts by an independent person.
 - (4) Secondary Roads Department – The duties of collecting, depositing, posting and daily reconciling are not segregated.
 - (5) Conservation Department – Duties of collecting and depositing receipts for camping fees are not segregated. Checks received are not restrictively endorsed at the time of collection.
 - (6) Public Health Department – The duties of opening the mail, collecting, depositing, posting and daily reconciling are not segregated. A list of checks received in the mail is not prepared by the person opening the mail.
 - (7) County Agricultural Extension Office - Generally, one or two individuals may have control over collecting, depositing and reconciling receipts. Bank reconciliations are not prepared or reviewed by an independent person.

Decatur County

Schedule of Findings

Year ended June 30, 2011

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

Responses –

Treasurer – We do now list checks received one day each week and compare them with the receipts for the day. Balancing is done by everyone. If some staff are gone, it becomes a problem to segregate duties. We will have someone in another office review reconciliations.

Recorder – Daily balancing is performed by both employees. One employee does the receipts and deposits while the other employee does the feebook and 18 column ledger.

Sheriff – The Sheriff's Office administrator retired and we are currently trying to hire someone to take care of her duties or re-distribute duties within the department.

Secondary Roads Department – We understand and will continue to be diligent in keeping the receipt book and making the earliest possible deposits with the Treasurer.

Conservation Department – We will follow the above recommendation.

Public Health Department – We understand the concerns and will discuss the operations of the department with the Administrator to resolve this matter.

County Agricultural Extension Office – We are aware of these limitations due to our few number of staff who are all part time. We will endeavor to sign off on the reconciliations and other statements to indicate independent review is being performed.

Conclusions –

Treasurer, Conservation Department and Public Health Department – Responses accepted.

Recorder, Sheriff, Secondary Roads Department and County Agricultural Extension Office – Responses acknowledged. The offices should utilize current personnel or other offices to provide additional control.

Decatur County

Schedule of Findings

Year ended June 30, 2011

(B) Financial Reporting – During the audit, we identified material amounts of receivables not recorded in the County’s financial statements. In addition, other correcting entries were necessary, as follows:

- \$9,085 for E911 surcharges was credited to the General Fund and should have been reported in the Agency, E911 Fund.
- \$25,000 was transferred from the General Fund to the Agency, Emergency Management Fund in error.
- Local option sales tax of \$15,316 and \$17,077 received from the State through electronic funds transfer in March and July 2011, respectively, were not recorded as revenue until December 2011.
- The County had not requested or received reimbursement for payroll costs from the Empowerment Board for fiscal years 2010 and 2011. The amount owed to the County at June 30, 2011 was \$36,956. In addition, an Empowerment Board early childhood state warrant for \$4,031 was credited to the General Fund rather than the Agency, Empowerment Fund.

Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables and payables are properly identified and included in the County’s financial statements. In addition, the County should implement procedures to ensure all financial transactions are recorded in the proper fund and revenue received electronically is recorded timely.

Response – Efforts will be made to review receivables and payables both before and after posting to ensure proper identification and inclusion in the County’s financial statements. When reconciling bank accounts, additional procedures will be implemented to ensure electronic transactions are recorded properly and timely.

Conclusion – Response accepted.

(C) Bank Reconciliations – During the year ended June 30, 2011, significant variances existed between the bank balance and general ledger (book balance). At June 30, 2011, the book balance exceeded the bank balance by approximately \$12,000. The County has not investigated and resolved the variances in a timely manner.

Recommendation – The County should investigate and resolve variances between book and bank balances timely.

Response – We will attempt to reconcile the balances with the general ledger and keep it balanced monthly.

Conclusion – Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2011

- (D) Calculation of Property Tax – The following errors in the preparation of property tax for the year ended June 30, 2011 were noted:

The percentage used to calculate the homestead tax credit was incorrectly entered as 74.00% rather than 63.99%, causing an overstatement of the homestead tax credit given to taxpayers of \$40,394 compared to the amount the County received from the State.

The percentage used to calculate the Mormon Trail Community School District tax levy was incorrect. The rate used was \$14.10557 per \$1,000 of taxable valuation when the correct rate should have been \$15.57623 per \$1,000 of taxable valuation. This caused a shortage in the tax collection of \$39,543. The District's tax levy was increased for the year ended June 30, 2012 to correct the shortage.

Recommendation – The County should implement procedures to ensure the calculation of property tax and tax levies are accurate.

Response – The County will implement procedures to ensure the calculation of property tax and tax levies are accurate.

Conclusion – Response accepted.

- (E) Payroll Reporting – The following issues were noted related to the County's payroll reporting:

An independent person does not review and approve payroll tax remittances made through electronic fund transfers. The County did not file the 3rd and 4th quarter 2010 IRS Form 941 or remit withholdings until notified by the IRS in March 2011. The total amount subsequently paid to the IRS was \$40,435, which included \$4,056 of interest and penalties.

The monthly IPERS report filed for June 2010 omitted the third payroll of the month. In November 2011, the County remitted \$13,370 to IPERS, which included \$338 of interest. The amount had been carried on the County's outstanding check listing since June 2010.

In December 2011, the County identified the IRS Form W-2's for 2010 had not been properly submitted to the IRS. This issue was subsequently resolved.

Recommendation – An independent person should review and approve the submission of required IRS Form W-2's, quarterly payroll reports and the remittance of payroll tax contributions and withholdings to ensure the amounts are correct and reporting is completed timely.

Response – A checklist for each payroll has been prepared showing the various payroll reports to be filed with the various taxing authorities and the date such reports and payments due have been filed and paid. Included in the checklist is a confirmation number acknowledging receipt of the payment or a check number indicating the amounts have been paid. In addition, copies of all reports prepared and filed along with receipts of amounts paid will be kept in a binder for review.

Decatur County

Schedule of Findings

Year ended June 30, 2011

An independent person will review and sign off on the checklist indicating the reports and amounts due are correct and reported timely.

Conclusion – Response accepted.

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

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

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

Responses –

Treasurer – We have started putting this together but will set this as a priority to get finished.

Auditor – We will work to develop office procedures and accounting manuals for routine procedures within our office.

Recorder – We will work on this.

Conclusions – Responses accepted.

(G) Capital Assets Inventory – The capital assets listing was not reviewed periodically during the year to verify whether assets on the listing existed or all assets were included on the capital assets listing.

Recommendation – A person who does not have responsibility for capital assets or maintenance of the capital assets listing should periodically verify assets on the list to ensure the capital assets exist and all capital assets are included on the list.

Response – A periodic review of the capital asset listing will be made to verify assets on the list still exist and are in use and all assets meeting the definition of a capital asset owned by the County are included on the list. To the extent possible, this review will be done by a person who does not have responsibility for capital assets or maintenance of the capital assets listing.

Conclusion – Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2011

- (H) Computer Systems – The following weaknesses in the County’s computer systems were noted:

The County does not have written policies for:

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

In addition, the County has not established a disaster recover plan for the County’s computer systems.

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over its computer systems. The County should adopt a written disaster recovery plan.

Response – Efforts will be made to develop written policies addressing the items listed above as well as other “best practices” related to computer security issues. In addition, the County will adopt a written disaster recovery plan for the County’s computer systems.

Conclusion – Response accepted.

- (I) County Sheriff – Book balances are not reconciled to the trust account listings. In addition, the County Sheriff’s Office does not prepare an annual summary of receipts and disbursements.

Recommendation – Book balances should be reconciled at the end of each month to a list of trusts on hand. A worksheet summarizing the monthly receipts and disbursements for the year should be prepared.

Response – The Sheriff’s Office will continue to look for the variance, while maintaining the same variance moving forward. We will prepare an annual report, either handwritten or using Excel.

Conclusion – Response accepted.

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

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

Decatur County

Schedule of Findings

Year ended June 30, 2011

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

Conclusion – Response accepted.

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

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

Response – The County personnel policy encourages each department head to perform employee evaluations near the end of the employee's probation period and near their anniversary date. The County will encourage each department head to perform such evaluations and provide the Auditor's office with a copy of such evaluation to be included in the employee's personnel file.

Conclusion – Response accepted.

- (L) City Law Enforcement Contracts – The County Sheriff has contracts with cities within Decatur County to provide law enforcement services. Each month, the Sheriff's office receives a check from the cities for services which is remitted to the County Treasurer. There is currently no independent tracking to ensure checks are received timely from the cities. Two instances were noted where the Sheriff's Office remitted the amount of the City of Lamoni's contract payment to the County Treasurer twice, which caused shortages in the County Sheriff's bank account. These errors were resolved in subsequent months by not remitting other payments received from the City of Lamoni.

Recommendation – Law enforcement contract checks should be mailed directly to the County Treasurer. The County Sheriff or County Auditor should maintain a ledger to document contract law enforcement billings, collections and remittances.

Response – We will work with the Auditor's Office to formulate a process of tracking contract law enforcement monies.

Conclusion – Response accepted.

- (M) Wellness Program Gift Cards – The County purchased gift cards from various businesses to provide incentives to County employees who participated in wellness activities. The County was reimbursed for the cost of the gift cards by the County's health insurance provider. The County did not maintain adequate records to document the recipients of the gift cards.

Recommendation – A log of gift card distributions, including signatures of the recipients, should be maintained.

Response – The County will adopt the recommendation on any future gift card transactions.

Conclusion – Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2011

- (N) Timesheets – Department head timesheets are not always approved by the Board of Supervisors or other Boards. Secondary Roads Department employee timesheets did not include a supervisory signature. Juvenile tracking timesheets did not include the employee's signature.

In addition, the Conservation Director and Emergency Management Coordinator positions are held by the same individual. We reviewed the timesheets for both positions for 5 pay periods and noted 2 instances of a one hour overlap of time recorded for each position.

Recommendation – The County should ensure all timesheets are signed by the employee and reviewed and approved by the appropriate department supervisor or Board. In instances where County employees hold multiple positions, the timesheets should be reviewed jointly to ensure the accuracy of the hours reported.

Response – Efforts will be made to ensure all timesheets are signed by the employee and reviewed and approved by the appropriate department supervisor or Board. In instances where County employees hold multiple positions, the timesheets will be reviewed jointly to ensure the accuracy of the hours reported.

Conclusion – Response accepted.

- (O) Empowerment Timesheets – The Empowerment Administrator is a contract County employee compensated on an hourly basis and is also employed full time by another private employer. Her contract with the County specifies a maximum of \$17,788 to be paid for the year ended June 30, 2011 for 20 hours a week. During the year, the Administrator submitted bi-weekly timesheets to the County for her work as Empowerment Administrator. The Administrator's timesheets were not approved by the Empowerment Board.

Based on our review for the period July 1, 2010 through June 30, 2011, the timesheets submitted by the Empowerment Administrator typically reflected a 1:00 p.m. to 5:00 p.m. work schedule, Monday through Friday, and the Administrator was paid based on those hours. However, according to the Administrator, the hours reported on her timesheets are not necessarily the actual hours she worked as the Empowerment Administrator each day. She indicated she regularly works afternoons at her other job, not in her position as Empowerment Administrator. It is unclear why the Administrator submitted timesheets to the County which do not represent the actual hours worked under her contract with the Empowerment Board. Based on this information, we were unable to determine the propriety of the \$15,728 paid to the Empowerment Administrator for the year ended June 30, 2011.

Recommendation – The Empowerment Board should consult legal counsel to determine the disposition of this matter, including whether payments made to the Empowerment Administrator prior to July 1, 2010 and after June 30, 2011 were appropriate. The Empowerment Administrator's timesheets should be reviewed and approved by the Empowerment Board and procedures should be established to ensure hours reported by the Administrator reflect actual hours worked.

Decatur County

Schedule of Findings

Year ended June 30, 2011

Response – When Rose was hired as the Administrator, she asked Gary Coffelt, Decatur County Empowerment Board Chair and a member of the Decatur County Board of Supervisors, how best to record hours. He recommended she log hours on her time sheet during the work day (sometime between 8:00 a.m. and 5:00 p.m.) even though she might work before 8:00 a.m. or after 5:00 p.m. because this was how the County paid for work completed. When Rose learned during the current fiscal year that some members of the County Board of Supervisors were concerned about the way she recorded her time, she immediately changed her practice and began recording her exact hours. The Empowerment Board Chair has confirmed Rose’s more recent timesheets reflect this change.

Conclusion – Response acknowledged. The Empowerment Board should also consult legal counsel regarding this matter and should approve the Administrator’s timesheets.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Decatur County

Schedule of Findings

Year ended June 30, 2011

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted by function. However, the Board did not approve a resolution to appropriate the original budget to each department as required by Chapter 331.434(6) of the Code of Iowa.

Recommendation – The Board should appropriate the budget by resolution as required.

Response – The Board will appropriate the budget and any amendments to it by resolution as required.

Conclusion – Response accepted.

- (2) Questionable Expenditures – Certain expenditures we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

<u>Paid To</u>	<u>Purpose</u>	<u>Amount</u>
HyVee	Food for hazard mitigation meeting	\$ 31
Don's Floral	Empowerment Board purchase of memorial stone	32

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

Recommendation – The Emergency Management Commission and the Empowerment Board should determine and document the public purpose served by these expenditures prior to authorizing any further payments. If this practice is continued, the Commission and the Board should establish written policies and procedures, including the requirement for proper documentation.

Responses –

Emergency Management – We will document the public purpose before authorizing further payments for meeting refreshments.

Empowerment Board – The purchase was made to support one of our Empowerment Board members whose father had just died. The purchase came out of “supplies” from the Administrator’s account. If this is not a legitimate expense, Board members will reimburse the \$32 and will be more careful in the future about how the account is used.

Decatur County

Schedule of Findings

Year ended June 30, 2011

Conclusions –

Emergency Management – Response accepted.

Empowerment Board - Public money should only be spent for documented public purposes.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Gary Boswell, Owner of Boswell Guns & Ammo, Board of Supervisors	Weapons and ammo, per bid	\$ 3,455
	Weapons and ammo, not bid	2,552
Steve Fulkerson, Owner of M & M Welding, husband of Deputy Recorder Lori Fulkerson	Welding supplies, steel and repairs	807
Gene Olson, Conservation Board Member	Construction services	973
Travis Jeanes, Owner of Jeanes Construction, Conservation Board member and husband of County Attorney	Construction services	455
J.R. Cornett, Owner of Carquest of Lamoni, Board of Supervisors	Auto parts	1,344

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Boswell Guns & Ammo which were not bid may represent a conflict of interest since the total transactions exceed \$1,500 during the year. In accordance with Chapter 331.342(2)(i) of the Code of Iowa, the transactions with Boswell Guns & Ammo which were bid do not appear to represent a conflict of interest since the County solicited bids for the items.

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the remaining transactions do not appear to represent conflicts of interest since total transactions with each were less than \$1,500 during the year.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – The County will consult legal counsel to determine the disposition of this matter.

Conclusion –Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2011

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- (8) Resource Enhancement and Protection (REAP) Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.

- (10) Financial Condition – The Special Revenue, Emergency Medical Services and Recorder Electronic Transaction Funds had a deficit unassigned fund balances of \$378 and \$6,424, respectively, at June 30, 2011.

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

Response – The County will investigate alternatives and initiate action to eliminate the deficit fund balances to return the funds to a sound financial position.

Conclusion – Response accepted.

Decatur County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Gabriel M. Stafford, CPA, Staff Auditor
Tracey L. Gerrish, Staff Auditor
Ryan T. Jelsma, Staff Auditor
Jason R. Ropte, Auditor Intern

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

Andrew E. Nielsen, CPA
Deputy Auditor of State