

## STATE APPEAL BOARD

In Re:	Warren County ) Conference Board ) Budget Appeal ) FY 2003-2004 )	Order   April 30, 2003
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**BEFORE STATE AUDITOR DAVID A. VAUDT; STATE TREASURER MICHAEL L. FITZGERALD; AND THE DIRECTOR OF THE DEPARTMENT OF MANAGEMENT, CYNTHIA P. EISENHAUER:**

A hearing on the above captioned matter was held pursuant to the provisions of Section 441.16 and Chapter 24 of the Code of Iowa on April 10, 2003. The hearing was before a panel consisting of Stephen Larson, Executive Officer IV and presiding Hearing Officer, Office of the State Treasurer; Jim Nervig, County Budget Director, Department of Management; and Kevin J. Borchert, Professional Development Director, Office of the State Auditor.

The spokespersons for the petitioners were Edee Brunia, Vernon Hunderdosse, Marilyn Halterman, Paul Mead, and Jerry Shepler. Gary Kendall, County Attorney, Dave Ellis, County Assessor, and Jennifer Sease, Warren County Budget Assistant, represented the Warren County Conference Board.

Upon consideration of the specific objections raised by the petitioners, the testimony presented to the hearing panel at the public hearing, the additional information submitted to the hearing panel both before and after the hearing, and after a public meeting to consider the matter, the State Appeal Board has voted to sustain the Warren County Conference Board FY2004 budget as described herein.

### PROCEDURAL HISTORY

The FY2004 Warren County Conference Board proposed budget summary was published in the Indianola Record Herald on February 5, 2003 and the budget was adopted on February 19, 2003.

A petition protesting the certified FY2004 Warren County Conference Board budget was filed with the Warren County Auditor on March 24, 2003, and was received by the State Appeal Board on March 25, 2003. The petitioners listed a number of objections on the petition.

The petitioners objected to an increasing ending fund balance, a levy of \$60,000 for aerial photos to be expended in FY2005, and the lack of accurate materials or copies of a detailed budget at the public hearing. Additionally, the petitioners listed questions related to the accuracy of the Warren County Conference Board ending fund balances, usage of funds, a levy being circumvented, and expenditures from the Special Appraiser's Fund.

## DISCUSSION

The petitioners and the representatives of the Warren County Conference Board provided various written summaries, exhibits and verbal commentary in support of their positions. A summary of this information and the public hearing is as follows:

### PETITIONERS

Ms. Edee Brunia, Mr. Vernon Hunderdosse, Ms. Marilyn Halterman, Mr. Paul Mead, and Mr. Jerry Shepler represented the petitioners. In their presentations, they requested that the State Appeal Board take certain actions and provided various explanations, summarized as follows:

1. The tax asking needs to be reduced to reflect the salaries adopted by the Warren County Conference Board.
2. A full and complete audit of the Assessor's Office for three years needs to be performed, to determine the appropriateness of expenditures.
3. The Special Appraiser's Fund should not to be used as a slush fund for the Assessor's Assessment Expense Fund.
4. The Special Appraiser levy should not be used for FY2004, thus bringing down the ending fund balance of the Special Appraiser's Fund.
5. That the State Appeal Board verify that the filed budget figures were certified by the Conference Board.
6. Ask that the \$60,000 in the Special Appraiser's Fund budget be deleted because of adequate ending fund balances.

Additional comments by the petitioners regarding the items noted above are as follows:

Vernon Hunderdosse explained that there was for FY2002 an ending balance of \$13,058. He further objected to the Special Appraiser's Fund being used for things such as moving expenses and equipment for the appraiser. Paul Mead also made comments regarding the ending fund balance and how the fund balance had increased. Finally, Marilyn Halterman made various comments about the budget form(s) format, that she could not reconcile the budget numbers with the Warren County audit report, beginning and ending balances and valuations used in the budget do not match the valuation report issued by the County Auditor.

### WARREN COUNTY CONFERENCE BOARD RESPONSE

Mr. Gary Kendall, Warren County Attorney, was the primary spokesperson for the Warren County Conference Board. In his response to the petition, he expanded upon the written remarks and the exhibits that were submitted. He responded to the petitioners' concerns by stating that there were no increases in the budget for FY2004, levy rates and tax asking have decreased and fund balances have remained constant.

In response to the \$60,000 aerial photo expenditure, the total expenditure of \$120,000 will be spread out evenly over two years. The County Conference Board response to objections concerning the use of the Special Appraiser's Fund is that these funds are used by the appraiser to measure and list exempt properties and are used for the upkeep of the County GIS System. Finally, it is proper to use the Special Appraiser's Fund for plat maps and other functions that keep that system up and running.

Responding to the petitioners objection about accurate material not being provided at the budget meeting, Mr. Kendall provided a copy of the details provided at the meetings and explained that a detailed budget in a specific format was not required. Finally, Jennifer Sease explained why reconciling the County Assessor's budget to the Warren County audit report was difficult. She pointed out that the County Assessor's budget is on a cash basis of accounting and the audit reports are on an accrual basis of accounting. Also, a major difference is because tax revenue for the next year is accrued and deferred on the accrual basis of accounting in the audited figures. In closing the Warren County Conference Board requested that the State Appeal Board deny the petitioners' request.

### **FINDINGS OF FACT**

1. Section 24.27 of the Iowa Code provides persons who are affected by any proposed budget, expenditure or levy, or by an item thereof, may appeal. The petitioners met the requirements and pursuant to Sections 24.28 and 24.29, a hearing was scheduled and conducted.
2. The final adopted FY2004 budget did reflect the final salaries approved by the Conference Board.
3. The County Assessor's financial activity is subject to audit as a part of the Warren County audit. The State Appeal Board has no authority to order any additional audit work.
4. In regards to certain expenses being paid out of the Special Appraiser's Fund instead of out of the Assessment Expense Fund, the Department of Revenue has previously taken the position, and it is an established practice in other Counties, that it is proper to use Special Appraiser Funds for the purchase of a plat map under "technical help" to assist in the valuation of property. The use of this Fund for "aerial photos" would appear to be a similar type of expenditure. In addition, it is an established practice in other governmental units to budget for future needs to more evenly distribute the annual tax askings of taxpayers. Therefore, the State Appeal Board believes taxing \$60,000 for half of the cost of aerial photos expected to be paid for in FY2005 is a prudent business practice.
5. There is no specific requirements in the Code of Iowa as to what form of budget details are to be provided at preliminary budget meetings. However, forms prescribed by the Iowa Department of Management should be completed and made available as soon as the public notice of the budget hearing is published. The final adopted budget was certified on the forms required by the Iowa Department of Management.
6. The County Assessor's budget was shown to reconcile with the Warren County audit report after adjusting for the different basis of accounting.

**CONCLUSIONS OF LAW**

The State Appeal Board has jurisdiction over the parties and the subject matter of this appeal, pursuant to Iowa Code Sections 24.28 and 441.16.


**BASIS OF DECISIONS**

The total budgeted expenditures and tax askings for the Warren County Assessors FY2004 budget were reduced from the FY2003 budget. Chapter 24.28 states in part, "At all hearings, the burden shall be upon the objectors with reference to any proposed item in the budget which was included in previous year and which the objectors propose should be reduced or excluded...". The petitioners did not adequately satisfy this requirement to justify a reduction in the FY2004 budget.


**ORDER**


Based on the information provided by the parties involved, historical budgetary data of the Warren County Conference Board and the Iowa Code, the State Appeal Board sustains the FY2004 Warren County Conference Board Budget as adopted.

**STATE APPEAL BOARD**

  
Cynthia P. Eisenhauer  
Chairperson

  
Michael L. Fitzgerald  
Vice Chairperson

  
David A. Vaudt  
Member

  
Date