



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 12, 2012

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

The County had local tax revenue of \$53,509,348 for the year ended June 30, 2011, which included \$1,624,687 in tax credits from the state. The County forwarded \$40,548,695 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$12,960,653 of the local tax revenue to finance County operations, a 2.9% increase over the prior year. Other revenues included charges for service of \$1,998,963, operating grants, contributions and restricted interest of \$6,652,799, capital grants, contributions and restricted interest of \$2,239,747, local option sales tax of \$1,747,901, unrestricted investment earnings of \$116,919 and other general revenues of \$370,062.

Expenses for County operations totaled \$25,313,769, a 1.5% increase over the prior year. Expenses included \$6,374,815 for public safety and legal services, \$5,856,974 for roads and transportation and \$4,627,146 for mental health.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1110-0029-B00F.pdf>.

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DES MOINES COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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Des Moines County

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
	(Before January 2011)	Term
Jeff Heland	Board of Supervisors	Jan 2011
Robert Beck	Board of Supervisors	Jan 2013
Dan Cahill	Board of Supervisors	Jan 2013
Carol S. Copeland	County Auditor	Jan 2013
Brenda A. Buck	County Treasurer	Jan 2011
Kathryn S. Waterhouse	County Recorder	Jan 2011
Mike Johnstone	County Sheriff	Jan 2013
Patrick C. Jackson	County Attorney	Jan 2011
Michael Anderson	County Assessor	Jan 2016
	(After January 2011)	
Robert Beck	Board of Supervisors	Jan 2013
Dan Cahill	Board of Supervisors	Jan 2013
Tom Broeker	Board of Supervisors	Jan 2015
Carol S. Copeland	County Auditor	Jan 2013
Brenda A. Buck	County Treasurer	Jan 2015
Kathryn S. Waterhouse	County Recorder	Jan 2015
Mike Johnstone	County Sheriff	Jan 2013
Patrick C. Jackson	County Attorney	Jan 2015
Michael Anderson	County Assessor	Jan 2016

Des Moines County



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Independent Auditor's Report

To the Officials of Des Moines County:

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

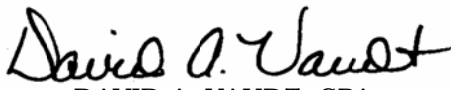
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 Des Moines County at June 30, 2011, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

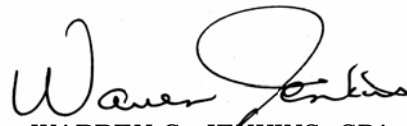
In accordance with Government Auditing Standards, we have also issued our report dated February 9, 2012 on our consideration of Des Moines County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 44 through 47 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 Des Moines 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 two years ended June 30, 2010 and the four years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the three years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 9, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2011 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 12%, or approximately \$3,651,000, from fiscal year 2010 to fiscal year 2011. Property tax increased approximately \$409,000, operating grants, contributions and restricted interest decreased approximately \$1,959,000 and capital grants, contributions and restricted interest decreased approximately \$2,337,000.
- Program expenses of the County's governmental activities were 1.5%, or approximately \$382,000, more in fiscal year 2011 than in fiscal year 2010.
- The County's net assets increased 2.0%, or approximately \$773,000, from June 30, 2010 to June 30, 2011.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Des Moines 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 Des Moines County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Des Moines County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

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 nonprogram 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, 3) the Debt Service Fund and 4) the Capital Projects 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 drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Des Moines County's combined net assets increased from approximately \$38.1 million to approximately \$38.9 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

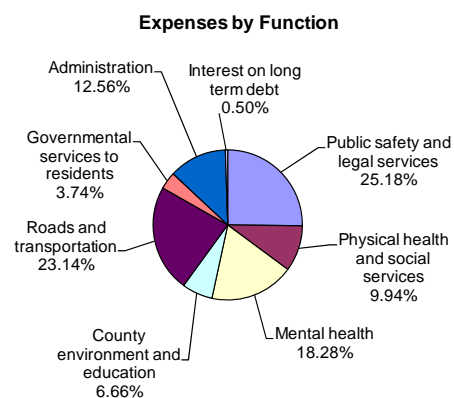
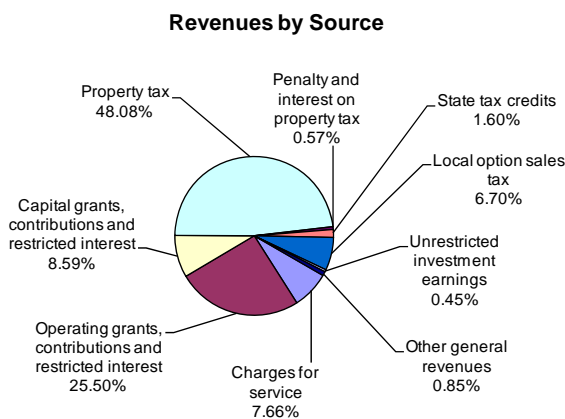
Net Assets of Governmental Activities		
	June 30,	
	2011	2010
Current and other assets	\$ 22,437,392	22,764,501
Capital assets	35,067,219	33,182,448
Total assets	<u>57,504,611</u>	<u>55,946,949</u>
Long-term liabilities	3,894,121	4,069,739
Other liabilities	14,694,508	13,734,503
Total liabilities	<u>18,588,629</u>	<u>17,804,242</u>
Net assets:		
Invested in capital assets	34,929,694	32,881,448
Restricted	3,791,993	4,807,073
Unrestricted	194,295	454,186
Total net assets	<u>\$ 38,915,982</u>	<u>38,142,707</u>

Net assets of Des Moines County's governmental activities increased approximately \$773,000 (\$38.1 million compared to \$38.9 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. 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, enabling legislation or other legal requirements—decreased from \$454,186 at June 30, 2010 to \$194,295 at the end of this year. This decrease of \$259,891 in unrestricted net assets was mainly a result of increases in liabilities for compensated absences, early retirement and the installment purchase agreement.

Des Moines County's governmental activities net assets increased \$773,275 during the year. Revenues for governmental activities decreased \$3,651,229 from the prior year, with property tax revenue increasing \$409,060, or 3.4%. The increase is due to the increase in property tax valuation of \$18,464,332 over the prior year property tax valuation. Operating grants, contributions and restricted interest decreased \$1,958,524, primarily due to a decrease in FEMA revenues, and capital grants, contributions and restricted interest decreased \$2,337,211, primarily due to completion of prior year projects contributed by the Iowa Department of Transportation (IDOT).

Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2011	2010
Revenues:		
Program revenues:		
Charges for service	\$ 1,998,963	1,661,929
Operating grants, contributions and restricted interest	6,652,799	8,611,323
Capital grants, contributions and restricted interest	2,239,747	4,576,958
General revenues:		
Property tax	12,542,755	12,133,695
Penalty and interest on property tax	148,447	261,539
State tax credits	417,898	464,940
Local option sales tax	1,747,901	1,610,998
Unrestricted investment earnings	116,919	135,013
Other general revenues	221,615	281,878
Total revenues	26,087,044	29,738,273
Program expenses:		
Public safety and legal services	6,374,815	6,132,069
Physical health and social services	2,517,402	1,743,308
Mental health	4,627,146	4,263,692
County environment and education	1,684,949	2,486,458
Roads and transportation	5,856,974	5,890,538
Governmental services to residents	947,329	983,904
Administration	3,179,281	3,288,151
Interest on long term debt	125,873	143,812
Total expenses	25,313,769	24,931,932
Change in net assets	773,275	4,806,341
Net assets beginning of year	38,142,707	33,336,366
Net assets end of year	\$ 38,915,982	38,142,707



The County increased countywide property tax rates for fiscal year 2011 an average of 1.4%. The countywide taxable valuation and the rural taxable valuation both increased 1.5%. The combination increased the County's property tax revenue \$403,206 in fiscal year 2011. Based on changes in the total assessed valuation and tax rates, property tax revenue is budgeted to increase an additional \$142,739 next year.

The cost of all governmental activities this year was approximately \$25.3 million, compared to approximately \$24.9 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$14.4 million because some of the cost was paid by those directly benefited from the programs (\$1,998,963) or by other governments and organizations which subsidized certain programs with grants and contributions (\$8,892,546). Overall, the County's governmental activities program revenues, including intergovernmental aid and fees for services, decreased in fiscal year 2011 from \$14,850,210 to \$10,891,509, principally due to a decrease in capital contributions from IDOT and FEMA revenues from fiscal 2010. The County paid for the remaining "public benefit" portion of governmental activities with \$15,195,535 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Des Moines County completed the year, its governmental funds reported a combined fund balance of approximately \$7.1 million, a decrease of \$1,242,330 from last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased \$517,960, or 4%, while expenditures remained relatively unchanged. The ending fund balance increased \$364,172 over the prior year to \$1,987,177.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$4,479,644, an increase of 8% over the prior year. The Special Revenue, Mental Health Fund balance decreased \$696,628 from the prior year to \$69,769.
- Special Revenue, Rural Services Fund revenues increased \$51,088, or 3%, while expenditures increased 10% over the prior year. The Rural Services Fund balance decreased \$57,277 from the prior year.
- Special Revenue, Secondary Roads Fund revenues decreased \$669,342, or 14%, from the prior year while expenditures increased \$320,148, or 6%, over the prior year. The decrease in revenues is primarily due to completion of FEMA projects in fiscal year 2010. The Secondary Roads Fund balance decreased \$443,167 from the prior year to \$2,925,625.
- Debt Service Fund revenues and expenditures remained relatively unchanged over the prior year. The Debt Service Fund balance decreased \$287,818 from the prior year to \$1,998,836.

BUDGETARY HIGHLIGHTS

Over the course of the year, Des Moines County amended its budget two times. The amendments were made on August 10, 2010 and February 22, 2011 and increased receipts \$602,469, primarily for grants, and increased disbursements \$1,594,372, primarily for secondary roads projects carried over from fiscal year 2010.

The County's receipts were \$2,578,369 less than budgeted, a variance of 10%. The most significant variance was in intergovernmental receipts budgeted for conservation projects which were not completed during fiscal year 2011. Also, the State took over the bioterrorism grant after the budget was finalized.

Total disbursements were \$5,006,690 less than the amended budget. Actual disbursements for the physical health and social services, county environment and education and capital projects functions were \$970,954, \$2,484,584 and \$961,007, respectively, less than budgeted. The difference for physical health and social services is due to the County no longer serving as the fiscal agent for the bioterrorism grant. Also, fewer juveniles were sent to the Toledo Juvenile home. The county environment and education difference is due to a bike trail project put on hold. The capital projects difference is due to secondary road projects not completed in fiscal year 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, Des Moines County had approximately \$35 million 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 approximately \$1,885,000, or 6%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2011	2010
Land	\$ 4,617	4,498
Construction in progress	2,245	1,564
Buildings	4,362	4,617
Improvements other than buildings	1,021	1,032
Equipment and vehicles	2,538	2,511
Intangibles	235	153
Infrastructure	20,049	18,807
Total	<u>\$ 35,067</u>	<u>33,182</u>
This year's major additions included (in thousands):		
Capital assets contributed by the Iowa Department of Transportation	\$	1,401
Secondary roads infrastructure projects		1,344
Bike trail project		246
Secondary roads equipment		501
Law enforcement equipment and vehicles		116
Conservation equipment and vehicles		101
Total	<u>\$</u>	<u>3,709</u>

The County had depreciation/amortization expense of \$2,072,108 in fiscal year 2011 and total accumulated depreciation/amortization of \$28,392,087 at June 30, 2011. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

Des Moines County had \$2,835,000 of general obligation capital loan notes and \$102,283 of capital lease and installment purchase agreements outstanding at June 30, 2011 compared to \$3,390,000 of general obligation capital loan notes at the end of the prior year.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Des Moines County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$113.1 million. 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

Des Moines County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 7.3% versus 8.1% a year ago. This compares with the State's unemployment rate of 6.0% and the national rate of 9.2%.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are approximately \$28.2 million, a decrease of 10.5% from the fiscal year 2011 final budget.

Budgeted revenues are expected to decrease approximately \$4.2 million while budgeted disbursements are expected to decrease approximately \$5.8 million.

If these estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$3.6 million by the close of fiscal year 2012.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Des Moines 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 Des Moines County Auditor's Office, 513 N. Main Street, Burlington, Iowa 52601.

Des Moines County

Basic Financial Statements

Exhibit A

Des Moines County
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 5,882,590
Receivables:	
Property tax:	
Delinquent	49,661
Succeeding year	12,321,000
Interest and penalty on property tax	144,564
Accounts	97,273
Accrued interest	14,778
Loan	1,985,000
Due from other governments	1,838,552
Inventories	103,974
Capital assets (net of accumulated depreciation)	35,067,219
Total assets	<u>57,504,611</u>
Liabilities	
Accounts payable	1,288,890
Renters' deposits	1,500
Salaries and benefits payable	323,431
Accrued interest payable	8,718
Due to other governments	701,762
Deferred revenue:	
Succeeding year property tax	12,321,000
Other	49,207
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	575,000
Capital lease and installment purchase agreements	39,502
Compensated absences and early retirement	379,642
Portion due or payable after one year:	
General obligation capital loan notes	2,260,000
Capital lease and installment purchase agreements	62,781
Compensated absences and early retirement	533,972
Net OPEB liability	43,224
Total liabilities	<u>18,588,629</u>
Net Assets	
Invested in capital assets, net of related debt	34,929,694
Restricted for:	
Supplemental levy purposes	470,947
Mental health purposes	46,497
Rural services purposes	113,175
Secondary roads purposes	3,032,058
Debt service	6,541
Other purposes	122,775
Unrestricted	194,295
Total net assets	<u>\$ 38,915,982</u>

See notes to financial statements.

Des Moines County
Statement of Activities
Year ended June 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 6,374,815	851,558	135,061	-	(5,388,196)
Physical health and social services	2,517,402	246,692	1,447,751	-	(822,959)
Mental health	4,627,146	36,000	2,007,891	-	(2,583,255)
County environment and education	1,684,949	16,113	98,202	460,764	(1,109,870)
Roads and transportation	5,856,974	199,084	2,840,293	1,775,983	(1,041,614)
Governmental services to residents	947,329	514,971	4	-	(432,354)
Administration	3,179,281	134,545	31,972	3,000	(3,009,764)
Interest on long term debt	125,873	-	91,625	-	(34,248)
Total	\$25,313,769	1,998,963	6,652,799	2,239,747	(14,422,260)
General Revenues:					
Property and other county tax levied for:					
General purposes					12,250,830
Debt service					291,925
Penalty and interest on property tax					148,447
State tax credits					417,898
Local option sales tax					1,747,901
Unrestricted investment earnings					116,919
Gain on disposition of capital assets					27,210
Miscellaneous					194,405
Total general revenues					15,195,535
Change in net assets					773,275
Net assets beginning of year					38,142,707
Net assets end of year					\$ 38,915,982

See notes to financial statements.

Des Moines County

Balance Sheet
Governmental Funds

June 30, 2011

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,896,572	968,098	71,624	2,876,206
Receivables:				
Property tax:				
Delinquent	34,668	6,657	7,271	-
Succeeding year	8,692,000	1,663,000	1,676,000	-
Interest and penalty on property tax	144,564	-	-	-
Accounts	43,117	18,812	-	35,344
Accrued interest	14,771	-	-	-
Loan	-	-	-	-
Due from other funds	1,154	-	-	-
Due from other governments	750,762	80,907	52,094	954,789
Inventories	-	-	-	103,974
Total assets	\$ 11,577,608	2,737,474	1,806,989	3,970,313
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 409,505	290,174	11,117	578,094
Renters' deposits	1,500	-	-	-
Salaries and benefits payable	228,071	16,206	6,697	72,457
Due to other funds	-	1,154	-	-
Due to other governments	11,232	690,514	-	16
Deferred revenue:				
Succeeding year property tax	8,692,000	1,663,000	1,676,000	-
Other	248,123	6,657	7,271	394,121
Total liabilities	9,590,431	2,667,705	1,701,085	1,044,688
Fund balances:				
Nonspendable:				
Inventories	-	-	-	103,974
Restricted for:				
Supplemental levy purposes	522,579	-	-	-
Mental health purposes	-	69,769	-	-
Rural services purposes	-	-	105,904	-
Secondary roads purposes	-	-	-	2,821,651
Debt service	-	-	-	-
Other purposes	66,514	-	-	-
Assigned for:				
County Attorney collections	49,724	-	-	-
Geographic information system	126,859	-	-	-
Correctional facility	32,447	-	-	-
Sheriff reserve officers	11,820	-	-	-
Transitional apartments	12,333	-	-	-
Other purposes	16,572	-	-	-
Unassigned	1,148,329	-	-	-
Total fund balances	1,987,177	69,769	105,904	2,925,625
Total liabilities and fund balances	\$ 11,577,608	2,737,474	1,806,989	3,970,313

See notes to financial statements.

Debt Service	Nonmajor	Total
13,836	56,254	5,882,590
1,065	-	49,661
290,000	-	12,321,000
-	-	144,564
-	-	97,273
-	7	14,778
1,985,000	-	1,985,000
-	-	1,154
-	-	1,838,552
-	-	103,974
<u>2,289,901</u>	<u>56,261</u>	<u>22,438,546</u>
-	-	1,288,890
-	-	1,500
-	-	323,431
-	-	1,154
-	-	701,762
290,000	-	12,321,000
1,065	-	657,237
<u>291,065</u>	<u>-</u>	<u>15,294,974</u>
-	-	103,974
-	-	522,579
-	-	69,769
-	-	105,904
-	-	2,821,651
1,998,836	-	1,998,836
-	56,261	122,775
-	-	49,724
-	-	126,859
-	-	32,447
-	-	11,820
-	-	12,333
-	-	16,572
-	-	1,148,329
<u>1,998,836</u>	<u>56,261</u>	<u>7,143,572</u>
<u>2,289,901</u>	<u>56,261</u>	<u>22,438,546</u>

Des Moines County

Des Moines County

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

June 30, 2011

Total governmental fund balances (page 19) \$ 7,143,572

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$63,459,306 and the accumulated depreciation is \$28,392,087. 35,067,219

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 608,030

Long-term liabilities, including general obligation capital loan notes payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the (3,902,839)

Net assets of governmental activities (page 16) \$ 38,915,982

See notes to financial statements.

Des Moines County

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

Year ended June 30, 2011

	General	Special	Revenue
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 8,958,892	1,681,490	1,615,344
Local option sales tax	524,370	-	349,580
Interest and penalty on property tax	164,529	-	-
Intergovernmental	3,240,206	2,065,527	50,739
Licenses and permits	55,848	-	-
Charges for service	896,265	-	1,864
Use of money and property	173,271	489	-
Miscellaneous	355,809	35,510	5,391
Total revenues	14,369,190	3,783,016	2,022,918
Expenditures:			
Operating:			
Public safety and legal services	5,861,567	-	281,129
Physical health and social services	1,476,490	-	-
Mental health	-	4,479,644	-
County environment and education	1,055,481	-	469,427
Roads and transportation	-	-	23,770
Governmental services to residents	935,150	-	-
Administration	3,213,391	-	-
Debt service	-	-	-
Capital projects	1,378,191	-	-
Total expenditures	13,920,270	4,479,644	774,326
Excess (deficiency) of revenues over (under) expenditures	448,920	(696,628)	1,248,592
Other financing sources (uses):			
Sale of capital assets	-	-	-
Operating transfers in	19,490	-	-
Operating transfers out	(216,263)	-	(1,305,869)
Capital lease purchase agreement	37,850	-	-
Installment purchase agreement	74,175	-	-
Total other financing sources (uses)	(84,748)	-	(1,305,869)
Net change in fund balances	364,172	(696,628)	(57,277)
Fund balances beginning of year, as restated	1,623,005	766,397	163,181
Fund balances end of year	\$ 1,987,177	69,769	105,904

See notes to financial statements.

Secondary Roads	Debt Service	Nonmajor	Total
-	292,077	-	12,547,803
873,951	-	-	1,747,901
-	-	-	164,529
3,160,591	100,981	-	8,618,044
5,825	-	-	61,673
59	-	6,748	904,936
-	-	263	174,023
50,570	-	21,043	468,323
4,090,996	393,058	28,054	24,687,232
-	-	-	6,142,696
-	-	-	1,476,490
-	-	-	4,479,644
-	-	-	1,524,908
4,688,830	-	-	4,712,600
-	-	12,179	947,329
-	-	-	3,213,391
-	682,120	-	682,120
1,384,473	-	118,497	2,881,161
6,073,303	682,120	130,676	26,060,339
(1,982,307)	(289,062)	(102,622)	(1,373,107)
18,752	-	-	18,752
1,520,388	1,244	500	1,541,622
-	-	(19,490)	(1,541,622)
-	-	-	37,850
-	-	-	74,175
1,539,140	1,244	(18,990)	130,777
(443,167)	(287,818)	(121,612)	(1,242,330)
3,368,792	2,286,654	177,873	8,385,902
2,925,625	1,998,836	56,261	7,143,572

Des Moines County

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

Year ended June 30, 2011

Net change in fund balances - Total governmental funds (page 23) \$ (1,242,330)

**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/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 2,529,788	
Capital assets contributed by the Iowa Department of and others	1,418,633	
Depreciation/amortization expense	<u>(2,072,108)</u>	1,876,313

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 8,458

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

Property tax	(5,048)	
Other	<u>(40,983)</u>	(46,031)

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	(112,025)	
Repaid	<u>564,742</u>	452,717

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

Compensated absences	(138,433)	
Other postemployment benefits	(14,280)	
Early retirement	(124,386)	
Interest on long-term debt	<u>1,247</u>	<u>(275,852)</u>

Change in net assets of governmental activities (page 17) \$ 773,275

See notes to financial statements.

Des Moines County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2011

Assets

Cash and pooled investments:	
County Treasurer	\$ 2,872,651
Other County officials	149,454
Drainage and levy district trustees	1,505,815
Receivables:	
Property tax:	
Delinquent	135,061
Succeeding year	39,419,000
Accounts	18,250
Assessments:	
Current	217,774
Future	4,254,467
Accrued interest	47
Due from other governments	10,768
Total assets	48,583,287

Liabilities

Accounts payable	2,130
Salaries and benefits payable	11,880
Loans payable	4,139,934
Due to other governments	44,153,542
Trusts payable	171,899
Compensated absences	103,902
Total liabilities	48,583,287

Net Assets

\$ -

See notes to financial statements.

Des Moines County

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Des Moines County Assessor's Conference Board, Des Moines County Emergency Management Commission and Des Moines County Joint E911 Service Board. 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 Des Moines County/City of Burlington Health Care Plan (Plan). The Plan was developed as the result of a 28E agreement between Des Moines County and the City of Burlington.

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost 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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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

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

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, 2011, 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 consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (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	\$ 50,000
Land, buildings and improvements	5,000
Intangibles	50,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings	20 - 50
Improvements other than buildings	20 - 50
Infrastructure	10 - 65
Intangibles	3 - 20
Equipment	3 - 20
Vehicles	5 - 15

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is paid at 50% upon retirement if the retiree meets IPERS requirements. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

Assigned – Amounts identified by the County Auditor which the County intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

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

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

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2011, the Drainage and Levee District Trustees had the following investments:

Type	Fair Value	Maturity (in years)			
		1-5	6-10	11-20	over 20
U.S. Treasury Bonds	\$ 139,662	-	-	111,679	27,983
U.S. Treasury Notes	71,732	9,136	62,596	-	-
FNMA	486,299	-	-	-	486,299
FHLMC	242,635	-	-	-	242,635
Total	\$ 940,328	9,136	62,596	111,679	756,917

In addition, Levee District Number 16 held a repurchase agreement at June 30, 2011 with a fair value of \$369,644 and a maturity of July 2011.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$163,422 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 FNMA and FHLMC investments at June 30, 2011 are rated Aaa by Moody's Investors Service. The investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk and custodial credit risk. The County places no limit on the amount that may be invested in any one issuer. More than 5% of the Drainage and Levee District Trustees' investments are in the Federal National Mortgage Association (37.1%), the Federal Home Loan Mortgage Corporation (18.5%) and the repurchase agreement (28.2%). The Levee District's investment in the repurchase agreement was collateralized, but the underlying securities were not held by the District and the District did not have a custodial agreement as described by the State Treasurer's Administrative Rules, Chapter 781-15.2. As of October 2011, the District no longer holds repurchase agreement investments.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Mental Health	\$ 1,154

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, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Capital Projects	\$ 19,490
Special Revenue: Secondary Roads	General	214,519
	Special Revenue: Rural Services	1,305,869
County Recorder's Records Management	General	500
Debt Service	General	1,244
Total		<u>\$ 1,541,622</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, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 4,498,316	118,497	-	4,616,813
Intangibles, road network	141,633	-	-	141,633
Intangibles, other	-	7,418	-	7,418
Construction in progress	-	246,153	-	246,153
Construction in progress, road network	1,563,981	2,744,691	2,309,920	1,998,752
Total capital assets not being depreciated/amortized	6,203,930	3,116,759	2,309,920	7,010,769
Capital assets being depreciated/amortized:				
Buildings	7,381,151	-	13,033	7,368,118
Improvements other than buildings	2,214,075	53,882	-	2,267,957
Equipment and vehicles	8,320,262	766,702	282,263	8,804,701
Intangibles, other	106,950	107,756	-	214,706
Infrastructure, road network	32,961,910	2,309,920	-	35,271,830
Infrastructure, other	2,521,225	-	-	2,521,225
Total capital assets being depreciated/amortized	53,505,573	3,238,260	295,296	56,448,537
Less accumulated depreciation/amortization for:				
Buildings	2,763,960	247,377	5,648	3,005,689
Improvements other than buildings	1,182,494	64,080	-	1,246,574
Equipment and vehicles	5,808,605	660,062	201,428	6,267,239
Intangibles, other	95,950	32,551	-	128,501
Infrastructure, road network	16,593,625	1,017,614	-	17,611,239
Infrastructure, other	82,421	50,424	-	132,845
Total accumulated depreciation/amortization	26,527,055	2,072,108	207,076	28,392,087
Total capital assets being depreciated/amortized, net	26,978,518	1,166,152	88,220	28,056,450
Governmental activities capital assets, net	\$33,182,448	4,282,911	2,398,140	35,067,219

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 211,279
Physical health and social services	13,356
Mental health	117,573
County environment and education	144,688
Roads and transportation	1,448,151
Administration	137,061
Total depreciation/amortization expense - governmental activities	<u>\$ 2,072,108</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	\$ 11,232
Special Revenue:		
Mental Health	Services	690,514
Secondary Roads	Services	16
		<u>690,530</u>
Total for governmental funds		<u>\$ 701,762</u>
Agency:		
County Assessor	Collections	\$ 1,688,203
Schools		21,043,738
Community Colleges		1,342,078
Corporations		16,656,688
Auto License and Use Tax		821,845
Drainage and Levy Districts		1,514,165
All other		1,086,825
Total for agency funds		<u>\$ 44,153,542</u>

(7) Long-Term Liabilities

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

	General Obligation Capital Loan Notes	Capital Lease Purchase Agreement	Installment Purchase Agreement	Compen- sated Absences	Early Retirement	Net OPEB Liability	Total
Balance beginning of year	\$ 3,390,000	-	-	650,795	-	28,944	4,069,739
Increases	-	37,850	74,175	679,109	124,386	38,300	953,820
Decreases	555,000	2,325	7,417	540,676	-	24,020	1,129,438
Balance end of year	<u>\$ 2,835,000</u>	<u>35,525</u>	<u>66,758</u>	<u>789,228</u>	<u>124,386</u>	<u>43,224</u>	<u>3,894,121</u>
Due within one year	\$ 575,000	6,123	33,379	362,151	17,491	-	994,144

Capital Loan Notes

A summary of the County's June 30, 2011 general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	General Obligation Capital Loan Notes								
	Series 2007			Series 2009			Total		
	Issued October 1, 2007			Issued June 15, 2009					
	Interest			Interest			Total		
	Rates	Principal	Interest	Rates	Principal	Interest	Principal	Interest	Total
2012	3.90%	\$ 300,000	80,010	3.00%	\$ 275,000	25,500	\$ 575,000	105,510	680,510
2013	3.95	310,000	68,310	3.00	285,000	17,250	595,000	85,560	680,560
2014	4.00	325,000	56,065	3.00	290,000	8,700	615,000	64,765	679,765
2015	4.05	335,000	43,065	-	-	-	335,000	43,065	378,065
2016	4.10	350,000	29,498	-	-	-	350,000	29,498	379,498
2017	4.15	365,000	15,147	-	-	-	365,000	15,147	380,147
Total		\$ 1,985,000	292,095		\$ 850,000	51,450	\$ 2,835,000	343,545	3,178,545

During the year ended June 30, 2011, the County retired \$555,000 of general obligation capital loan notes.

The Des Moines County Regional Solid Waste Commission has agreed to pay the County for the principal and interest on the Series 2007 capital loan notes as they become due. The County reports a loan receivable in the Debt Service Fund equal to the principal outstanding on these general obligation capital loan notes.

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease a telephone system. The following is a schedule of the future minimum lease payments, including interest at 12.516% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2011:

Year Ending June 30,	Amount
2012	\$ 10,222
2013	10,222
2014	10,222
2015	10,222
2016	5,964
Total minimum lease payments	46,852
Less amount representing interest	(11,327)
Present value of net minimum lease payments	\$ 35,525

Payments under the capital lease purchase agreement totaled \$4,259 for the year ended June 30, 2011.

Installment Purchase Agreement

The County has entered into an installment purchase agreement to purchase Sheriff software for \$74,175. The agreement is non-interest bearing. A 10% down payment of \$7,417 was paid during the year ended June 30, 2011 to commence the project. The remaining balance is payable 50% after July 1, 2011 and 50% after July 1, 2012.

Drainage and Levee District Debt

During the year ended June 30, 2010, the Board of Trustees of four drainage and levee districts (Districts 4, 7, 8 and 16) entered into loan agreements with Mediapolis Savings Bank to borrow funds to finance flood repairs and improvements. The agreements allowed the districts to receive multiple advances on the loans through an established line of credit. The loans carry a variable interest rate of not less than 2.875% or more than 6% due at loan maturity (November 2011). The interest rate changes on the first of each month and is equal to 0.375% below the prime rate (2.875% at June 30, 2011).

During the year ended June 30, 2010, Districts 4, 8 and 16 entered into additional loan agreements with Mediapolis Savings Bank for \$400,000, \$190,000 and \$250,000, respectively. The interest rate is calculated the same as the line of credit agreements, but is payable semi-annually. The loan for District 4 requires \$10,000 annual principal payments beginning on October 15, 2009 and continuing until April 15, 2029. The loan for District 8 requires \$19,000 annual principal payments beginning October 15, 2010 and continuing until October 15, 2019. The loan for District 16 requires \$6,250 semi-annual principal payments plus interest beginning April 15, 2010. The loan was paid off during the year ended June 30, 2011.

The authorized loan amounts, maturity dates, loan balances and current year payments for each loan agreement are as follows:

District	Authorized Loan Amount	Maturity Date	Loan Balance June 30, 2011	Payments Year ended June 30, 2011		
				Principal	Interest	Total
4	\$ 1,100,000	Nov 15, 2011	\$ 473,178	240,000	-	240,000
4	400,000	Apr 15, 2029	360,000	20,000	10,789	30,789
7	500,000	Nov 15, 2011	-	164,885	1,002	165,887
8	500,000	Nov 15, 2011	239,918	-	-	-
8	190,000	Oct 15, 2019	171,000	19,000	8,318	27,318
16	1,000,000	Nov 15, 2011	-	610,949	9,476	620,425
16	250,000	Apr 15, 2029	-	250,000	10,019	260,019
Total	\$ 3,940,000		\$ 1,244,096	1,304,834	39,604	1,344,438

During the year ended June 30, 2011, District 16 issued levee warrants in the aggregate amount of \$3,000,000. The levee warrants consist of 30 warrants and bear interest from February 1, 2011 at 4.5001% payable on May 1 and Nov 1 of each year. The proceeds of the warrants will be used to pay for necessary repair and maintenance of the District's levees. The District has approved an assessment of an equal amount against the benefited properties. The warrants were delivered to Two Rivers Bank and Trust of Burlington, Iowa in exchange for the face amount of the warrants. A summary of the principal and interest requirements on the warrants is as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 145,091	129,068	274,159
2013	152,042	122,117	274,159
2014	158,961	115,198	274,159
2015	166,194	107,965	274,159
2016	173,487	100,672	274,159
2017-2021	994,587	376,208	1,370,795
2022-2026	1,105,476	128,239	1,233,715
	\$ 2,895,838	1,079,467	3,975,305

During the year ended June 30, 2011, District 16 paid \$104,162 of principal and \$32,918 of interest on the warrants.

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$605,390 \$548,921 and \$508,158, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 165 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits, which is a partially self-funded medical plan, is administered by Employee Benefits Systems. The dental benefit is administered by Delta Dental of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 39,248
Interest on net OPEB obligation	507
Adjustment to annual required contribution	<u>(1455)</u>
Annual OPEB cost	38,300
Contributions made	<u>(24,020)</u>
Increase in net OPEB obligation	14,280
Net OPEB obligation beginning of year	<u>28,944</u>
Net OPEB obligation end of year	<u>\$ 43,224</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the County contributed \$24,020 to the medical plan. Plan members eligible for benefits contributed \$64,572 or 73% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 39,248	57%	\$ 16,894
2010	38,905	69	28,944
2011	38,300	63	43,244

Funded Status and Funding Progress. – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$395,572, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$395,572. The covered payroll of active employees covered by the plan was approximately \$7.9 million and the ratio of the UAAL to covered payroll was 5%. As of June 30, 2011, there were no trust fund assets.

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

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

As of the July 1, 2008 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3% discount rate based on the County's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Termination rates used in the actuarial valuation are based upon national termination studies performed by the Society of Actuaries. They were adjusted to reflect the recent lower termination rates experienced by Des Moines County. Retirement rates used in the actuarial valuation were developed based upon recent Des Moines County experience.

Projected claim costs of the medical plan are \$472 per month for retirees less than age 65. The UAAL is amortized as a level dollar amount over 30 years.

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2011 were \$236,377.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Health Insurance Plan

The County, in conjunction with the City of Burlington, the Southeast Iowa Regional Airport Authority (SIRAA) and other organizations, entered into an agreement as authorized by Chapter 28E of the Code of Iowa for health insurance which is funded through employer and employee contributions. The County, the City, SIRRA and the other participating organizations are contingently liable with respect to medical claims made by the participants in the plan. The plan is partially self insured. Claims based on occurrences prior to July 1, 1983 remain insured under previous insurance policies. All claims handling procedures are performed by an independent claims administrator. Settled claims have not exceeded the plan coverage during any of the past three years.

The unaudited cash balance of the Des Moines County/City of Burlington Health Care Plan was \$176,959 at June 30, 2011. The plan had unaudited claims expense, after reinsurance reimbursement, of \$5,894,170 for the plan year ended June 30, 2011.

(12) Accounting Change/Restatement

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

	General	Nonmajor - Special Revenue			
		Transitional Apartments	Attorney Collection Incentive	Special Duty Reserve Unit	Conservation Reserve
Balances June 30, 2010, as previously reported	\$ 1,565,692	8,963	27,227	6,760	14,363
Change in fund type classification per implementation of GASB Statement No. 54	57,313	(8,963)	(27,227)	(6,760)	(14,363)
Balances July 1, 2010, as restated	\$ 1,623,005	-	-	-	-

(13) Subsequent Event

On October 18, 2011, the County issued \$1,415,000 of general obligation refunding capital loans notes to pay the costs of refunding the outstanding principal of \$1,375,000 of the \$3,085,000 general obligation capital loan notes, series 2007, maturing after July 1, 2013. The notes shall bear interest payable June 1, 2012 and semiannually thereafter on the first of June and December in each year at rates ranging from 1.45% to 2.00% per annum.

Required Supplementary Information

Des Moines County

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

Required Supplementary Information

Year ended June 30, 2011

	Actual	Budgeted Amounts		Final to
		Original	Final	Net Variance
Receipts:				
Property and other county tax	\$ 14,292,057	14,230,561	14,230,561	61,496
Interest and penalty on property tax	164,529	142,900	142,900	21,629
Intergovernmental	7,937,422	10,235,027	10,579,106	(2,641,684)
Licenses and permits	62,777	41,405	41,405	21,372
Charges for service	910,236	916,220	916,220	(5,984)
Use of money and property	182,502	232,485	232,485	(49,983)
Miscellaneous	634,525	361,350	619,740	14,785
Total receipts	24,184,048	26,159,948	26,762,417	(2,578,369)
Disbursements:				
Public safety and legal services	6,083,843	6,326,162	6,348,662	264,819
Physical health and social services	1,515,461	2,486,415	2,486,415	970,954
Mental health	4,147,050	4,200,795	4,200,795	53,745
County environment and education	1,450,218	3,834,802	3,934,802	2,484,584
Roads and transportation	4,738,029	4,418,789	4,755,789	17,760
Governmental services to residents	947,970	1,019,157	1,026,818	78,848
Administration	3,217,328	3,392,051	3,392,051	174,723
Debt service	682,120	682,370	682,370	250
Capital projects	2,340,204	2,174,000	3,301,211	961,007
Total disbursements	25,122,223	28,534,541	30,128,913	5,006,690
Excess (deficiency) of receipts over (under) disbursements	(938,175)	(2,374,593)	(3,366,496)	2,428,321
Other financing sources, net	18,752	-	-	18,752
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(919,423)	(2,374,593)	(3,366,496)	2,447,073
Balance beginning of year	6,802,013	4,685,260	4,685,260	2,116,753
Balance end of year	\$ 5,882,590	2,310,667	1,318,764	4,563,826

See accompanying independent auditor's report.

Des Moines County

Budgetary Comparison Schedule – Budget to GAPP Reconciliation

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 24,184,048	503,184	24,687,232
Expenditures	25,122,223	938,116	26,060,339
Net	(938,175)	(434,932)	(1,373,107)
Other financing sources, net	18,752	112,025	130,777
Beginning fund balances, as restated	6,802,013	1,583,889	8,385,902
Ending fund balances	\$ 5,882,590	1,260,982	7,143,572

See accompanying independent auditor's report.

Des Moines County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, nonprogram, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects 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 \$1,594,372. 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, 2011, disbursements did not exceed the amounts budgeted by function. Disbursements exceeded the amount appropriated for the Sheriff's department.

Des Moines County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008	-	\$ 396	396	0.00%	\$ 7,500	5.3%
2010	Jul 1, 2008	-	396	396	0.00	7,700	5.1
2011	Jul 1, 2008	-	396	396	0.00	7,900	5.0

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

See accompanying independent auditor's report.

Des Moines County

Other Supplementary Information

Schedule 1

Des Moines County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

	Special Revenue		
	County Recorder's Records Management	Resource Enhancement and Protection	Total
Assets			
Cash and pooled investments	\$ 1,825	54,429	56,254
Accrued interest receivable	-	7	7
Total assets	\$ 1,825	54,436	56,261
Liabilities and Fund Balances			
Liabilities:			
None	\$ -	-	-
Fund balances:			
Restricted for other purposes	1,825	54,436	56,261
Total liabilities and fund balances	\$ 1,825	54,436	56,261

See accompanying independent auditor's report.

Des Moines County

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

Year ended June 30, 2011

	Special Revenue			Total
	County Recorder's Records Management	Resource Enhance- ment and Protection	Capital Projects	
Revenues:				
Charges for service	\$ 6,748	-	-	6,748
Use of money and property	4	259	-	263
Miscellaneous	-	21,043	-	21,043
Total revenues	6,752	21,302	-	28,054
Expenditures:				
Operating:				
Governmental services to residents	12,179	-	-	12,179
Capital projects	-	118,497	-	118,497
Total expenditures	12,179	118,497	-	130,676
Deficiency of revenues under expenditures	(5,427)	(97,195)	-	(102,622)
Other financing sources (uses):				
Operating transfers in	500	-	-	500
Operating transfers out	-	-	(19,490)	(19,490)
Total other financing sources (uses)	500	-	(19,490)	(18,990)
Deficiency of revenues and other financing sources under expenditures and other financing uses	(4,927)	(97,195)	(19,490)	(121,612)
Fund balances beginning of year	6,752	151,631	19,490	177,873
Fund balances end of year	\$ 1,825	54,436	-	56,261

See accompanying independent auditor's report.

Des Moines County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	3,370	1,234,605	311,154	18,162
Other County officials	149,454	-	-	-	-
Drainage and levy district trustees	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	919	2,129	84,584	4,916
Succeeding year	-	227,000	537,000	20,648,000	1,319,000
Accounts	-	-	-	-	-
Assessments:					
Current	-	-	-	-	-
Future	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 149,454	231,289	1,773,734	21,043,738	1,342,078
Liabilities					
Accounts payable	\$ -	-	168	-	-
Salaries and benefits payable	-	-	8,330	-	-
Loans payable	-	-	-	-	-
Due to other governments	24,964	231,289	1,688,203	21,043,738	1,342,078
Trusts payable	124,490	-	-	-	-
Compensated absences	-	-	77,033	-	-
Total liabilities	\$ 149,454	231,289	1,773,734	21,043,738	1,342,078

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Auto License and Use Tax	Drainage and Levee Districts	Other	Total
226,569	2,403	6,644	821,845	8,126	239,773	2,872,651
-	-	-	-	-	-	149,454
-	-	-	-	1,505,815	-	1,505,815
41,119	1,378	-	-	-	16	135,061
16,389,000	290,000	-	-	-	9,000	39,419,000
-	-	-	-	-	18,250	18,250
-	-	215,351	-	2,423	-	217,774
-	-	116,732	-	4,137,735	-	4,254,467
-	-	-	-	-	47	47
-	-	-	-	-	10,768	10,768
16,656,688	293,781	338,727	821,845	5,654,099	277,854	48,583,287
-	-	-	-	-	1,962	2,130
-	-	-	-	-	3,550	11,880
-	-	-	-	4,139,934	-	4,139,934
16,656,688	293,781	338,727	821,845	1,514,165	198,064	44,153,542
-	-	-	-	-	47,409	171,899
-	-	-	-	-	26,869	103,902
16,656,688	293,781	338,727	821,845	5,654,099	277,854	48,583,287

Des Moines County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2011

	Agricultural				
	County Offices	Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 176,822	236,234	1,721,198	21,378,606	1,283,347
Additions:					
Property and other county tax	-	228,045	540,635	20,834,670	1,326,621
E911 surcharge	-	-	-	-	-
State tax credits	-	7,957	18,437	713,043	42,691
Office fees and collections	776,786	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	1,094,395	-	-	-	-
Miscellaneous	-	-	53	14,590	-
Total additions	1,871,181	236,002	559,125	21,562,303	1,369,312
Deductions:					
Agency remittances:					
To other funds	522,161	-	-	-	-
To other governments	260,272	240,947	506,589	21,897,171	1,310,581
Trusts paid out	1,116,116	-	-	-	-
Total deductions	1,898,549	240,947	506,589	21,897,171	1,310,581
Balances end of year	\$ 149,454	231,289	1,773,734	21,043,738	1,342,078

See accompanying independent auditor's report.

Corpora- tions	Townships	City Special Assessments	Auto License and Use Tax	Drainage and Levee Districts	Other	Total
15,627,667	258,887	266,752	740,504	1,231,011	277,278	43,198,306
16,104,855	302,914	-	-	-	4,166	39,341,906
-	-	-	-	-	138,597	138,597
416,109	8,409	-	-	-	143	1,206,789
-	-	-	-	-	-	776,786
-	-	-	9,006,820	-	-	9,006,820
-	-	124,227	-	4,984,687	-	5,108,914
-	-	-	-	-	1,156,497	2,250,892
-	-	-	-	8,068,946	240,633	8,324,222
16,520,964	311,323	124,227	9,006,820	13,053,633	1,540,036	66,154,926
-	-	-	303,650	-	31	825,842
15,491,943	276,429	52,252	8,621,829	8,630,545	388,027	57,676,585
-	-	-	-	-	1,151,402	2,267,518
15,491,943	276,429	52,252	8,925,479	8,630,545	1,539,460	60,769,945
16,656,688	293,781	338,727	821,845	5,654,099	277,854	48,583,287

Des Moines County

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

For the Last Ten Years

	2011	2010	2009	Modified 2008
Revenues:				
Property and other county tax	\$ 12,547,803	12,103,361	10,703,363	10,449,339
Local option sales tax	1,747,901	1,610,998	1,555,525	1,715,660
Interest and penalty on property tax	164,529	163,033	139,080	155,192
Intergovernmental	8,618,044	9,556,689	8,878,429	7,437,076
Licenses and permits	61,673	58,191	49,801	46,595
Charges for service	904,936	846,341	839,550	889,796
Use of money and property	174,023	185,716	246,963	562,031
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	468,323	370,777	771,771	555,803
Total	\$ 24,687,232	24,895,106	23,184,482	21,811,492
Expenditures:				
Operating:				
Public safety and legal services	\$ 6,142,696	5,944,231	5,587,657	6,132,958
Physical health and social services	1,476,490	1,716,480	2,249,501	2,722,094
Mental health	4,479,644	4,146,119	3,964,269	4,331,182
County environment and education	1,524,908	1,029,673	1,293,605	1,505,475
Roads and transportation	4,712,600	4,331,366	4,312,514	4,212,851
Governmental services to residents	947,329	983,904	931,875	867,939
Administration	3,213,391	3,416,506	3,132,367	3,360,284
Debt service	682,120	680,164	578,263	523,361
Capital projects	2,881,161	3,010,231	1,445,472	1,273,863
Total	\$ 26,060,339	25,258,674	23,495,523	24,930,007

See accompanying independent auditor's report.

Accrual Basis					
2007	2006	2005	2004	2003	2002
10,336,903	10,769,297	10,642,839	9,198,165	9,125,951	8,645,729
1,628,126	1,342,717	1,363,326	1,365,240	1,325,959	1,374,052
146,154	130,631	115,554	182,952	138,048	155,753
8,985,811	8,508,380	8,913,042	7,763,991	8,602,070	7,187,135
46,448	42,840	43,784	43,085	45,752	53,179
878,146	972,357	827,429	892,684	894,786	810,172
727,814	527,215	235,286	144,012	274,253	333,748
-	-	-	-	-	42,151
526,168	598,159	370,840	422,175	183,765	401,953
23,275,570	22,891,596	22,512,100	20,012,304	20,590,584	19,003,872
5,119,567	4,705,552	4,681,993	4,584,761	4,223,090	4,058,761
2,193,961	2,067,305	2,161,440	2,137,665	1,766,379	1,290,461
3,692,161	3,629,867	3,200,582	3,334,802	3,786,227	3,801,057
1,714,377	1,015,426	975,386	852,565	903,868	1,146,965
3,026,353	4,334,384	3,339,170	3,235,696	3,903,168	3,326,754
702,324	909,301	682,478	597,698	639,331	561,856
4,335,439	4,678,468	3,621,634	3,587,116	4,212,616	3,239,655
198,327	140,324	16,871	-	-	-
1,820,955	1,074,528	2,948,601	1,379,729	1,778,899	685,809
22,803,464	22,555,155	21,628,155	19,710,032	21,213,578	18,111,318

Des Moines County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Bulletproof Vest Partnership Program	16.607		\$ 227
Public Safety Partnership and Community Policing Grants	16.710	2009-CK-W-0291	42,342
Total direct			<u>42,569</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>34,244</u>
U.S. Department of Defense:			
Iowa Treasurer of State:			
Payments to States in Lieu of Real Estate Taxes	12.112		<u>5,612</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRHB-219	<u>1,050,101</u>
U.S. Department of the Interior:			
Iowa Department of Natural Resources:			
Outdoor Recreation - Acquisition, Development and Planning	15.916	19-01273	<u>11,895</u>
U.S. Department of Justice:			
Iowa Department of Justice:			
Crime Victim Assistance Division:			
Crime Victim Assistance	16.575	VA-11-07	<u>16,351</u>
U. S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C029(59)--8J-29	74,962
Highway Planning and Construction	20.205	BROS-C029(62)--8J-29	91,296
Highway Planning and Construction	20.205	STP-ES-E-CO29(57)--8T-29	212,165
			<u>378,423</u>
Iowa Department of Public Safety:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	PAP 10-410 Task 19	1,032
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	PAP 11-410 Task 22	8,830
			<u>9,862</u>
U. S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5881BT29	27,815
Public Health Emergency Preparedness	93.069	5881BT329	44,172
			<u>71,987</u>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU-2011-TB11	<u>825</u>
Immunization Cluster:			
Immunization Grants	93.268	5880I425	9,308
Immunization Grants	93.268	5881I425	3,190
			<u>12,498</u>
ARRA - Immunization	93.712	5880I425	15,203
			<u>27,701</u>
Social Services Block Grant	93.667	5881C029	<u>3,209 *</u>

Des Moines County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U. S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State			
Administered Programs	93.566		22
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596		8,329
Foster Care - Title IV-E	93.658		13,567
Adoption Assistance	93.659		3,283
Children's Health Insurance Program	93.767		155
Medical Assistance Program	93.778		32,793
Social Services Block Grant	93.667		11,671
Social Services Block Grant	93.667		205,583
			<u>217,254</u> *
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency			
Management Division:			
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)	97.036	FEMA 1928 DRIA	348,643
Hazard Mitigation Grant Program	97.039	DR-1688-0021-00	5,463
Emergency Management Performance Grants	97.042		16,933
Iowa Northland Regional Council of Governments:			
Homeland Security Grant Program	97.067		6,879
Total indirect			<u>2,263,531</u>
Total			<u>\$ 2,306,100</u>

* - Total for CFDA Number 93.667 is \$220,463.

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

See accompanying independent auditor's report.

Des Moines County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
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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 Des Moines County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Des Moines County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 9, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Des Moines County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Des Moines 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 Des Moines County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Des Moines County's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-11 through II-H-11 to be significant deficiencies.

Compliance and Other Matters


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

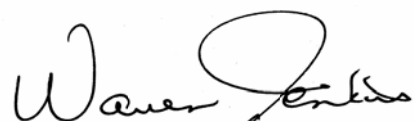
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all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

Des Moines County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Des Moines 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 Des Moines County and other parties to whom Des Moines County may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Des Moines 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 9, 2012

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

Des Moines County



OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on Compliance
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with OMB Circular A-133

To the Officials of Des Moines County:

Compliance

We have audited Des Moines County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Des Moines County's major federal programs for the year ended June 30, 2011. Des Moines County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Des Moines County's management. Our responsibility is to express an opinion on Des Moines County's compliance based on our audit.

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

In our opinion, Des Moines County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Des Moines County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Des Moines County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Des Moines County's internal control over compliance.

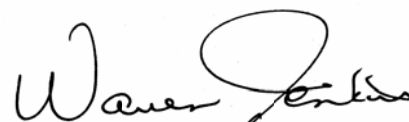
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance, which is described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11, we consider to be a significant deficiency. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Des Moines County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the County's response, we did not audit Des Moines County's response and, accordingly, we express no opinion on it.

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 9, 2012

Des Moines County
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over a major program was disclosed.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
 - CFDA Number 20.205 – Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Des Moines County did not qualify as a low-risk auditee.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - During our review of internal control, the existing procedures 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. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. Listings of cash and checks received are not prepared and forwarded with the documents to accounting personnel for processing. Therefore, a listing of cash and checks received can not be compared to the cash receipt records by an independent person.	Drainage Districts
(2) Collection and deposit preparation functions were not performed by an individual who does not record and account for cash receipts.	Conservation and Drainage Districts
(3) Checks are not signed by an individual who does not participate in the preparation of the checks.	Sheriff (civil) and Drainage Districts
(4) Bank accounts are not reconciled by an individual who does not sign checks, handle or record cash. Independent reviews are not evidenced by the reviewer's initials or signature and date of review.	Auditor and Drainage Districts
(5) Investments are in the custody of the individual responsible for recording investment income and no independent review is performed.	Drainage Districts

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

Responses –

Auditor – This remark is in reference to the Memorial Park Cemetery Trust which is the sole responsibility of whoever is currently serving as the County Auditor (appointed by District Court Judge) and has nothing to do with County business. However, in the future, I will have an employee check the monthly bank statement to prove these funds are accounted for.

Drainage Districts – In a typical office situation with numerous employees, segregation of duties and procedures are divided up among various employees according to job descriptions. However, Two Rivers Levee & Drainage Association has one employee, the Administrator. This position covers a multitude of responsibilities over 1 levee district and 3 drainage districts, including the Two Rivers office functions. These responsibilities are overseen by individual boards with elected Trustees. During their monthly meetings, receipts, deposits and expenditures are included for review by the board members. Each invoice and/or statement from vendors is initialed, representing approval, by the board members. As was communicated to the State Auditor Office representative, this practice has been done since the development of the districts in the early 1900's and continues today.

Conservation – We are aware of this issue and we will continue to find a way to resolve the issue.

Sheriff – The office is currently using a supervisor to do a random review on checks written by the civil division. That supervisor then initials the report which documents the checks which were reviewed. In the future, a copy of reports that are reviewed will be kept in a separate file for the independent auditor.

Conclusions –

Conservation and Sheriff – Responses accepted.

Auditor – Response acknowledged. Since the County Auditor has fiduciary responsibility for the cemetery trust, the amounts are reported as an Agency Fund in the County's financial statements.

Drainage Districts – Response acknowledged. The Drainage Districts should utilize current personnel, including Drainage District Trustees, to provide additional control through review of financial transactions and reports. Such reviews should be evidenced by initials or signatures of the reviewer and the date of the review.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- II-B-11 Financial Reporting – During the audit, we identified material amounts of capital asset additions not properly recorded in the County’s financial statements. In addition, certain intergovernmental revenue was classified as miscellaneous. Adjustments were subsequently made by the County to properly record these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all capital asset additions and revenue are properly recorded in the County’s financial statements.

Response – All departments will be reminded of the importance of accurate records.

Conclusion – Response accepted.

- II-C-11 Sheriff Law Enforcement Contracts – The Sheriff maintains records of contract law enforcement billings, collections and outstanding balances, but the reports are not reviewed and reconciled by an independent person.

Recommendation – An independent person should reconcile and review the contract law enforcement billings and collections.

Response – Each month a revenue report is sent by the Auditor’s Office to the Sheriff’s Office indicating payments made by cities under contract with the County for law enforcement coverage. The revenue report will be reviewed by a Sheriff’s Office Administrator on a quarterly basis to ensure financial terms of the contract are being met. A copy of the report will be initialed by the reviewer and kept in a separate file for independent auditor.

Conclusion – Response accepted.

- II-D-11 Public Health Nurse – Nursing service billings, collections and balances were not reconciled each month.

Recommendation – Nursing service billings, collections and balances should be reconciled monthly.

Response – The bookkeeper will prepare the nursing reconciliation spreadsheet and post collections as they are received.

Conclusion – Response accepted.

- II-E-11 Drainage District Credit Cards – Adequate supporting documentation was not available to support a charge of \$144 at Birkeys Farm for equipment parts. Also, we noted one credit card charge of \$27 for the purchase of water and soda pop for meetings which may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits were not clearly documented.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Recommendation – The Board of Trustees should ensure claims are sufficiently itemized and proper documentation accompanies all claims before they are paid. In addition, the Board of Trustees should determine and document the public purpose of these expenditures before authorizing any further payments. If this practice is continued, the Board of Trustees should establish written policies and procedures, including requirements for proper documentation.

Response – This one item, \$144 at Birkeys Farm, was for equipment parts ordered over the phone and shipped. In ordering this way, you may get a shipping statement, but sometimes no itemized statement. This was one of those cases. Regarding the \$27 purchase of water and soda for meetings, these meetings are open to the public and these supplies are used for these meetings.

Conclusion – Response acknowledged. The Board of Trustees should document the public purpose of purchasing beverages for meetings.

- II-F-11 Weapon Permit Revenue – The Sheriff’s Office remits the County’s share of weapon permits to the County Treasurer. The weapon permit collections are not reconciled to the Treasurer’s miscellaneous receipts.

Recommendation – Weapon permit collections and miscellaneous receipts should be reconciled to ensure all collections are deposited with the County Treasurer.

Response – The County’s share of weapon permit monies collected will be deposited with the County Treasurer. Each month the weapon permit collections and miscellaneous receipts will be reconciled to ensure all collections are properly documented and deposited with the County Treasurer.

Conclusion – Response accepted.

- II-G-11 Payroll Timesheets – Salaried personnel of the County do not prepare and file timesheets. Leave slips are utilized to track paid time off. There is often a lag in receiving leave slips from other departments, so leave used is not recorded in a timely manner.

Recommendation – Timesheets should be prepared by all personnel in all departments, salaried as well as hourly, and should be submitted to the County Auditor’s Office prior to the processing of payroll each pay period. The time sheets should be signed by the employee and should be reviewed and signed by the employee’s immediate supervisor or department head prior to submission. The timesheets should support all hours worked and all hours taken as vacation, sick leave, compensatory time, holiday hours and personal days.

Response – A spreadsheet is in the process of being developed to be used by all departments. This process is anticipated to be in place as of January 1, 2012.

Conclusion – Response accepted.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

II-H-11 Timely Deposits – Conservation and Secondary Roads collections were not always deposited with the County Treasurer timely.

Recommendations – Receipts should be deposited with the County Treasurer’s Office on a timely basis.

Responses –

Conservation Board – We will do our best to get deposits to the County Treasurer’s office within 10 working days.

Secondary Roads – We will continue to try to improve on this subject.

Conclusions – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

**CFDA Number 14.228: Community Development Block Grants/State's Program and
Non-Entitlement Grants in Hawaii
Pass-through Agency Number: 08-DRHB-219
Federal Award Year: 2011
U.S. Department of Housing and Urban Development
Passed through the Iowa Department of Economic Development**

III-A-11 Cash Management – Article 11.1 of the grant agreement requires not more than \$500 of grant proceeds be on hand for a period of longer than 10 working days. We identified 2 drawdown requests for which the County held the grant proceeds in excess of \$500 for 11 and 17 days prior to disbursing the funds. In addition, \$850 of grant proceeds remains on hand from the drawdown request dated January 31, 2011.

Recommendation – The County should implement procedures to ensure grant proceeds are not held for a period longer 10 working days, as required by the CDBG grant agreement.

Responses – We will work with our grant administrator to make sure we are in compliance with article 11.1 of the grant agreement. Corrective action for this recommendation will be implemented by December 31, 2011.

Conclusion – Response accepted.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted by function. The Sheriff's department disbursements exceeded the amount appropriated.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by decreasing or increasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The retirement payout for a long time employee was larger than anticipated. When the department head became aware of the shortfall, it was too late to publish and have a hearing to amend the budget.

Conclusion – Response acknowledged. Appropriations should be monitored and amended prior to allowing disbursements to exceed the amounts appropriated .

IV-B-11 Questionable Expenditures – Except as noted in item II-E-11, no expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-11 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-11 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Certain minutes of the meetings of the County Board of Supervisors were not signed.

Recommendation – The County should ensure minutes are signed to authenticate the record, as required.

Response – At times, the Chairman and County Auditor neglect to sign the minutes in the minute book. We will try to be more conscientious.

Conclusion – Response accepted.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- IV-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-11 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-11 Drainage/Levee District Checking Accounts and Investments – The Board of Trustee controlled drainage and levee districts opened separate checking accounts in February 2011. In addition, the trustee drainage and levy districts have separate investments, including certificates of deposit and government securities, which are not held by the County Treasurer.

Chapter 468.527 states, “All costs and expenses necessary to discharge the duties by this subchapter conferred upon trustees shall be levied and collected as provided by law and such levy shall be upon certificate by the trustees to the Board of Supervisors of the amount necessary for such levy.”

Since the County Treasurer was required to act as the custodian of trustee district funds, the checking accounts and investments separately maintained by the trustee districts do not appear to comply with the Code of Iowa for the year ended June 30, 2011. Adjustments were subsequently made by the County to properly record the activity and balances of the separately maintained accounts and investments in the County’s financial statements. However, new legislation effective July 1, 2011 allows the Board of Trustees to maintain separate accounts and investments.

During the year ended June 30, 2011, proceeds from levee warrants issued by District 16 were transferred into a sweep account and were used to purchase, on behalf of the District, a fractionalized and/or all of the interest in an obligation of the United States Government, which was then sold to the bank in a repurchase transaction.

In accordance with Chapter 12B.10(4)(e), the District may only invest in repurchase agreements whose underlying collateral consists of the investments allowed by statute, if the District takes delivery of the underlying collateral, either directly or through an authorized custodian. Before an authorized custodian may take delivery of the underlying collateral, the District and custodian must enter into a public funds custodial agreement pursuant to Chapter 12B.10C of the Code of Iowa and Chapter 781-15 of the Treasurer of State’s Administrative Rules.

The District did not take delivery of the underlying collateral for the repurchase agreement directly and did not enter into the appropriate public funds custodial agreement to allow an authorized custodian to take delivery, as required.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Recommendation – The District should ensure the appropriate public funds custodial agreement is in place prior to allowing any additional repurchase transactions.

Response – The checking accounts set up by all the Districts in February 2011 were the direct result of the IRS mandating that all Federal withholding be electronically transferred from all entities at reporting time. We had worked with the IRS and the County on this problem, but due to an archaic State Code regarding funds of levee and drainage district disbursements, it was agreed by legal counsel, IRS, Washington, D.C. and the County Treasurer, that we had no choice but to open accounts for EFT withholding purposes only. Regarding the monies placed in a sweep account, this was monies from a bond which were to be spent within a few months for FEMA certification. To us, it made good business sense for our taxpayers to place it in an account that would collect a bit of interest rather than in a non interest bearing account. The account was closed a few months later.

Conclusion – Response acknowledged. All investments must meet the requirements of Chapter 12B.10 of the Code of Iowa.

- IV-J-11 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

- IV-K-11 Outstanding Checks – The Sheriff's Office has outstanding checks over one year old.

Recommendation – In accordance with Chapter 331.554(6) of the Code of Iowa, the Sheriff's Office should void and remit checks outstanding for more than one year to the General Fund.

Response – The Sheriff's Office will void and remit checks outstanding for more than one year to the County General Fund.

Conclusion – Response accepted.

- IV-L-11 Non-current Debt - During the year ended June 30, 2011, the County entered into a capital lease purchase agreement for telephone equipment and an installment purchase agreement for Sheriff software. A public hearing was not held prior to entering into these agreements as required by Chapters 331.478 and 331.479 of the Code of Iowa.

Recommendation - The County should ensure non-current debt is authorized in accordance with Chapters 331.478 and 331.479 of the Code of Iowa.

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Year ended June 30, 2011

Response - Since this requirement has been brought to our attention, we will comply for future contracts.

Conclusion – Response accepted.

IV-M-11 E911 Budget - Disbursements during the year ended June 30, 2011 exceeded the amount budgeted.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Due to a transition in management, a loan payment was made twice in fiscal year 2011, thereby exceeding the budget. This will be carefully monitored and will not happen again.

Conclusion – Response accepted.

IV-N-11 E911 Loan – The Des Moines County E911 Board entered into a loan agreement for \$499,074 with Farmer's and Merchants Bank and Trust in September 2007 which requires a balloon payment of \$432,137 in July 2012. In accordance with an Attorney General's letter of advice dated April 5, 2001, the E911 Board lacks the authority under Chapter 34A of the Code of Iowa to borrow funds from a bank.

Recommendation – The E911 Board and County Board of Supervisors should consult legal counsel to determine the proper disposition of this matter.

Response – We will contact legal counsel to determine the disposition of this matter.

Conclusion – Response accepted.

Des Moines County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Scott P. Boisen, Senior Auditor II
Ainslee M. Barnes, CPA, Staff Auditor
Daniel W. Henaman, Staff Auditor
Marta M. Sobieszkoda, Staff Auditor
Karie A. Meisgeier, Assistant Auditor
Matthew S. Nye, Assistant Auditor
Justin A. Youngberg, Assistant Auditor
Kelsey J. Kranz, Intern Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State