



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

June 3, 2005

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$41,619,973 for the year ended June 30, 2004, which included \$2,340,707 in tax credits from the state. The County forwarded \$31,884,305 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$9,735,668 of the local tax revenue to finance County operations, a 2 percent decrease from the prior year. Other revenues included charges for service of \$1,663,497, operating grants, contributions and restricted interest of \$6,040,737, capital grants, contributions and restricted interest of \$206,991, local option sales tax of \$1,365,240, unrestricted investment earnings of \$136,081 and other general revenues of \$1,124,532.

Expenses for County operations totaled \$18,398,804, a 6 percent decrease from the prior year. Expenses included \$4,548,705 for public safety and legal services, \$3,443,844 for administration and \$3,393,481 for roads and transportation.

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

###

DES MOINES COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

Table of Contents

		Page
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	25
Notes to Financial Statements		26-37
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		40-41
Budget to GAAP Reconciliation		42
Notes to Required Supplementary Information – Budgetary Reporting		43
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	46-47
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	48-49
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	50-51
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	52-53
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	54
Schedule of Expenditures of Federal Awards	6	56-58
Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting		59-60
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance		63-64
Schedule of Findings and Questioned Costs		65-71
Staff		72

Des Moines County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Timothy E. Hoschek	Board of Supervisors	Jan 2005
David Miller	Board of Supervisors	Jan 2005
Edgar Blow	Board of Supervisors	Jan 2007
Carol S. Copeland	County Auditor	Jan 2005
Brenda A. Buck	County Treasurer	Jan 2007
Kathryn S. Waterhouse	County Recorder	Jan 2007
Mike Johnstone	County Sheriff	Jan 2005
Patrick C. Jackson	County Attorney	Jan 2007
Michael Anderson	County Assessor	Jan 2010

Des Moines County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2004, 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2004, 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 reports dated October 12, 2004 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 grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed 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 three years ended June 30, 2003 (which are not presented herein) and 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, 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

October 12, 2004

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, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 2.2%, or approximately \$461,000, from fiscal 2003 to fiscal 2004. Property tax increased approximately \$35,000, operating grants, contributions and restricted interest decreased approximately \$10,000 and capital grants, contributions and restricted interest decreased approximately \$327,000.
- Program expenses were 6.3%, or approximately \$1,231,000, less in fiscal 2004 than in fiscal 2003. Roads and transportation expense decreased approximately \$568,000.
- The County's net assets increased 12%, or approximately \$1,874,000, from June 30, 2003 to June 30, 2004.

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 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.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various 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 non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 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

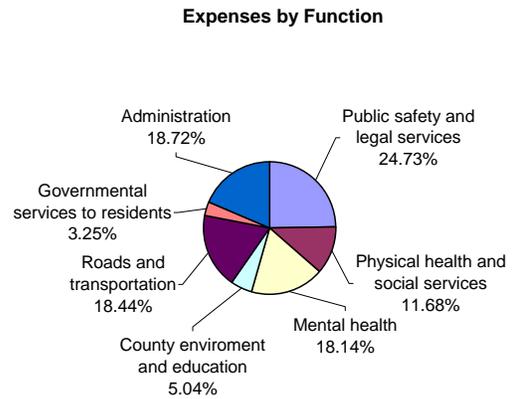
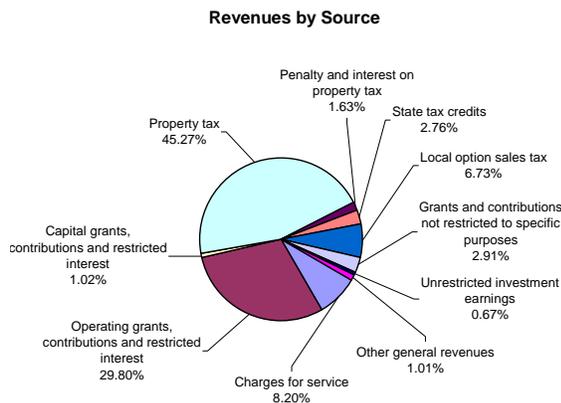
As noted earlier, net assets may serve over time as a useful indicator of financial position. Des Moines County's combined net assets increased from \$15.0 million to \$16.9 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2004	2003
Current and other assets	\$ 17,738	16,384
Capital assets	11,774	10,471
Total assets	<u>29,512</u>	<u>26,855</u>
Long-term liabilities	1,054	688
Other liabilities	11,525	11,108
Total liabilities	<u>12,579</u>	<u>11,796</u>
Net assets:		
Invested in capital assets, net of related debt	11,774	10,471
Restricted	3,660	3,555
Unrestricted	1,499	1,033
Total net assets	<u>\$ 16,933</u>	<u>15,059</u>

Net assets of Des Moines County's governmental activities increased by \$1.9 million (\$16.9 million compared to \$15.0 million). The largest portion of the County's net assets is the 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 sources 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—increased from \$1,032,915 at June 30, 2003 to \$1,499,269 at the end of this year.

This increase of \$466,354 in unrestricted net assets was a result of decreased expenditures for courthouse improvements, vehicles and equipment. The County decreased its investment in roadway equipment and road construction by \$1,060,085 from the prior year. The County has adopted a five year plan to replace aging equipment and infrastructure.

Changes in Net Assets of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2004	2003
Revenues:		
Program revenues:		
Charges for service	\$ 1,663	1,482
Operating grants, contributions and restricted interest	6,041	6,051
Capital grants, contributions and restricted interest	207	534
General revenues:		
Property tax	9,176	9,141
Penalty and interest on property tax	331	138
State tax credits	560	805
Local option sales tax	1,365	1,326
Grants and contributions not restricted to specific purposes	589	707
Unrestricted investment earnings	136	266
Other general revenues	204	283
Total revenues	<u>20,272</u>	<u>20,733</u>
Program expenses:		
Public safety and legal services	4,549	4,325
Physical health and social services	2,149	1,703
Mental health	3,338	3,700
County environment and education	927	1,039
Roads and transportation	3,393	3,961
Governmental services to residents	598	547
Administration	3,444	4,355
Total expenses	<u>18,398</u>	<u>19,630</u>
Increase in net assets	1,874	1,103
Net assets beginning of year	<u>15,059</u>	<u>13,956</u>
Net assets end of year	<u>\$ 16,933</u>	<u>15,059</u>



Des Moines County's governmental activities net assets increased by \$1,873,942 during the year. Revenues for governmental activities decreased by \$460,480 over the prior year, with property tax revenue up from the prior year by \$35,168, or less than 1 percent.

The County increased property tax rates for 2004 by an average of 1 percent. This increase raised the County's property tax revenue by \$35,168 in 2004. Based on increases in the total assessed valuation, property tax revenue is budgeted to increase by an additional \$619,206 next year.

The cost of all governmental activities this year was \$18.4 million, compared to \$19.6 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$10.5 million because some of the cost was paid by those directly benefited from the programs (\$1,663,497) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,247,728). Overall, the County's governmental activities revenues, including intergovernmental aid and fees for services, decreased in 2004 from \$8,067,193 to \$7,911,225, principally due to a decrease in grants/contributions in county environment and education. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$9,175,954 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 \$6 million, an increase of approximately \$800,00 over last year. The increase in fund balance is primarily attributable to a bond issue of \$500,000 and decreased spending. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures declined. The ending fund balance showed a modest increase of \$228,540 from the prior year to \$3,651,184.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$4,097,288, an increase of 8.2% from the prior year. The Mental Health Fund balance at year end increased by \$14,167 over the prior year to \$635,297.

- Secondary Roads Fund expenditures decreased by \$1,287,306 from the prior year, due principally to a reduction in equipment purchases. This decrease in expenditures resulted in an increase in the Secondary Roads Fund ending balance of \$738,654.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund. During the year ended June 30, 2004, the County issued \$500,000 of general obligation capital loan notes to help finance the rising cost of insurance. The proceeds from the note issue were transferred to the General Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, Des Moines County amended its budget one time. The amendment was made on May 24, 2004 and increased revenues by \$831,000 for grants and increased expenditures by \$631,596 due to grants and increased expenditures due to criminal trials.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, Des Moines County had approximately \$11.8 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 \$1,303,138, or 12%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2004	2003
Land	\$ 4,324	4,264
Construction in progress	1,099	69
Buildings and improvements	2,310	2,415
Equipment and vehicles	2,582	2,498
Infrastructure	1,459	1,225
Total	<u>\$ 11,774</u>	<u>10,471</u>
This year's major additions included (in thousands):		
Vehicles		\$ 124
Equipment		279
Computer equipment/electronics		246
Courthouse improvements		21
Residential care facility		762
Land		91
Total		<u>\$ 1,523</u>

The County had depreciation expense of \$809,551 in FY04 and total accumulated depreciation of \$6,042,536 at June 30, 2004.

The County's fiscal year 2004 capital budget included \$3,178,800 for capital projects, principally for land acquisition for roadway construction, Big Hollow lake project and Starr's Cave. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2004, Des Moines County had \$500,000 in general obligation capital loan notes outstanding compared to none at June 30, 2003. Debt increased as a result of issuing general obligation bonds for insurance.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Des Moines County's outstanding general obligation debt is significantly below its constitutional debt limit of \$56 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 BUDGETS AND RATES

Des Moines County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The County's nonagricultural employment growth has mirrored its population growth during 1999-2004, averaging per year declines of 11 percent. Unemployment in the County now stands at 5.8 percent versus 6.7 percent a year ago. This compares with the State's unemployment rate of 4.4 percent and the national rate of 5.5 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 2.7 percent for fiscal year 2004 compared with the national rate of 3 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2003-2004.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$26 million, an increase of 5.94 percent from the final 2004 budget. Property tax (benefiting from the 2004 rate increase) and grant receipts (boosted by increased State funding in several of our current programs) are expected to lead this increase. Des Moines County will use these increases in receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to increase by approximately \$1,446,000. Wage and cost-of-living adjustments, health insurance and capital projects represent the largest increases. The County has budgeted to build a new residential care facility in 2005.

If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of 2005.

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.

Des Moines County

Basic Financial Statements

Exhibit A

Des Moines County
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,111,199
Receivables:	
Property tax:	
Delinquent	84,421
Succeeding year	10,377,000
Interest and penalty on property tax	155,614
Accounts	27,146
Accrued interest	19,086
Due from other governments	754,760
Inventories	96,656
Prepaid insurance	111,851
Capital assets (net of accumulated depreciation)	<u>11,774,456</u>
Total assets	<u>29,512,189</u>
Liabilities	
Accounts payable	529,729
Salaries and benefits payable	108,908
Due to other governments	509,247
Deferred revenue:	
Succeeding year property tax	10,377,000
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	264,126
Portion due or payable after one year:	
General obligation capital loan notes	500,000
Compensated absences	<u>289,657</u>
Total liabilities	<u>12,578,667</u>
Net Assets	
Invested in capital assets	11,774,456
Restricted for:	
Supplemental levy purposes	2,037,429
Mental health purposes	634,852
Secondary roads purposes	987,359
Debt service	157
Unrestricted	<u>1,499,269</u>
Total net assets	<u>\$ 16,933,522</u>

See notes to financial statements.

Des Moines County
Statement of Activities
Year ended June 30, 2004

	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	\$ 4,548,705	450,338	704,775	350	(3,393,242)
Physical health and social services	2,149,446	323,297	1,095,377	-	(730,772)
Mental health	3,338,052	-	2,001,817	-	(1,336,235)
County environment and education	927,237	27,472	659	80,285	(818,821)
Roads and transportation	3,393,481	92,915	2,229,610	126,356	(944,600)
Governmental services to residents	598,039	588,012	-	-	(10,027)
Administration	3,443,844	181,463	8,499	-	(3,253,882)
Total	\$ 18,398,804	1,663,497	6,040,737	206,991	(10,487,579)
General Revenues:					
Property and other county tax levied for general purposes					9,175,954
Penalty and interest on property tax					331,006
State tax credits					559,714
Local option sales tax					1,365,240
Grants and contributions not restricted to specific purpose					589,253
Unrestricted investment earnings					136,081
Gain on disposal of capital assets					13,450
Miscellaneous					190,823
Total general revenues					12,361,521
Change in net assets					1,873,942
Net assets beginning of year					15,059,580
Net assets end of year					\$ 16,933,522

See notes to financial statements.

Des Moines County

Balance Sheet
Governmental Funds

June 30, 2004

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 3,355,251	1,170,523	68,052	949,523
Receivables:				
Property tax:				
Delinquent	58,992	13,192	12,237	-
Succeeding year	7,362,000	1,646,000	1,369,000	-
Interest and penalty on property tax	155,614	-	-	-
Accounts	25,331	1,045	-	770
Accrued interest	19,083	-	-	-
Due from other funds	34,285	-	-	-
Due from other governments	555,485	19,422	-	179,853
Inventories	-	-	-	96,656
Prepaid insurance	111,851	-	-	-
Total assets	\$ 11,677,892	2,850,182	1,449,289	1,226,802
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 152,683	259,444	7,854	106,868
Salaries and benefits payable	74,258	2,925	1,650	29,627
Due to other funds	-	33,440	-	845
Due to other governments	245,297	263,144	55	751
Deferred revenue:				
Succeeding year property tax	7,362,000	1,646,000	1,369,000	-
Other	192,470	9,932	10,295	-
Total liabilities	8,026,708	2,214,885	1,388,854	138,091
Fund balances:				
Reserved for:				
Supplemental levy purposes	2,082,953	-	-	-
Hawk - I medicaid administration	13,453	-	-	-
Debt service	-	-	-	-
Conservation equipment	-	-	-	-
Cemetery levy	189	-	-	-
Unreserved, reported in:				
General fund	1,554,589	-	-	-
Special revenue funds	-	635,297	60,435	1,088,711
Capital projects fund	-	-	-	-
Total fund balances	3,651,184	635,297	60,435	1,088,711
Total liabilities and fund balances	\$ 11,677,892	2,850,182	1,449,289	1,226,802

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
157	389,931	177,762	6,111,199
-	-	-	84,421
-	-	-	10,377,000
-	-	-	155,614
-	-	-	27,146
-	-	3	19,086
-	-	-	34,285
-	-	-	754,760
-	-	-	96,656
-	-	-	111,851
157	389,931	177,765	17,772,018
-	-	2,880	529,729
-	-	448	108,908
-	-	-	34,285
-	-	-	509,247
-	-	-	10,377,000
-	-	-	212,697
-	-	3,328	11,771,866
-	-	-	2,082,953
-	-	-	13,453
157	-	-	157
-	5,331	-	5,331
-	-	-	189
-	-	-	1,554,589
-	-	174,437	1,958,880
-	384,600	-	384,600
157	389,931	174,437	6,000,152
157	389,931	177,765	17,772,018

Des Moines County

Des Moines County

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

June 30, 2004

Total governmental fund balances (page 19) \$ 6,000,152

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$17,816,992 and the accumulated depreciation is \$6,042,536. 11,774,456

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 212,697

Long-term liabilities, including general obligation capital loan notes payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (1,053,783)

Net assets of governmental activities (page 16) \$ 16,933,522

See notes to financial statements.

Des Moines County

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

Year ended June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 6,844,834	1,657,565	1,378,386	682,620
Interest and penalty on property tax	182,952	-	-	-
Intergovernmental	2,886,796	2,459,412	51,071	2,310,728
Licenses and permits	41,965	-	-	1,120
Charges for service	860,045	-	-	194
Use of money and property	143,345	-	-	-
Miscellaneous	386,182	15,911	-	20,082
Total revenues	11,346,119	4,132,888	1,429,457	3,014,744
Expenditures:				
Operating:				
Public safety and legal services	4,573,586	-	11,175	-
Physical health and social services	2,137,665	-	-	-
Mental health	-	3,334,802	-	-
County environment and education	555,490	-	297,075	-
Roads and transportation	-	-	1,238	3,234,458
Governmental services to residents	594,647	-	-	-
Administration	3,550,267	-	36,849	-
Capital projects	14,329	762,486	-	502,135
Total expenditures	11,425,984	4,097,288	346,337	3,736,593
Excess (deficiency) of revenues over (under) expenditures	(79,865)	35,600	1,083,120	(721,849)
Other financing sources (uses):				
Sale of capital assets	-	-	-	13,450
Operating transfers in	517,418	-	-	1,447,053
Operating transfers out	(209,013)	(21,433)	(1,250,040)	-
General obligation capital loan notesn issued, net of \$3,858 discount	-	-	-	-
Total other financing sources (uses)	308,405	(21,433)	(1,250,040)	1,460,503
Net change in fund balances	228,540	14,167	(166,920)	738,654
Fund balances beginning of year	3,422,644	621,130	227,355	350,057
Fund balances end of year	\$ 3,651,184	635,297	60,435	1,088,711

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
-	-	-	10,563,405
-	-	-	182,952
-	-	55,984	7,763,991
-	-	-	43,085
-	-	32,445	892,684
-	-	667	144,012
-	-	-	422,175
-	-	89,096	20,012,304
-	-	-	4,584,761
-	-	-	2,137,665
-	-	-	3,334,802
-	-	-	852,565
-	-	-	3,235,696
-	-	3,051	597,698
-	-	-	3,587,116
-	12,000	88,779	1,379,729
-	12,000	91,830	19,710,032
-	(12,000)	(2,734)	302,272
-	-	-	13,450
-	12,000	-	1,976,471
(495,985)	-	-	(1,976,471)
496,142	-	-	496,142
157	12,000	-	509,592
157	-	(2,734)	811,864
-	389,931	177,171	5,188,288
157	389,931	174,437	6,000,152

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, 2004

Net change in fund balances - Total governmental funds (page 23)		\$ 811,864
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	\$ 2,010,383	
Capital assets contributed by the Iowa Department of Transportation	126,356	
Depreciation expense	<u>(809,551)</u>	1,327,188
In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources.		
		(13,450)
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		113,898
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.		
		(500,000)
Compensated absences 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.		
		<u>134,442</u>
Change in net assets of governmental activities (page 17)		<u><u>\$ 1,873,942</u></u>

See notes to financial statements.

Des Moines County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

Assets

Cash and pooled investments:	
County Treasurer	\$ 2,787,677
Other County officials	182,377
Receivables:	
Property tax:	
Delinquent	221,065
Succeeding year	31,280,000
Accounts	47,210
Special assessments:	
Current	34,071
Future	213,768
Drainage assessments:	
Current	1,881
Due from other governments	26,655
Total assets	34,794,704

Liabilities

Accounts payable	12,680
Salaries and benefits payable	3,922
Due to other governments	34,562,330
Trusts payable	179,527
Compensated absences	36,245
Total liabilities	34,794,704

Net assets	\$ -
-------------------	------

See notes to financial statements.

Des Moines County

Notes to Financial Statements

June 30, 2004

(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, Des Moines County Regional Solid Waste Commission, Des Moines County Joint E911 Service Board, South Iowa Area Crime Commission and Southeast Iowa Regional Planning Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the 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 three categories.

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions 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 special revenue funds.

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for 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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

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.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts 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. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represent remaining assessments which are payable but not yet due.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), 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
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings	20 - 50
Building improvements	20 - 50
Infrastructure	10 - 65
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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. 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, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in certain departments exceeded the amounts appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County's investments are categorized to give an indication of the level of risk assumed by the County at year end. The County's investments are all Category 1, which means the investments are insured or registered or the securities are held by the County or its agent in the County's name.

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.

The County's investments at June 30, 2004 are as follows:

Type	Fair Value
U.S. government securities	<u>\$ 503,077</u>

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue:	
	Mental Health	\$ 33,440
	Secondary Roads	845
		<u>\$ 34,285</u>

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Mental Health	\$ 21,433
	Debt Service	495,985
		<u>517,418</u>
Special Revenue:	General	197,013
Secondary Roads	Special Revenue:	
	Rural Services	1,250,040
		<u>1,447,053</u>
Capital Projects	General	<u>12,000</u>
Total		<u>\$ 1,976,471</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, 2004 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,264,229	59,954	-	4,324,183
Construction in progress	68,700	1,030,474	-	1,099,174
Total capital assets not being depreciated	<u>4,332,929</u>	<u>1,090,428</u>	<u>-</u>	<u>5,423,357</u>
Capital assets being depreciated:				
Buildings	3,676,294	11,299	-	3,687,593
Improvements other than buildings	1,083,358	9,552	-	1,092,910
Equipment and vehicles	5,518,112	755,430	(131,057)	6,142,485
Infrastructure, road network	1,224,667	245,980	-	1,470,647
Total capital assets being depreciated	<u>11,502,431</u>	<u>1,022,261</u>	<u>(131,057)</u>	<u>12,393,635</u>
Less accumulated depreciation for:				
Buildings	1,323,229	116,047	-	1,439,276
Improvements other than buildings	1,021,096	10,540	-	1,031,636
Equipment and vehicles	3,019,717	671,568	(131,057)	3,560,228
Infrastructure, road network	-	11,396	-	11,396
Total accumulated depreciation	<u>5,364,042</u>	<u>809,551</u>	<u>(131,057)</u>	<u>6,042,536</u>
Total capital assets being depreciated, net	<u>6,138,389</u>	<u>212,710</u>	<u>-</u>	<u>6,351,099</u>
Governmental activities capital assets, net	<u>\$ 10,471,318</u>	<u>1,303,138</u>	<u>-</u>	<u>11,774,456</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 200,437
Physical health and social services	30,111
Mental health	16,614
County environment and education	36,443
Roads and transportation	379,794
Governmental services to residents	341
Administration	<u>145,811</u>
Total depreciation expense - governmental activities	<u>\$ 809,551</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:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 245,297</u>
Special Revenue:		
Mental Health	Services	263,144
Rural Services	Services	55
Secondary Roads	Services	<u>751</u>
		<u>263,950</u>
Total for governmental funds		<u><u>\$ 509,247</u></u>
Agency:		
County Assessor	Collections	\$ 1,212,677
Schools		16,889,504
Community Colleges		1,073,523
Corporations		13,030,660
Auto License and Use Tax		739,399
All other		<u>1,616,567</u>
Total for agency funds		<u><u>\$ 34,562,330</u></u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	<u>General</u>		
	<u>Obligation</u>	<u>Compen-</u>	
	<u>Capital Loan</u>	<u>sated</u>	
	<u>Notes</u>	<u>Absences</u>	<u>Total</u>
Balance beginning of year	\$ -	688,225	688,225
Increases	500,000	369,381	869,381
Decreases	-	503,823	503,823
Balance end of year	<u>\$ 500,000</u>	<u>553,783</u>	<u>1,053,783</u>
Due within one year	<u>\$ -</u>	<u>264,126</u>	<u>264,126</u>

Notes Payable

A summary of the County's June 30, 2004 general obligation bonded indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2005		\$ -	-	-
2006	2.50%	110,000	28,325	138,325
2007	2.50	125,000	11,412	136,412
2008	3.00	130,000	8,288	138,288
2009	3.25	135,000	4,388	139,388
Total		\$ 500,000	52,413	552,413

During the year ended June 30, 2004, the County issued \$500,000 in general obligation notes.

(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.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$373,548, \$372,987 and \$354,264, respectively, equal to the required contributions for each year.

(9) Risk Management

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

(10) Employee Health Insurance Plan

The County, in conjunction with the City of Burlington, Iowa, the Southeast Iowa Regional Airport Authority (SIRAA) and other organizations, entered into an agreement as authorized in 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 self insured up to a stop loss amount including aggregate of 125% of established covered claims and specific coverage with a \$75,000 attachment point. Coverage from an independent insurer is maintained for losses in excess of both the individual and aggregate stop loss amounts. 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 \$700,191 at June 30, 2004. The plan had unaudited claims expense, after reinsurance reimbursement, of \$2,027,105 for the plan year ended June 30, 2004. The plan had an unaudited reserve for incurred but unpaid claims of \$134,726 at June 30, 2004.

(11) Contingent Liability

Des Moines County is one to ten participating member counties in the South Iowa Area Detention Service Agency (SIADSA) Capital Loan Note Certificate agreement. Each member county issued \$230,000 of General Obligation Capital Loan Notes on May 1, 1991 to the SIADSA which secured \$2,300,000 of Capital Loan Notes Certificates issued by SIADSA. Details of this contingent liability at June 30 2004 are as follows:

Year ending June 30,	Interest Rates	Principal	Interest
2005	7.00%	\$ 22,500	3,290
2006	7.00	24,500	1,715
Total		\$ 47,000	5,005

During the year ended June 30, 2004, \$21,000 of these bonds were retired by SIADSA.

(12) Industrial Development Revenue Bonds

The County has issued a total of \$1,000,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the County.

Des Moines County

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, 2004

	<u>Governmental Fund Types Actual</u>
Receipts:	
Property and other county tax	\$ 10,665,310
Interest and penalty on property tax	176,340
Intergovernmental	7,724,928
Licenses and permits	42,895
Charges for service	884,944
Use of money and property	194,029
Miscellaneous	420,497
Total receipts	<u>20,108,943</u>
Disbursements:	
Public safety and legal services	4,563,348
Physical health and social services	2,106,528
Mental health	4,036,361
County environment and education	848,494
Roads and transportation	3,399,919
Governmental services to residents	596,258
Administration	3,731,560
Debt service	-
Capital projects	629,559
Total disbursements	<u>19,912,027</u>
Excess (deficiency) of receipts over (under) disbursements	196,916
Other financing sources, net	<u>503,847</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	700,763
Balance beginning of year	<u>5,414,832</u>
Balance end of year	<u>\$ 6,115,595</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual Variance
10,677,168	10,677,168	(11,858)
119,610	119,610	56,730
9,497,007	10,328,007	(2,603,079)
37,400	37,400	5,495
1,613,707	1,613,707	(728,763)
282,126	282,126	(88,097)
2,209,957	2,209,957	(1,789,460)
<u>24,436,975</u>	<u>25,267,975</u>	<u>(5,159,032)</u>
4,775,875	4,890,875	327,527
2,053,850	2,503,705	397,177
4,603,191	4,603,191	566,830
1,054,262	1,054,262	205,768
3,685,000	3,685,000	285,081
743,982	743,982	147,724
4,980,689	5,047,430	1,315,870
40,739	40,739	40,739
3,178,800	3,178,800	2,549,241
<u>25,116,388</u>	<u>25,747,984</u>	<u>5,835,957</u>
(679,413)	(480,009)	676,925
16,000	16,000	487,847
(663,413)	(464,009)	1,164,772
4,415,980	4,415,980	998,852
<u>3,752,567</u>	<u>3,951,971</u>	<u>2,163,624</u>

Des Moines County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 20,108,943	(96,639)	20,012,304
Expenditures	19,912,027	(201,995)	19,710,032
Net	196,916	105,356	302,272
Other financing sources, net	503,847	5,745	509,592
Beginning fund balances	5,414,832	(226,544)	5,188,288
Ending fund balances	\$ 6,115,595	(115,443)	6,000,152

See accompanying independent auditor's report.

Des Moines County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, 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, one budget amendment increased budgeted disbursements by \$631,596. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2004, disbursements in certain departments exceeded the amounts appropriated.

Des Moines County

Other Supplementary Information

Des Moines County
 Combining Balance Sheet
 Nonmajor Special Revenue Funds

June 30, 2004

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee
Assets		
Cash and pooled investments	\$ 28,547	22,758
Accrued interest receivable	-	-
Total assets	\$ 28,547	22,758
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	\$ -	-
Salaries and benefits payable	448	-
Total liabilities	448	-
Fund equity:		
Unreserved fund balances	28,099	22,758
Total liabilities and fund equity	\$ 28,547	22,758

See accompanying independent auditor's report.

Resource Enhance- ment and Protection	Conservation Reserve	Total
41,461	84,996	177,762
3	-	3
41,464	84,996	177,765
-	2,880	2,880
-	-	448
-	2,880	3,328
41,464	82,116	174,437
41,464	84,996	177,765

Des Moines County

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

Year ended June 30, 2004

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee
Revenues:		
Intergovernmental	\$ -	-
Charges for service	9,756	22,689
Use of money and property	216	69
Total revenues	<u>9,972</u>	<u>22,758</u>
Expenditures:		
Operating:		
Governmental services to residents	3,051	-
Capital projects	-	-
Total expenditures	<u>3,051</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	6,921	22,758
Fund balances beginning of year	<u>21,178</u>	-
Fund balances end of year	<u>\$ 28,099</u>	<u>22,758</u>

See accompanying independent auditor's report.

Resource Enhance- ment and Protection	Conservation Reserve	Total
16,834	39,150	55,984
-	-	32,445
382	-	667
17,216	39,150	89,096
-	-	3,051
4,692	84,087	88,779
4,692	84,087	91,830
12,524	(44,937)	(2,734)
28,940	127,053	177,171
41,464	82,116	174,437

Des Moines County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,894	815,661	172,923
Other County officials	182,377	-	-	-
Receivables:				
Property tax:				
Delinquent	-	1,416	3,430	130,581
Succeeding year	-	177,000	428,000	16,586,000
Accounts	163	-	-	-
Special assessments:				
Current	-	-	-	-
Future	-	-	-	-
Drainage assessments:				
Current	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 182,540	180,310	1,247,091	16,889,504
Liabilities				
Accounts payable	\$ -	-	17	-
Salaries and benefits payable	-	-	2,931	-
Due to other governments	20,579	180,310	1,212,677	16,889,504
Trusts payable	161,961	-	-	-
Compensated absences	-	-	31,466	-
Total liabilities	\$ 182,540	180,310	1,247,091	16,889,504

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Drainage Districts	Other	Total
12,260	125,229	1,908	75,011	739,399	758,220	85,172	2,787,677
-	-	-	-	-	-	-	182,377
8,263	75,431	1,911	-	-	-	33	221,065
1,053,000	12,830,000	198,000	-	-	-	8,000	31,280,000
-	-	-	-	-	-	47,047	47,210
-	-	-	34,071	-	-	-	34,071
-	-	-	213,768	-	-	-	213,768
-	-	-	-	-	1,881	-	1,881
-	-	-	-	-	2,195	24,460	26,655
1,073,523	13,030,660	201,819	322,850	739,399	762,296	164,712	34,794,704
-	-	-	-	-	-	12,663	12,680
-	-	-	-	-	-	991	3,922
1,073,523	13,030,660	201,819	322,850	739,399	762,296	128,713	34,562,330
-	-	-	-	-	-	17,566	179,527
-	-	-	-	-	-	4,779	36,245
1,073,523	13,030,660	201,819	322,850	739,399	762,296	164,712	34,794,704

Des Moines County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 127,860	176,373	1,316,204	16,451,498	1,323,741
Additions:					
Property and other county tax	-	175,683	385,937	16,361,952	910,228
E911 surcharge	-	-	-	-	-
State tax credits	-	10,907	30,252	1,008,642	70,175
Office fees and collections	636,352	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	1,152,667	-	-	-	-
Miscellaneous	-	-	3,793	9,693	-
Total additions	1,789,019	186,590	419,982	17,380,287	980,403
Deductions:					
Agency remittances:					
To other funds	442,203	-	-	-	-
To other governments	198,692	182,653	489,095	16,942,281	1,230,621
Trusts paid out	1,093,444	-	-	-	-
Total deductions	1,734,339	182,653	489,095	16,942,281	1,230,621
Balances end of year	\$ 182,540	180,310	1,247,091	16,889,504	1,073,523

See accompanying independent auditor's report.

Corpora- tions	Townships	City Special Assessments	Auto License and Use Tax	Drainage Districts	Other	Total
12,402,062	257,141	368,202	704,751	672,674	186,122	33,986,628
12,081,180	179,242	-	-	-	9,090	30,103,312
-	-	-	-	-	116,658	116,658
650,149	10,587	-	-	-	281	1,780,993
-	-	-	-	-	-	636,352
-	-	-	8,396,259	-	-	8,396,259
-	-	48,568	-	443,812	-	492,380
-	-	-	-	-	-	1,152,667
1,492	-	-	-	424,183	1,189,571	1,628,732
12,732,821	189,829	48,568	8,396,259	867,995	1,315,600	44,307,353
-	-	-	266,244	-	38	708,485
12,104,223	245,151	93,920	8,095,367	778,373	392,449	40,752,825
-	-	-	-	-	944,523	2,037,967
12,104,223	245,151	93,920	8,361,611	778,373	1,337,010	43,499,277
13,030,660	201,819	322,850	739,399	762,296	164,712	34,794,704

Schedule 5

Des Moines County

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other county tax	\$ 10,563,405	10,451,910	10,019,781	9,578,849
Interest and penalty on property tax	182,952	138,048	155,753	114,588
Intergovernmental	7,763,991	8,602,070	7,187,135	7,172,472
Licenses and permits	43,085	45,752	53,179	50,965
Charges for service	892,684	894,786	810,172	739,354
Use of money and property	144,012	274,253	333,748	647,901
Fines, forfeitures and defaults	-	-	42,151	63,318
Miscellaneous	422,175	183,765	401,953	261,354
Total	<u>\$ 20,012,304</u>	<u>20,590,584</u>	<u>19,003,872</u>	<u>18,628,801</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 4,584,761	4,223,090	4,058,761	3,998,964
Physical health and social services	2,137,665	1,766,379	1,290,461	1,465,037
Mental health	3,334,802	3,786,227	3,801,057	3,856,755
County environment and education	852,565	903,868	1,146,965	1,164,678
Roads and transportation	3,235,696	3,903,168	3,326,754	4,306,066
Governmental services to residents	597,698	639,331	561,856	686,634
Administration	3,587,116	4,212,616	3,239,655	3,292,463
Capital projects	1,379,729	1,778,899	685,809	248,819
Total	<u>\$ 19,710,032</u>	<u>21,213,578</u>	<u>18,111,318</u>	<u>19,019,416</u>

See accompanying independent auditor's report.

Des Moines County

Schedule 6

Des Moines County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative			
Reimbursements:			
State Administrative Matching Grants for			
Food Stamp Program	10.561		\$ 22,734
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	02-CF-022-01	5,000
U.S. Department of Justice:			
Iowa Department of Human Rights:			
Juvenile Accountability Incentive Block Grants	16.523	19-JD01-F502	8,065
Juvenile Accountability Incentive Block Grants	16.523	19-JD02-F03	11,710
			<u>19,775</u>
Juvenile Justice and Delinquency Prevention			
Allocation to States	16.540	19-JD01-F502	443
Juvenile Justice and Delinquency Prevention			
Allocation to States	16.540	19-JD02-F03	13,132
			<u>13,575</u>
Enforcing Underage Drinking Laws Program	16.727	19-JD01-F502	5,329
Enforcing Underage Drinking Laws Program	16.727	19-JD02-F03	6,967
			<u>12,296</u>
Governor's Office of Drug Control Policy:			
Byrne Formula Grant Program	16.579	02S-B13003	642
Byrne Formula Grant Program	16.579	03A-0241	184,459
			<u>185,101</u>
Local Law Enforcement Block Grants Program	16.592	02LE-0123	8,499
Local Law Enforcement Block Grants Program	16.592	02LE-0112	1,650
			<u>10,149</u>
Iowa Division of Narcotics Enforcement:			
Edward Byrne State and Local Law Enforcement			
Discretionary Grant Program	16.580	03-hotspots-14	11,423
Iowa Department of Justice - Crime Victim Assistance Division:			
Crime Victim Assistance	16.575	VA-04-7130	14,000

Des Moines County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U. S. Department of Transportation:			
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	#03-04, Task #24	2,299
State and Community Highway Safety	20.600	#04-04, Task #24	1,706
			<u>4,005</u>
U. S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		29,677
Refugee and Entrant Assistance - State Administered Programs	93.566		98
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		5,507
Foster Care - Title IV-E	93.658		13,580
Adoption Assistance	93.659		3,611
Medical Assistance Program	93.778		29,888
Social Services Block Grant	93.667		19,506
Social Services Block Grant	93.667		216,743
			<u>236,249</u>
Iowa Department of Public Health:			
Immunization Grants	93.268	58831406	10,283
Immunization Grants	93.268	58841406	8,425
			<u>18,708</u>
Centers for Disease Control-Prevention-Investigations and Technical Assistance	93.283	5883BT31	449
Centers for Disease Control-Prevention-Investigations and Technical Assistance	93.283	5883BT206	142,321
Centers for Disease Control-Prevention-Investigations and Technical Assistance	93.283	5884BT05	238,651
Centers for Disease Control-Prevention-Investigations and Technical Assistance	93.283	5884BT11	225,688
			<u>607,109</u>
HIV Prevention Activities-Health Department Based	93.940	5883AP08	2,791
HIV Prevention Activities-Health Department Based	93.940	5884AP08	3,776
			<u>6,567</u>

Schedule 6

Des Moines County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Preventive Health and Health Services Block Grant	93.991	5883AP08	1,456
Preventive Health and Health Services Block Grant	93.991	5884AP08	203
			1,659
Maternal and Child Health Services Block Grant to the States	93.994	5882MC02	30,274
Maternal and Child Health Services Block Grant to the States	93.994	5883MC02	9,514
			39,788
Southeast Iowa Area Agency on Aging:			
Special Programs for the Aging-Title III, Part D- Disease Prevention and Health Promotion Services	93.043		8,828
U.S. Department of Homeland Security:			
Homeland Security and Emergency Management Division:			
State Domestic Preparedness Equipment Support Program	97.004		40,776
State and Local Homeland Security Training Program	97.005		838
Hazard Mitigation Grant	97.039	1367-0003	11,035
Emergency Management Performance Grants	97.042		28,770
Pre-Disaster Mitigation Grant	97.047	PDM-2002-0005	1,350
State and Local All Hazard Emergency Operations Planning	97.051		9,524
Total			\$ 1,391,620

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 on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Officials of Des Moines County:

We have audited the financial statements of Des Moines County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 12, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described 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, 2004 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. Prior year statutory comments have been resolved except for item IV-B-04.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness. Prior year reportable conditions have not been resolved and are repeated as items II-A-04 and II-B-04.

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. This report is not intended to be and should not be used by anyone other than these specified parties.

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

October 12, 2004

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

Des Moines County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Officials of Des Moines County:

Compliance

We have audited the compliance of Des Moines County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2004. Des Moines County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of 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, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 are applicable to its major federal program for the year ended June 30, 2004.

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 grants 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.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 12, 2004

Des Moines County
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 93.283 – Centers for Disease Control and Prevention-Investigations and Technical Assistance.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$500,000.
- (i) Des Moines County did qualify as a low-risk auditee.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-04 County Sheriff – In the Civil Division, one individual issues receipts, prepares deposits, records cash receipts, reconciles the bank account and prepares, signs and mails checks. Monthly reports are not reviewed by an independent person.

Also, for the jail commissary account, one individual issues receipts, prepares deposits, records cash receipts and prepares, signs and mails checks.

A listing of money and checks received through the mail is not prepared and compared with the cash receipt records by an independent person for either the civil account or the jail account.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the County Sheriff should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – The mail log is verified with the cash receipt records and deposit for the days mail by the office manager or her designee. The office manager or her designee will review and verify and initial the monthly reports.

Currently the jail administrator receives all checks. The administrative assistant then logs the checks. The checks are then signed by the jail administrator and sent to the County Treasurer's office. In regard to the commissary account, the administrative assistant prepares the checks, and the jail administrator signs the checks.

Conclusion – Response accepted.

II-B-04 County Sheriff – The County Sheriff purchased equipment and paid for office expenditures from telephone rebate proceeds and from commissary profits. These items were not reflected in the County's accounting system and have not been included in the County's annual budget or monthly financial reports.

The County Sheriff Reserve Officer's checking account included expenditures for small equipment and revenues from donations and fundraisers. These revenues and expenditures were not reflected in the County's accounting system and have not been included in the County's annual budget or financial report.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Recommendation – Telephone rebate proceeds and commissary profits should be deposited into and expended from a Special Revenue Fund to ensure purchases are properly budgeted and reflected in the County’s accounting system.

The Sheriff’s Reserve Officer’s account profits should be deposited with the County Treasurer and expenditures should be presented to the Board of Supervisors for approval and charged against the budget.

Response – The proceeds from the telephone rebate and commissary profits have been completely and accurately accounted for on a daily, weekly, and yearly basis. The profits from the inmate phone system was installed and paid for without tax dollars. The commissary profits are proceeds of items sold to inmates while in custody. In accordance with the wishes of the taxpayer, the Des Moines County Correctional Center has paid for as many items as is possible from these funds, and meets the criteria as required for commissary funds. Items purchased, when applicable, will be listed on fixed assets for record keeping and tracking.

The Sheriff’s Reserve unit has a separate checking account involving no county or county taxpayer funds. Two individuals review this account, the Sergeant of the reserve unit, as well as the Sergeant of the patrol, on a monthly basis.

Conclusion – Response acknowledged. Telephone rebate proceeds, commissary profits and the Sheriff’s Reserve Officer’s account profits should be properly recorded and budgeted as recommended.

II-C-04 County Sheriff – The Sheriff traded county vehicles in exchange for a credit with a supply and equipment vendor. These credits were later used to purchase law enforcement items without running through the County budget, appropriations, and disbursement process as required by Chapter 331.506 of the Code of Iowa and were not filed and properly audited by the Board of Supervisors before payment in accordance with Chapter 331.504(7) and (8) of the Code of Iowa.

Recommendation - The proceeds from the trading of county vehicles should be remitted to the County Treasurer for deposit and any expenditures for supplies or equipment should be charged to the appropriate expenditure account and run through the process for issuance of warrants as specified by the Code of Iowa and the Uniform Chart of Accounts for County governments in Iowa. Expenditures should be subject to budget and appropriation restraints as required by the Code of Iowa.

Response – Disposing of vehicles in this manner is a very efficient method. Trade-in value is checked with the dealer prior to being exchanged for credit. The exchange for credit figure has always been higher. All transactions between the vendor and the County are documented and all dollars received and expended are recorded and at all times a balance is available. All funds are being used for departmental needs, and invoices and expenditures will be maintained in a file. Bids between the dealer and the vendor will be maintained in the file for the auditor’s inquiries. The Board of Supervisors has also approved this method of disposing of vehicles.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Conclusion – Response acknowledged. Using vendor credits circumvents the statutory process for claims to be filed against the County, for the Board of Supervisors to review and allow or disallow claims and for claims to be paid by the County Treasurer upon presentation of warrants issued by the County Auditor. Use of vendor credits also circumvents the internal control achieved by this process through separation of responsibilities for purchasing, approval for payment and actual payment.

In addition, obtaining vendor credit instead of proceeds to be deposited in a bank restricts the County's ability to use all its resources where most needed. Since the County can benefit from the vendor credit only by purchasing goods or services from the vendor at prices established by the vendor, the County may forego more economical purchases which could be made elsewhere or purchase less essential goods and services in order to be able to use the vendor credit.

The County should not obtain vendor credits in the future and should pay for purchases through the claim and warrant process provided in Chapters 331.504, 331.506 and 331.552 of the Code of Iowa.

Des Moines County
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-04 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted in the various functions. However, disbursements in certain departments exceeded the amounts 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 increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – Although we feel it is the responsibility of the Department Head to watch their revenues and expenditures and ask for a budget amendment in a timely manner, the County Auditor will watch budget balances more closely.

Conclusion – Response accepted.

IV-C-04 Questionable Expenditures – 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-D-04 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-04 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-F-04 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of bond coverage should be periodically reviewed to ensure the coverage is adequate for current operations.

IV-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed session on June 22, 2004 to discuss matters relating to the County. The minutes record did not comply with the requirements of Chapter 21.5(2) of the Code of Iowa.

Recommendation – The Board of Supervisors should ensure all closed meetings comply with Chapter 21 of the Code of Iowa.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Response – This instance occurred because the personnel matter was on the agenda as a work session. One of the Board Members asked to move it forward before they took action on raises for the CPC and her employees. In the future, I will try to maintain control of the Board's procedures.

Conclusion – Response accepted.

IV-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-I-04 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-J-04 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.

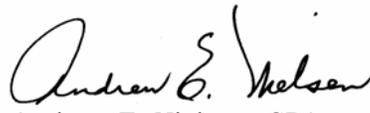
Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

Des Moines County

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Richard C. Brown, CGFM, Senior Auditor
Karen L. Brustkern, CPA, Senior Auditor
Daniel L. Grady, Assistant Auditor
Jedd D. Moore, Assistant Auditor
Donald N. Miksch, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State