



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 5, 2008

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

The County had local tax revenue of \$8,137,027 for the year ended June 30, 2007, which included \$536,101 in tax credits from the state. The County forwarded \$6,114,974 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,022,053 of the local tax revenue to finance County operations, a 1.8% increase over the prior year. Other revenues included charges for service of \$983,963, operating grants, contributions and restricted interest of \$3,481,593, capital grants, contributions and restricted interest of \$515,232, local option sales tax of \$221,697, unrestricted investment earnings of \$104,438 and other general revenues of \$106,653.

Expenses for County operations totaled \$7,248,133, a 6.8% increase over the prior year. Expenses included \$3,158,263 for roads and transportation, \$1,096,146 for mental health and \$1,019,931 for physical health and social services.

A copy of the 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/reports.htm>.

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DECATUR COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2007

Table of Contents

		Page
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	17-18
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	25
Notes to Financial Statements		26-36
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		38-39
Budget to GAAP Reconciliation		40
Notes to Required Supplementary Information – Budgetary Reporting		41
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	44-45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	46-47
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	48-49
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	50-51
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	52
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 <u>Government Auditing Standards</u>		53-54
Schedule of Findings		55-62
Staff		63

Decatur County

Officials

(Before January 2007)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry Eastin	Board of Supervisors	Jan 2007
J. R. Cornett	Board of Supervisors	Jan 2009
Gary Coffelt	Board of Supervisors	Jan 2009
Bill Greenwood	County Auditor	Jan 2009
Mary Andrew	County Treasurer	Jan 2007
Gale Norman	County Recorder	Jan 2007
Herbert Muir	County Sheriff	Jan 2009
Carol Clark	County Attorney	Jan 2007
James Fleming	County Assessor	Jan 2010

(After January 2007)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
J. R. Cornett	Board of Supervisors	Jan 2009
Gary Coffelt	Board of Supervisors	Jan 2009
Larry Eastin	Board of Supervisors	Jan 2011
Bill Greenwood	County Auditor	Resigned Effective Dec 2007
Tiffani M. Edwards (Appointed)	County Auditor	Nov 2008
Mary Andrew	County Treasurer	Jan 2011
Gale Norman	County Recorder	Jan 2011
Herbert Muir	County Sheriff	Jan 2009
Carol Clark	County Attorney	Jan 2011
James Fleming	County Assessor	Jan 2010

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, 2007, 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, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

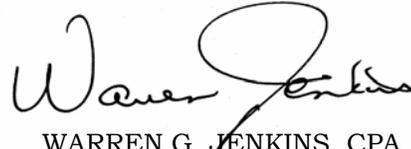
In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2008 on our consideration of Decatur County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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 and budgetary comparison information on pages 7 through 13 and 38 through 41 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 six years ended June 30, 2006 (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

February 4, 2008

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, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- The County's governmental activities revenues decreased 22.5%, or approximately \$2,154,000, from fiscal 2006 to fiscal 2007. Capital grants contributions and restricted interest decreased approximately \$2,469,000, the gain on disposition of capital assets decreased approximately \$80,000 and charges for service decreased approximately \$17,000.
- The County's governmental activities expenses increased 6.8%, or approximately \$463,000, from fiscal 2006 to fiscal 2007.
- The County's net assets increased 1.5%, or approximately \$188,000, from June 30, 2006 to June 30, 2007.
- During the course of the year, the County issued general obligation debt of \$43,012. Proceeds from this issuance were used to finance the purchase of an upgrade to the county data processing system.
- Expenses in the physical health and social services function increased 15.8%, or approximately \$139,000, and roads and transportation function expenses increased 12.0%, or approximately \$339,000. The increase in physical health and social services function expenses can be attributed to the additional funding made available for veteran services and services provided to children and families through the local decategorization program. The roads and transportation function increased, in part, because of continued work on phase II of the depot restoration and additional roadway repairs and maintenance necessitated by flooding in the spring of 2007.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

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 couple.

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

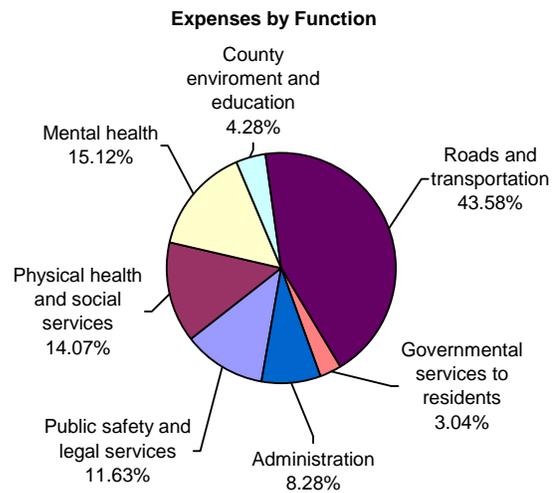
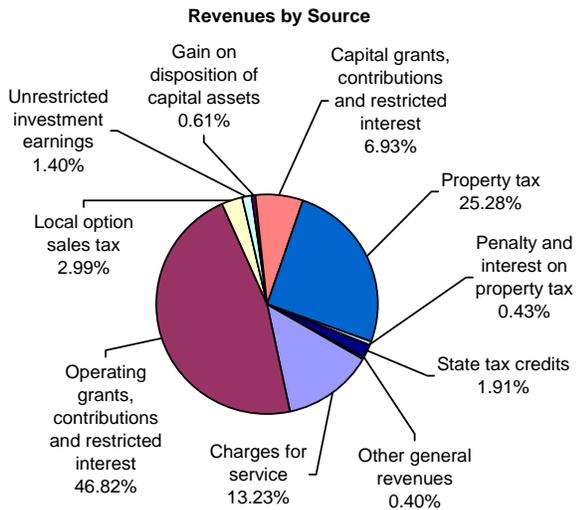
As noted earlier, net assets may serve over time as a useful indicator of financial position. Decatur County's combined net assets increased from \$12,491,310 to \$12,678,806. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2007	2006
Current and other assets	\$ 4,713	4,409
Capital assets	10,561	10,298
Total assets	<u>15,274</u>	<u>14,707</u>
Long-term liabilities	107	111
Other liabilities	2,488	2,105
Total liabilities	<u>2,595</u>	<u>2,216</u>
Net assets:		
Invested in capital assets, net of related debt	10,561	10,268
Restricted	1,223	1,265
Unrestricted	895	958
Total net assets	<u>\$ 12,679</u>	<u>12,491</u>

Net assets of Decatur County's governmental activities increased 1.5% (\$12.68 million compared to \$12.49 million). The largest portion of the County's net assets is invested in capital assets (land, infrastructure, buildings and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements—decreased from \$958,521 at June 30, 2006 to \$894,769 at the end of this year, a decrease of about 6.65%.

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

	Year ended June 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for service	\$ 984	1,001
Operating grants, contributions and restricted interest	3,482	3,142
Capital grants, contributions and restricted interest	515	2,984
General revenues:		
Property tax	1,880	1,834
Penalty and interest on property tax	32	34
State tax credits	142	152
Local option sales tax	222	181
Unrestricted investment earnings	104	92
Gain on disposition of capital assets	45	125
Other general revenues	30	45
Total revenues	<u>7,436</u>	<u>9,590</u>
Program expenses:		
Public safety and legal services	843	829
Physical health and social services	1,020	881
Mental health	1,096	1,051
County environment and education	310	267
Roads and transportation	3,158	2,819
Governmental services to residents	220	354
Administration	600	584
Interest on long-term debt	1	-
Total expenses	<u>7,248</u>	<u>6,785</u>
Increase in net assets	188	2,805
Net assets beginning of year	<u>12,491</u>	<u>9,686</u>
Net assets end of year	<u>\$ 12,679</u>	<u>12,491</u>



For the fiscal year ended June 30, 2007, the revenues from governmental activities totaled \$7,436,000, a decrease of 22.5% from the prior year, primarily due to fewer road projects that utilized farm to market funding. Property tax revenues account for 25.3% of the governmental activities revenues.

In fiscal 2007, the urban tax rate was \$8.1574 per \$1,000 of taxable valuation compared to the fiscal 2006 rate of \$7.96605 per \$1,000 of taxable valuation. The rural tax rate in fiscal 2007 was \$10.7879 per \$1,000 of taxable valuation compared to the fiscal 2006 tax rate of \$10.53794 per \$1,000 of taxable valuation.

The cost of all governmental activities this year was \$7.2 million compared to \$6.8 million last year. Part of the increase can be attributed to the increase in decategorization spending. Special funding was made available to the local decat board to provide additional services to children and families. In addition, spring flooding required additional expenses for roadway maintenance and repair to the secondary road system.

INDIVIDUAL MAJOR FUND ANALYSIS

As Decatur County completed the year, its governmental funds reported a combined fund balance of \$2,187,485, a decrease of \$76,725 from last year's total of \$2,264,210. The decrease in fund balance is primarily attributable to increased spending in the roads and transportation and physical health and social services functions. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues were \$2,681,912 while General Fund expenditures were \$2,665,796. The ending fund balance increased \$59,378 to \$840,847. Interest income continued to improve from the prior year. In addition, with the increased decategorization funding, the County was able to retain additional funds for administrative fees associated with the decat contracts.
- Mental Health Fund expenditures increased from \$1,036,031 in fiscal 2006 to \$1,099,423 in fiscal 2007. The County began negotiations with the Iowa Department of Human Services to settle disputed billings that date back several years. Payments were made in fiscal 2007.
- The Rural Services Fund balance decreased \$17,861. The County has opted to utilize the existing fund balance rather than increase tax askings for rural services.
- Secondary Roads Fund expenditures increased from \$2,804,295 in fiscal 2006 to \$2,896,561 in fiscal 2007. Work continued on phase II of the depot restoration and additional roadway repairs and maintenance necessitated by flooding in the spring of 2007.

BUDGETARY HIGHLIGHTS

Over the course of the year, Decatur County amended its budget two times. The first amendment was made in December 2006 and resulted in an increase in budgeted disbursements of \$521,132. The primary reason for this amendment was to allow for the expansion of the Out of Home Placement program, allow for various conservation projects and allow for depot restoration disbursements and other equipment purchases for the Secondary Roads Department.

The second amendment was made in May 2007 and resulted in an increase in budgeted disbursements of \$117,883. The majority of this amendment, \$92,160, was in the physical health and social services function. Special funding was made available to the local decat board. In addition, the Veteran Affairs Commission received grant funding to expand services to veterans. Another significant portion of the amendment provided for increased fuel costs in the Sheriff's Office and the addition of staff for the county jail.

The County's receipts were \$63,444 less than budgeted, a variance of approximately 1%. Total disbursements were \$597,649 less than the amended budget. Actual disbursements for the physical health and social services function were \$188,692 less than budgeted. Many of the disbursements were budgeted at the maximum allowed under the grant. Some programs, specifically Out of Home Placement, did require the full amount of the grant. In other cases, like decat, potential projects that were initially planned were later scrapped because of timing and/or staffing issues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, Decatur County had \$10,561,374 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$263,353, or 2.6%, above last year. The increase is due primarily to projects financed with farm-to-market funds.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2007	2006
Land	\$ 2,612	2,612
Construction in progress	287	-
Buildings and improvements	1,246	1,268
Equipment and vehicles	1,734	1,815
Infrastructure	4,682	4,603
Total	\$ 10,561	10,298

The County had depreciation expense of \$560,188 in fiscal 2007 and total accumulated depreciation of \$3,396,411 at June 30, 2007. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2007, Decatur County had no general obligation debt outstanding.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2007	2006
Lease purchase agreement	\$ -	6
General obligation bonds	-	24
Compensated absences	107	81
Total	\$ 107	111

Throughout the course of the year the County issued new debt to purchase a vehicle and finance continued upgrades to the County's data processing system. This upgrade was part of a two year project that included other general and essential purpose activities. The County was able to retire that debt in the current year. This practice of borrowing funds when needed and paying off as funds are available was authorized by the Board of Supervisors at the start of the project in 2005.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Using January 1, 2006 valuations, Decatur County's constitutional debt limit is \$15,306,899. Additional information about the County's long-term debt 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 2007 budget, tax rates and the fees charged for various County activities. 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.

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, 2007

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 1,958,432
Receivables:	
Property tax:	
Delinquent	11,326
Succeeding year	1,912,000
Interest and penalty on property tax	25,615
Accounts	4,672
Accrued interest	7,023
Due from other governments	548,245
Inventories	245,243
Capital assets - nondepreciable	2,898,866
Capital assets - depreciable (net)	7,662,508
Total assets	<u>15,273,930</u>
Liabilities	
Accounts payable	113,788
Salaries and benefits payable	115,219
Due to other governments	347,359
Deferred revenue:	
Succeeding year property tax	1,912,000
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	82,029
Portion due or payable after one year:	
Compensated absences	24,729
Total liabilities	<u>2,595,124</u>
Net Assets	
Invested in capital assets	10,561,374
Restricted for:	
Supplemental levy purposes	233,635
Mental health purposes	68,747
Secondary roads purposes	860,012
Debt service	12,394
Other purposes	47,875
Unrestricted	894,769
Total net assets	<u>\$ 12,678,806</u>

See notes to financial statements.

Decatur County
Statement of Activities
Year ended June 30, 2007

	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	\$ 842,597	51,594	60,062	-	(730,941)
Physical health and social services	1,019,931	358,343	610,530	-	(51,058)
Mental health	1,096,146	191,004	542,660	-	(362,482)
County environment and education	309,700	41,731	48,548	-	(219,421)
Roads and transportation	3,158,263	164,906	2,218,843	515,232	(259,282)
Governmental services to residents	220,376	162,589	950	-	(56,837)
Administration	600,286	13,796	-	-	(586,490)
Interest on long-term debt	834	-	-	-	(834)
Total	\$ 7,248,133	983,963	3,481,593	515,232	(2,267,345)
General Revenues:					
Property and other county tax levied for:					
General purposes					1,810,475
Debt service					69,800
Penalty and interest on property tax					31,757
State tax credits					141,778
Local option sales tax					221,697
Grants and contributions not restricted to specific purpose					307
Unrestricted investment earnings					104,438
Gain on disposition of capital assets					45,010
Miscellaneous					29,579
Total general revenues					2,454,841
Change in net assets					187,496
Net assets beginning of year					12,491,310
Net assets end of year					\$ 12,678,806

See notes to financial statements.

Decatur County
Balance Sheet
Governmental Funds

June 30, 2007

	General	Mental Health
Assets		
Cash and pooled investments	\$ 780,743	342,202
Receivables:		
Property tax:		
Delinquent	7,572	1,911
Succeeding year	1,193,000	301,000
Interest and penalty on property tax	25,615	-
Accounts	2,539	1,423
Accrued interest	6,776	-
Due from other funds	131	-
Due from other governments	221,784	32,429
Inventories	-	-
	\$ 2,238,160	678,965
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 54,430	7,194
Salaries and benefits payable	62,469	8,487
Due to other funds	1,142	245
Due to other governments	53,298	291,290
Deferred revenue:		
Succeeding year property tax	1,193,000	301,000
Other	32,974	1,893
Total liabilities	1,397,313	610,109
Fund balances:		
Reserved for:		
Supplemental levy purposes	236,231	-
Debt service	-	-
Unreserved, reported in:		
General fund	604,616	-
Special revenue funds	-	68,856
Total fund balances	840,847	68,856
	\$ 2,238,160	678,965

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
266,096	503,484	65,907	1,958,432
1,400	-	443	11,326
346,000	-	72,000	1,912,000
-	-	-	25,615
13	433	264	4,672
-	135	112	7,023
-	2,186	-	2,317
40,864	252,768	400	548,245
-	245,243	-	245,243
654,373	1,004,249	139,126	4,714,873
777	48,428	2,959	113,788
3,454	39,558	1,251	115,219
930	-	-	2,317
-	124	2,647	347,359
346,000	-	72,000	1,912,000
1,400	-	438	36,705
352,561	88,110	79,295	2,527,388
-	-	-	236,231
-	-	11,956	11,956
-	-	-	604,616
301,812	916,139	47,875	1,334,682
301,812	916,139	59,831	2,187,485
654,373	1,004,249	139,126	4,714,873

Decatur County

Decatur County

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

June 30, 2007

Total governmental fund balances (page 19) \$ 2,187,485

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 funds. The cost of assets is \$13,957,785 and the accumulated depreciation is \$3,396,411. 10,561,374

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 36,705

Compensated absences payable are not due and payable in the current period and, therefore, are not reported in the funds. (106,758)

Net assets of governmental activities (page 16) \$ 12,678,806

See notes to financial statements.

Decatur County

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

Year ended June 30, 2007

	General	Mental Health
Revenues:		
Property and other county tax	\$ 1,185,742	299,283
Interest and penalty on property tax	31,338	-
Intergovernmental	1,106,201	751,258
Licenses and permits	3,971	-
Charges for service	232,573	-
Use of money and property	100,169	5,336
Miscellaneous	21,918	9,848
Total revenues	<u>2,681,912</u>	<u>1,065,725</u>
Expenditures:		
Operating:		
Public safety and legal services	720,078	-
Physical health and social services	994,333	-
Mental health	-	1,099,423
County environment and education	155,576	-
Roads and transportation	-	-
Governmental services to residents	214,315	-
Administration	581,494	-
Debt service	-	-
Capital projects	-	-
Total expenditures	<u>2,665,796</u>	<u>1,099,423</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,116</u>	<u>(33,698)</u>
Other financing sources (uses):		
Sale of capital assets	250	-
Proceeds of long-term debt	43,012	-
Operating transfers in	-	-
Operating transfers out	-	-
Total other financing sources (uses)	<u>43,262</u>	<u>-</u>
Net change in fund balances	59,378	(33,698)
Fund balances beginning of year	<u>781,469</u>	<u>102,554</u>
Fund balances end of year	<u>\$ 840,847</u>	<u>68,856</u>

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
547,836	-	71,989	2,104,850
-	-	-	31,338
29,582	2,271,538	40,952	4,199,531
-	460	-	4,431
-	120	37,927	270,620
-	2,088	2,181	109,774
1,174	164,326	13,469	210,735
578,592	2,438,532	166,518	6,931,279
114,292	-	7,216	841,586
-	-	14,558	1,008,891
-	-	-	1,099,423
73,014	-	72,076	300,666
35,490	2,772,607	-	2,808,097
4,550	-	-	218,865
-	-	200	581,694
-	-	68,090	68,090
-	123,954	-	123,954
227,346	2,896,561	162,140	7,051,266
351,246	(458,029)	4,378	(119,987)
-	-	-	250
-	-	-	43,012
-	369,107	-	369,107
(369,107)	-	-	(369,107)
(369,107)	369,107	-	43,262
(17,861)	(88,922)	4,378	(76,725)
319,673	1,005,061	55,453	2,264,210
301,812	916,139	59,831	2,187,485

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, 2007

Net change in fund balances - Total governmental funds (page 23) \$ (76,725)

**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	\$ 316,244	
Capital assets contributed by the Iowa Department of Transportation	462,537	
Depreciation expense	<u>(560,188)</u>	218,593

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 44,760

Because some property tax 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	1,760	
Other	<u>(4,957)</u>	(3,197)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(43,012)	
Repaid	<u>73,287</u>	30,275

Compensated absences 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. (26,210)

Change in net assets of governmental activities (page 17) \$ 187,496

See notes to financial statements.

Decatur County
Statement of Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2007

Assets

Cash and pooled investments:

County Treasurer	\$ 479,314
Other County officials	4,149

Receivables:

Property tax:	
Delinquent	45,228
Succeeding year	5,482,000
Accounts	11,477
Accrued interest	242

Total assets	6,022,410
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Liabilities

Accounts payable	477
Salaries and benefits payable	5,552
Due to other governments	6,008,805
Trusts payable	7,576

Total liabilities	6,022,410
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Net assets	\$ -
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See notes to financial statements.

Decatur County

Notes to Financial Statements

June 30, 2007

(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 for which the County is not financially accountable or the nature and significance of the relationship with the County are such that exclusion does not cause the County's financial statements to be misleading or incomplete. 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 three 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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds 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 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
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

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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds 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.

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, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 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 \$1,256,863 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk. The investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk. The County places no limit on the amount that may be invested in any one issuer.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Mental Health	\$ 131
Special Revenue: Secondary Roads	General	1,142
	Special Revenue: Rural Services	930
	Mental Health	114
Total		<u>\$ 2,317</u>

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>\$ 369,107</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,611,644	-	-	2,611,644
Construction in progress	-	543,606	256,384	287,222
Total capital assets not being depreciated	<u>2,611,644</u>	<u>543,606</u>	<u>256,384</u>	<u>2,898,866</u>
Capital assets being depreciated:				
Buildings	1,238,267	-	-	1,238,267
Improvements other than buildings	353,397	11,500	-	364,897
Equipment and vehicles	4,350,361	295,425	192,432	4,453,354
Infrastructure, road network	4,746,017	256,384	-	5,002,401
Total capital assets being depreciated	<u>10,688,042</u>	<u>563,309</u>	<u>192,432</u>	<u>11,058,919</u>
Less accumulated depreciation for:				
Buildings	274,348	24,916	-	299,264
Improvements other than buildings	48,945	8,620	-	57,565
Equipment and vehicles	2,535,300	349,240	165,442	2,719,098
Infrastructure, road network	143,072	177,412	-	320,484
Total accumulated depreciation	<u>3,001,665</u>	<u>560,188</u>	<u>165,442</u>	<u>3,396,411</u>
Total capital assets being depreciated, net	<u>7,686,377</u>	<u>3,121</u>	<u>26,990</u>	<u>7,662,508</u>
Governmental activities capital assets, net	<u>\$ 10,298,021</u>	<u>546,727</u>	<u>283,374</u>	<u>10,561,374</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 28,671
Physical health and social services	5,939
Mental health	17,752
County environment and education	18,434
Roads and transportation	467,900
Administration	21,492
Total depreciation expense - governmental activities	<u>\$ 560,188</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	\$ 53,298
Special Revenue:		
Mental Health	Services	291,290
Secondary Roads		124
Emergency Medical Systems		1,800
Little River Lake Improvement		847
		<u>294,061</u>
Total for governmental funds		<u>\$ 347,359</u>
Agency:		
County Assessor	Collections	\$ 223,427
Schools		3,459,719
Community Colleges		129,748
Corporations		1,177,368
Townships		112,977
Auto License and Use Tax		111,099
All other		794,467
		<u>794,467</u>
Total for agency funds		<u>\$ 6,008,805</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Capital Lease Purchase Agreement	General Obligation Loan	Compensated Absences	Total
Balance beginning of year	\$ 6,031	24,244	80,548	110,823
Increases	-	43,012	137,902	180,914
Decreases	6,031	67,256	111,692	184,979
Balance end of year	\$ -	-	106,758	106,758
Due within one year	\$ -	-	82,029	82,029

Capital Lease Purchase Agreement

During the year ended June 30, 2007, the County retired the capital lease purchase agreement obligation for the lease of the John Deere Mower for the Conservation Department. The County made principal and interest payments of \$6,031 and \$66, respectively.

General Obligation Loan

In February 2006, the County entered into a general obligation loan agreement, not to exceed \$225,000, with a June 30, 2007 initial maturity date and interest of 4.25% per annum, which was extended through June 30, 2008, for the acquisition of computer equipment for county offices.

During the year ended June 30, 2007, the County borrowed \$43,012 to purchase a vehicle and computer equipment and made principal and interest payments of \$67,256 and \$834, respectively. The County makes payments on the loan as funds are available in the Debt Service Fund.

(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 3.70% of their annual covered salary and the County is required to contribute 5.75% 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, 2007, 2006 and 2005 were \$155,496, \$144,401 and \$119,065, respectively, equal to the required contributions for each year.

(9) Risk Management

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

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

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2007, 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, 2007, 2006 and 2005, the risk pool reported a surplus of assets over liabilities.

Member Counties retain 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, 2007, 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, 2007 were \$235,212.

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.

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, 2007

	<u>Actual</u>
Receipts:	
Property and other county tax	\$ 2,125,563
Interest and penalty on property tax	-
Intergovernmental	4,006,917
Licenses and permits	4,431
Charges for service	271,272
Use of money and property	107,906
Miscellaneous	207,199
Total receipts	<u>6,723,288</u>
Disbursements:	
Public safety and legal services	836,349
Physical health and social services	955,587
Mental health	919,296
County environment and education	299,152
Roads and transportation	2,780,362
Governmental services to residents	227,117
Administration	571,392
Debt service	68,090
Capital projects	122,467
Total disbursements	<u>6,779,812</u>
Excess (deficiency) of receipts over (under) disbursements	(56,524)
Other financing sources, net	<u>43,262</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(13,262)
Balance beginning of year	<u>1,971,694</u>
Balance end of year	<u>\$ 1,958,432</u>
See accompanying independent auditor's report.	

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
2,058,108	2,080,072	45,491
30,500	30,500	(30,500)
3,716,885	4,102,843	(95,926)
1,563	2,803	1,628
269,822	269,822	1,450
87,850	137,850	(29,944)
118,500	162,842	44,357
<u>6,283,228</u>	<u>6,786,732</u>	<u>(63,444)</u>
811,266	851,787	15,438
960,498	1,144,279	188,692
1,049,493	1,049,493	130,197
278,584	325,882	26,730
2,446,689	2,846,689	66,327
245,910	254,325	27,208
621,006	621,006	49,614
75,000	75,000	6,910
250,000	209,000	86,533
<u>6,738,446</u>	<u>7,377,461</u>	<u>597,649</u>
(455,218)	(590,729)	534,205
<u>80,000</u>	<u>80,000</u>	<u>(36,738)</u>
(375,218)	(510,729)	497,467
<u>1,735,767</u>	<u>1,591,807</u>	<u>379,887</u>
<u>1,360,549</u>	<u>1,081,078</u>	<u>877,354</u>

Decatur County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 6,723,288	207,991	6,931,279
Expenditures	6,779,812	271,454	7,051,266
Net	(56,524)	(63,463)	(119,987)
Other financing sources, net	43,262	-	43,262
Beginning fund balances	1,971,694	292,516	2,264,210
Ending fund balances	\$ 1,958,432	229,053	2,187,485

See accompanying independent auditor's report.

Decatur County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$639,015. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

Decatur County

Other Supplementary Information

Decatur County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

	County Recorder's Records Management	Resource Enhance- ment and Protection	Little River Lake Improvement
Assets			
Cash and pooled investments	\$ 6,626	3,819	27,773
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	-	-	-
Accrued interest	22	64	-
Due from other governments	-	-	-
Total assets	\$ 6,648	3,883	27,773
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	2,877	82
Salaries and benefits payable	-	-	1,251
Due to other governments	-	-	847
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total liabilities	-	2,877	2,180
Fund equity:			
Fund balances:			
Reserved for debt service	-	-	-
Unreserved	6,648	1,006	25,593
Total fund equity	6,648	1,006	25,593
Total liabilities and fund equity	\$ 6,648	3,883	27,773

See accompanying independent auditor's report.

Special Revenue							
Structure Operation and Main- tenance	Emergency Medical Systems	Special Law Enforcement Proceeds	TIF #1	Courthouse Repair	Debt Service	Total	
5,085	2,906	3,794	-	3,962	11,942	65,907	
-	-	-	-	-	443	443	
-	-	-	2,000	-	70,000	72,000	
-	-	264	-	-	-	264	
-	-	-	-	17	9	112	
-	-	400	-	-	-	400	
5,085	2,906	4,458	2,000	3,979	82,394	139,126	
-	-	-	-	-	-	2,959	
-	-	-	-	-	-	1,251	
-	1,800	-	-	-	-	2,647	
-	-	-	2,000	-	70,000	72,000	
-	-	-	-	-	438	438	
-	1,800	-	2,000	-	70,438	79,295	
-	-	-	-	-	11,956	11,956	
5,085	1,106	4,458	-	3,979	-	47,875	
5,085	1,106	4,458	-	3,979	11,956	59,831	
5,085	2,906	4,458	2,000	3,979	82,394	139,126	

Decatur County

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

Year ended June 30, 2007

	County Recorder's Records Management	Resource Enhance- ment and Protection	Little River Lake Improvement
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	-	19,743	-
Charges for service	2,046	-	35,881
Use of money and property	218	614	-
Miscellaneous	-	-	6,943
Total revenues	2,264	20,357	42,824
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Physical health and social services	-	-	-
County environment and education Administration	-	26,414	43,432
Debt service	-	-	-
Total expenditures	-	26,414	43,432
Excess (deficiency) of revenues over (under) expenditures	2,264	(6,057)	(608)
Fund balances beginning of year	4,384	7,063	26,201
Fund balances end of year	\$ 6,648	1,006	25,593

See accompanying independent auditor's report.

Special Revenue							
Structure Operation and Main- tenance	Emergency Medical Systems	Special Law Enforcement Proceeds	TIF #1	Courthouse Repair	Debt Service	Total	
-	-	-	2,222	-	69,767	71,989	
-	14,326	1,567	-	-	5,316	40,952	
-	-	-	-	-	-	37,927	
-	-	-	-	197	1,152	2,181	
-	68	6,450	8	-	-	13,469	
-	14,394	8,017	2,230	197	76,235	166,518	
-	-	7,216	-	-	-	7,216	
-	14,558	-	-	-	-	14,558	
-	-	-	2,230	-	-	72,076	
-	-	-	-	200	-	200	
-	-	-	-	-	68,090	68,090	
-	14,558	7,216	2,230	200	68,090	162,140	
-	(164)	801	-	(3)	8,145	4,378	
5,085	1,270	3,657	-	3,982	3,811	55,453	
5,085	1,106	4,458	-	3,979	11,956	59,831	

Decatur County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	923	94,679	75,599	2,958
Other County officials	4,149	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	246	682	20,120	790
Succeeding year	-	52,000	133,000	3,364,000	126,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Total assets	\$ 4,149	53,169	228,361	3,459,719	129,748
Liabilities					
Accounts payable	\$ -	-	292	-	-
Salaries and benefits payable	-	-	4,642	-	-
Due to other governments	548	53,169	223,427	3,459,719	129,748
Trusts payable	3,601	-	-	-	-
Total liabilities	\$ 4,149	53,169	228,361	3,459,719	129,748

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Other	Total
27,276	2,458	111,099	164,322	479,314
-	-	-	-	4,149
8,092	519	-	14,779	45,228
1,142,000	110,000	-	555,000	5,482,000
-	-	-	11,477	11,477
-	-	-	242	242
<u>1,177,368</u>	<u>112,977</u>	<u>111,099</u>	<u>745,820</u>	<u>6,022,410</u>
-	-	-	185	477
-	-	-	910	5,552
1,177,368	112,977	111,099	740,750	6,008,805
-	-	-	3,975	7,576
<u>1,177,368</u>	<u>112,977</u>	<u>111,099</u>	<u>745,820</u>	<u>6,022,410</u>

Decatur County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 2,695	38,408	215,627	3,119,398	122,517
Additions:					
Property and other county tax	-	53,607	137,760	3,509,590	131,919
State tax credits	-	2,956	8,185	240,975	9,479
Drivers license fees	-	-	-	-	-
Office fees and collections	198,479	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Trusts	90,605	-	-	-	-
Miscellaneous	-	-	1,187	-	-
Total additions	289,084	56,563	147,132	3,750,565	141,398
Deductions:					
Agency remittances:					
To other funds	98,389	-	-	-	-
To other governments	100,699	41,802	134,398	3,410,244	134,167
Trusts paid out	88,542	-	-	-	-
Total deductions	287,630	41,802	134,398	3,410,244	134,167
Balances end of year	\$ 4,149	53,169	228,361	3,459,719	129,748

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Other	Total
1,079,575	108,055	124,556	614,837	5,425,668
1,179,825	117,116	-	590,834	5,720,651
82,567	8,236	-	41,925	394,323
-	-	-	16,327	16,327
-	-	-	-	198,479
-	-	1,460,314	-	1,460,314
-	-	-	-	90,605
8,442	-	-	488,373	498,002
1,270,834	125,352	1,460,314	1,137,459	8,378,701
-	-	59,646	-	158,035
1,173,041	120,430	1,414,125	1,006,476	7,535,382
-	-	-	-	88,542
1,173,041	120,430	1,473,771	1,006,476	7,781,959
1,177,368	112,977	111,099	745,820	6,022,410

Schedule 5

Decatur County

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

For the Last Seven Years

	Modified Accrual Basis						
	2007	2006	2005	2004	2003	2002	2001
Revenues:							
Property and other county tax	\$ 2,104,850	1,999,784	1,877,163	1,876,026	1,799,344	1,792,627	1,661,809
Interest and penalty on property tax	31,338	32,839	34,739	35,514	35,918	41,588	34,660
Intergovernmental	4,199,531	3,887,731	3,443,926	3,692,694	3,642,197	3,487,548	3,457,653
Licenses and permits	4,431	2,182	1,423	1,928	1,088	1,258	2,138
Charges for service	270,620	291,073	201,075	215,488	171,324	148,214	128,807
Use of money and property	109,774	97,725	71,165	47,470	52,372	93,532	164,907
Miscellaneous	210,735	154,284	121,849	145,044	168,066	171,776	98,268
Total	\$ 6,931,279	6,465,618	5,751,340	6,014,164	5,870,309	5,736,543	5,548,242
Expenditures:							
Operating:							
Public safety and legal services	\$ 841,586	800,104	750,691	729,783	713,309	762,979	600,532
Physical health and social services	1,008,891	947,087	262,646	241,225	222,525	282,426	287,817
Mental health	1,099,423	1,036,031	984,180	1,401,743	1,569,514	1,393,662	876,500
County environment and education	300,666	246,993	294,236	271,347	242,942	226,864	296,113
Roads and transportation	2,808,097	2,709,029	2,333,815	2,863,419	2,408,685	2,166,778	2,225,251
Governmental services to residents	218,865	356,007	231,351	203,776	192,437	190,211	169,997
Administration	581,694	571,962	485,066	503,373	471,991	487,619	445,162
Debt service	68,090	76,325	73,226	74,972	75,000	75,138	75,000
Capital projects	123,954	130,190	116,314	100,150	88,127	95,925	330,855
Total	\$ 7,051,266	6,873,728	5,531,525	6,389,788	5,984,530	5,681,602	5,307,227

See accompanying independent auditor's report.



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

To the Officials of Decatur County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Decatur County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 4, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Decatur County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Decatur County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Decatur County's financial statements that is more than inconsequential will not be prevented or detected by Decatur County's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Decatur County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (A) is a material weakness.

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 that 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, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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

February 4, 2008

Decatur County

Schedule of Findings

Year ended June 30, 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. One or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:
- (1) Treasurer – The duties of opening and listing mail receipts, collecting, depositing, posting, daily reconciling, maintaining the detailed accounts receivable listing and custodian of change fund are not segregated. Bank accounts are not reconciled monthly by an individual who does not handle cash and are not reviewed periodically by an independent person for propriety. Also, a list of checks received in the mail should be periodically completed and compared with receipts listed. A change fund for the Treasurer’s Office is shared among employees.
 - (2) Recorder – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. Bank reconciliations are not reviewed periodically by an independent person for propriety. A list of receipts received in the mail should be prepared by the person opening the mail. Also, the person who signs checks is not independent of the person approving disbursements, handling cash, recording cash receipts and preparing checks
 - (3) Sheriff – The duties of opening and listing mail receipts, collecting, depositing, posting, daily reconciling and custodian of change fund are not segregated. Bank accounts are reconciled monthly, but no evidence of review exists to identify an independent person has reviewed the reconciliation for propriety. Also, a list of checks received in the mail is periodically completed, but is not reviewed by an independent individual.
 - (4) Secondary Roads – The duties of collecting, depositing, posting and daily reconciling are not segregated. There is a lack of segregation of duties between purchasing, recording, reconciling and custody of assets.
 - (5) Conservation – Duties of collecting and listing receipts for camping fees are not segregated and an initial listing is not completed and used to reconcile the amount collected to the cash receipt recorded.
 - (6) Public Health – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. A restrictive endorsement is not placed on checks immediately upon receipt.

Decatur County

Schedule of Findings

Year ended June 30, 2007

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The officials should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such review 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 will comply with suggestions to the best of our ability with the limited number of employees.

Recorder – When both employees are in the office, the Recorder opens the mail. When both employees are in the office, one person writes checks and the other employee signs them. Both employees write receipts and collect money from customers and from the mail. Every receipt is posted in the Fee Book, and in the computer. Both employees sell hunting and fishing license from the ELSI machine and the receipts are stapled to the daily receipts from the legal documents the Recorder's office record.

Sheriff – Due to the size of the department, the office is unable to segregate some duties.

Secondary Roads – The administrative area of county secondary roads operations is very small. Most of the areas are made up of one person with some additional time allotted from the County Engineer and the assistant to the engineer. There are not enough available man hours to have independent persons perform daily reviews of the deposits, postings and reconciliation of the office. The County Engineer and the assistant to the engineer review the report of expenses and revenues every two weeks, compare it with previous reports and identify entries or items that we can not explain or believe may be in error. All purchases in excess of \$300 are discussed with the County Engineer before they are made.

All checks received in the Engineer's Office are immediately stamped "For Deposit Only" by the office manager. This helps prevent the cashing of "lost" checks.

Many of the assets of the County Secondary Roads operations are expensive and could be found useful to individuals and organizations. To ensure the availability of these items, the department has instituted two procedures to prevent their "loss." Hand tools used by the shop mechanic are stored in a roll about toolbox to which only the mechanic has a key. A separate, less complete set of less expensive tools are maintained on a peg-board in the shop for employees to use in making operator repairs. Individual tools are outlined on the board, which may be reviewed daily for any missing tools.

The Department also established a procedure to manage larger tools and equipment as well. The office manager and the engineer have agreed on a list of major assets owned by the organization. The office manager will add new items to the list as they are received and delete items as they are expended or

Decatur County

Schedule of Findings

Year ended June 30, 2007

otherwise disposed of. The office manager will annotate the disposition of each asset that is removed from the list. The engineer will reconcile this asset listing with the equipment on hand at least once per quarter to ensure no equipment or tools are missing. Copies of the reconciliation will be maintained by the office manager.

Conservation – The Conservation Board will develop procedures to help track camping and cabin rental receipts. These procedures will include review of receipts and initialing by both the Director and Park Ranger.

Public Health – Due to the small size of the agency and staff personnel, it is difficult for us to provide additional staff for the review of financial transactions, reconciliations and reports.

Conclusions –

Treasurer – Response acknowledged. Official should review the operating procedures to obtain the maximum internal control possible under the circumstances.

Recorder – Response acknowledged. Official should review the operating procedures to obtain the maximum internal control possible under the circumstances.

Sheriff – Response acknowledged. Official should review the operating procedures to obtain the maximum internal control possible under the circumstances.

Secondary Roads – Response acknowledged. Official should review the operating procedures to obtain the maximum internal control possible under the circumstances.

Conservation – Response accepted.

Public Health - Response acknowledged. Official should review the operating procedures to obtain the maximum internal control possible under the circumstances.

- (B) Capital Assets Inventory – The capital assets listing was not reviewed periodically during the year ended June 30, 2007 to verify whether assets on the listing existed or all assets were included on the capital asset list.

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

Response – An annual review of the capital asset list by the County Auditor/designee for verification will be implemented.

Conclusion – Response accepted.

Decatur County

Schedule of Findings

Year ended June 30, 2007

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

The County does not have written policies for:

- password privacy and confidentiality.
- requiring password changes because software does not require the user to change log-ins/passwords periodically.
- requiring unique user login identifications.
- ensuring only software licensed to the County is installed on computers.
- usage of the internet.
- personal use of computer equipment and software.
- ownership of in-house developed software and data.

Also, the County does not have a written disaster recovery plan or have written confirmation suppliers could replace hardware fast enough for continued operations.

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over computer based systems. A written disaster recovery plan should also be developed, including confirmation from suppliers the County’s system could be replaced in a timely manner.

Response – The County is currently working on a policy manual which includes the concerns listed above, as well as a written disaster recovery plan.

Conclusion – Response accepted.

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

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

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

Conclusion – Response accepted.

- (E) 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.

Decatur County

Schedule of Findings

Year ended June 30, 2007

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

Response – A policy will be put in place with the completion of the policy manual.

Conclusion – Response accepted.

- (F) Compensatory Time – County employees earn compensatory time for hours worked over forty hours per week. The County has not adopted a formal policy to regulate employee compensatory time earned and used.

Recommendation – The County should adopt a formal written policy to regulate earned compensatory time. The policy, at a minimum, should address who is eligible for compensatory time, how compensatory time can be earned, the maximum amount of compensatory time that can be carried at any one time and the amount of compensatory time that can be carried forward from one fiscal year to the next.

Response – The County is currently in the process of implementing a compensatory time plan for all departments not already covered.

Conclusion – Response accepted.

- (G) Monthly Accounts Receivable Reconciliation – The County Public Health Office accounts receivable control account was reconciled to the monthly billings but was not reconciled to actual receipts. An unexplained variance remained at year-end.

Recommendation – The County Public Health Office should reconcile accounts receivable, billings and receipts each month.

Response – The office manager is making every attempt to reconcile accounts monthly.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Decatur County

Schedule of Findings

Year ended June 30, 2007

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Casey's General Store	Pizza for Doctors and Nurses	\$ 48

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

Recommendation – The Local Board of Health should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the Local Board of Health should establish written policies and procedures, including the requirement for proper documentation.

Response – We will not be providing pizza for doctors and nurses in the future, effective as of February 4, 2008; however, if there needs to be a reason to do so, policies and procedures will be put into place and proper documentation kept on file as to the reason for the expenditure.

Conclusion – Response accepted.

- (3) Travel Expense – 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:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mary Andrew, County Treasurer, owner of Bob Andrew Construction	Leon Train Depot Restoration Project	\$ 1,920

In accordance with Chapter 331.342 of the Code of Iowa, the transaction with Bob Andrew Construction may represent a conflict of interest.

Decatur County

Schedule of Findings

Year ended June 30, 2007

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

Response – We will attempt to continue monitoring transactions with employee owned businesses closely so as to be in compliance with Code of Iowa section 331.342.

Conclusion – Response accepted.

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

Recommendation – County ordinances should be compiled and published as required by Section 331.302(9) of the Code of Iowa.

Response – We plan to carry out the requirements set for the in the Code of Iowa Section 331.302(9) regarding compilation of county ordinances for the current fiscal year.

Conclusion – Response accepted.

- (10) 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, 2007 for the County Extension Office did not exceed the amount budgeted.

Decatur County

Schedule of Findings

Year ended June 30, 2007

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

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

Response – Our procedures have been reviewed. The Director reviews all monthly financial statements and reconciliations and initials them. In addition, all financial statements and reconciliations are presented to the Extension Council Board monthly for review and approval.

Conclusion – Response accepted.

Decatur County

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager
Timothy D. Houlette, CPA, Senior Auditor II
Donald J. Lewis, CPA, Staff Auditor
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