



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

January 29, 2004

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

The County has implemented new reporting standards for the year ended June 30, 2003, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$42,946,920 for the year ended June 30, 2003, which included \$3,479,720 in tax credits from the state. The County forwarded \$33,001,522 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$9,945,398 of the local tax revenue to finance County operations. Other revenues included program revenues of \$8,067,193, \$1,325,959 in local option sales tax and \$265,697 in interest on investments.

Expenses for County operations totaled \$19,629,708, including \$4,352,115 for administration, \$4,324,927 for public safety and legal services and \$3,960,609 for roads and transportation.

The report contains recommendations to the Board of Supervisors and other County officials. For example, the County Sheriff should deposit telephone rebate proceeds into a Special Revenue Fund to ensure purchases are properly budgeted and reflected in the County's accounting system. Depositing revenues with the County Treasurer and expending resources with County warrants, after Board approval, provides for stronger segregation of duties and helps ensure all public funds are spent for the purpose for which they were received. The County's responses are included in the audit report.

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

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DES MOINES COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

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Des Moines County
Officials
(Before January 2003)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ben Diewold	Board of Supervisors	Jan 2003
Timothy Hoschek	Board of Supervisors	Jan 2005
David Miller	Board of Supervisors	Jan 2005
Carol S. Copeland	County Auditor	Jan 2005
Patricia A. Bean	County Treasurer	Jan 2003
Anita Conwell-Kohl	County Recorder	Jan 2003
Mike Johnstone	County Sheriff	Jan 2005
Patrick C. Jackson	County Attorney	Jan 2003
Michael Anderson	County Assessor	Jan 2004

(After January 2003)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Timothy 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 2004

Des Moines County



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Independent Auditor's Report

To the Officials of Des Moines County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Des Moines County, Iowa, as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic 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 that 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, 2003, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12 to the financial statements, during the year ended June 30, 2003, Des Moines County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated November 5, 2003 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 38 through 41, respectively, 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 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, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The 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

November 5, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) for Des Moines County provides an overview of the County's Financial activities for the fiscal year ended June 30, 2003. Since this is the first year that requires all activities to be reported on a full accrual basis, a comparison to the prior year is not possible. Efforts have been made to provide a comparison to prior year data when such data is available. In subsequent years comparison to prior year data will be provided for all key financial information.

2003 FINANCIAL HIGHLIGHTS

- The County had total expenses of \$19.6 million, which was an increase compared to the previous year. The Board of Supervisors responded to these increases by requesting that all departments keep their spending to a minimum and using a portion of the unreserved fund balance.
- Total revenues for the year were \$20.7 million, an increase of approximately \$1.7 million, a 9.1% increase.
- The June 30, 2003 net assets were \$15.1 million, which represents an increase of \$1.1 million over the prior year amount, a 7.9% increase.
- The County continued to implement a geographic information system (GIS).
- The County purchased land and equipment for the construction of a new care facility.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of Des Moines County.

The Statement of Net Assets and the Statement of Activities are government-wide financial statements that provide both short-term and long-term information about the County's overall financial status.

The governmental funds statements explain how basic services were financed in the short term as well as what remains for future spending.

Fiduciary funds statements provide information about the financial relationships in which Des Moines County acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year.

Supplementary information provides detailed information about the nonmajor special revenue and agency funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY AS A WHOLE

Government-Wide Statements (Statement of Net Assets and Statement of Activities)

The Government-wide statements report information about the County as a whole and about its activities in a way that helps answer the question “Is the County as a whole better off or worse off as a result of this year’s activities?” These statements include all assets and liabilities using the accrual basis of accounting. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County’s net assets and changes in them. You can think of the County’s net assets (the difference between assets and liabilities) as one way to measure the County’s financial health, or financial position. Over time, increases or decreases in the County’s net assets are one indicator of whether its financial health is improving or deteriorating. You will also need to consider other nonfinancial factors, such as changes in the County’s property tax base and the condition of the County’s roads (to name a few), to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, the County’s governmental activities are displayed. These 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
- Non-program

Property tax and state and federal grants finance most of these activities.

REPORTING THE COUNTY’S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County establishes many other funds to help it control and manage money for particular purposes.

1) Governmental funds - Most of the County’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County’s general government 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 financial statements required for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

The County's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Funds.

2) Fiduciary funds - The County is the trustee, or fiduciary, for assets that belong to others, such as Drainage Districts, Emergency Management Services, E911, and County Assessor.

The County is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The County excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The financial statement required 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.

FINANCIAL ANALYSIS OF DES MOINES COUNTY AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of financial position. Des Moines County's net assets for fiscal year 2003 totaled just over \$15 million.

<u>Net Assets of Governmental Activities</u>	
	<u>June 30, 2003</u>
Current and other assets	\$ 16,383,776
Capital assets	10,471,318
Total assets	<u>26,855,094</u>
Long-term liabilities	421,775
Other liabilities	11,373,739
Total liabilities	<u>11,795,514</u>
Net assets:	
Invested in capital assets	10,471,318
Restricted	3,555,347
Unrestricted	1,032,915
Total net assets	<u>\$ 15,059,580</u>

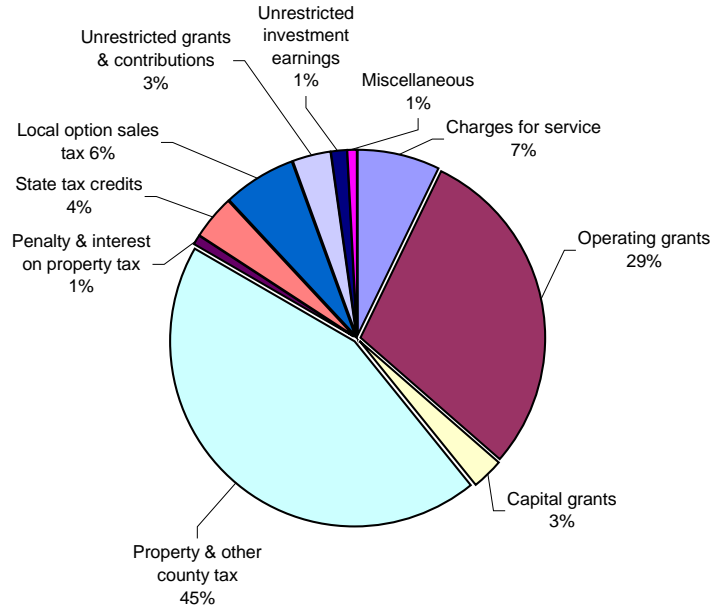
Due to changes in Des Moines County's Financial Reporting Policy, there is not a complete comparison to the previous fiscal year. However, net assets increased \$1,103,518, or 7.9%. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling 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, is \$1,032,915.

Changes in Net Assets of Governmental Activities

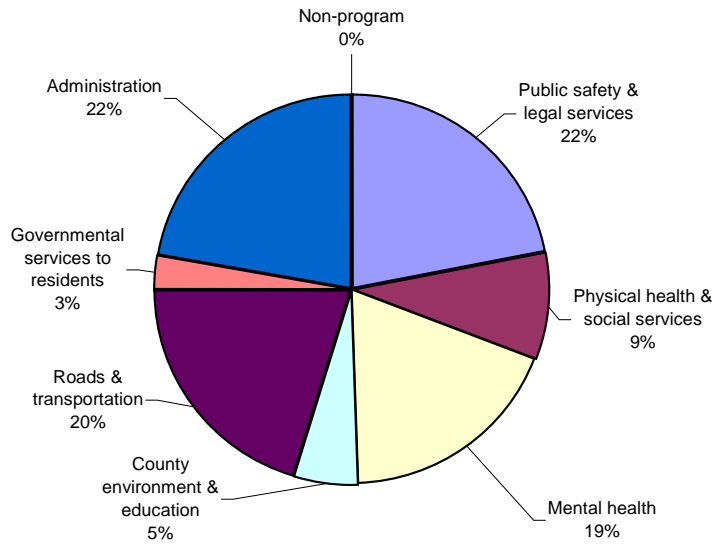
	Year Ended June 30, 2003
Revenues:	
Program revenues:	
Charges for service	\$ 1,482,251
Operating grants, contributions & restricted interest	6,051,000
Capital grants, contributions & restricted interest	533,942
General revenues:	
Property & other county tax	9,140,786
Penalty & interest on property tax	138,048
State tax credits	804,612
Local option sales tax	1,325,959
Grants & contributions not restricted to specific purpose	706,857
Unrestricted investment earnings	265,697
Miscellaneous	156,268
Gain on sale of assets	127,806
Total revenues	20,733,226
Program expenses:	
Public safety & legal services	4,324,927
Physical health & social services	1,702,855
Mental health	3,699,662
County environment & education	1,038,890
Roads & transportation	3,960,609
Governmental services to residents	547,112
Administration	4,352,115
Non-program	3,538
Total expenses	19,629,708
Increase in net assets	1,103,518
Net assets beginning of year, as restated	13,956,062
Net assets end of year	\$ 15,059,580

Des Moines County increased property tax rates by \$.11 per \$1,000 of valuation in the rural levy and \$.02 per \$1,000 of valuation in the urban levy. Taxable valuations increased in the rural area by \$4,051,594. Urban taxable valuations increased by \$5,187,720.

Total Revenues
Year ended June 30, 2003



Total Expenses
Year ended June 30, 2003



Governmental Activities

Revenues for the County's governmental activities increased 9.1%. Local option sales tax revenue decreased \$48,092. State/federal pass-thru revenues decreased \$371,580. Utility replacement tax increased \$45,584. State grants and reimbursements increased \$473,144. Actions taken by the County include an increase in charges for service, which generated \$84,614 of additional revenue over the previous year, and a request by the Board of Supervisors to Department Heads to stay within or below their budgeted expenditure limit.

The following table presents the net cost of the County's major governmental activities:

NET COST OF GOVERNMENTAL ACTIVITIES (EXPENSES LESS PROGRAM REVENUES)

Public safety & legal services	\$ 3,185,215
Physical health & social services	648,157
Mental health	1,666,390
County environment & education	477,714
Roads & transportation	1,782,908
Governmental services to residents	(1,917)
Administration	3,800,510
Non-program	<u>3,538</u>
Total net cost	<u>\$ 11,562,515</u>

The cost of all governmental activities this year was \$19,629,708. The portion of the cost paid by users of the County's programs was \$1,482,251. Federal and state governments and private contributions subsidized certain programs with grants and contributions totaling \$6,584,942.

The net cost portion of governmental activities was financed with \$9,140,786 in property and other county tax, \$804,612 in state tax credits, \$1,325,959 in local option sales tax, \$706,857 in unrestricted grants and contributions, \$265,697 in unrestricted investment earnings and \$156,268 in miscellaneous revenue.

FINANCIAL ANALYSIS OF THE COUNTY'S INDIVIDUAL FUNDS

At the end of the year, its governmental funds reported combined fund balances of \$5,188,288, a decrease from the previous year of \$708,119.

The General Fund balance decreased by \$446,760 from the previous year, ending with a balance of \$3,422,644. Several projects were expended from this fund, including GIS and the FEMA buy-out project. Health insurance premiums increased by approximately 10%.

The Special Revenue Funds (Mental Health, Rural Services, Secondary Roads, Other) balance decreased by \$436,095, ending with a balance of \$1,375,713. The Mental Health Fund balance increased by \$546,042. The Secondary Roads Fund balance decreased by \$873,178.

The Capital Projects Fund balance increased by \$174,736, leaving it with an ending fund balance of \$389,931.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the County annually adopts a budget following required public notice and hearing for all funds, except for agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The County's certified budget is prepared on the cash basis. Over the course of the year, the County amended its certified budget one time, as follows:

The January 28, 2003 amendment increased revenues in intergovernmental by \$382,507 for grants/reimbursements for bio-terrorism, criminal prosecution, narcotics task force, immunizations and GIS software. The budget for expenditures increased by \$408,501, and included the following: County Recorder's Record Management increased \$20,000 for equipment. This fund had a sufficient fund balance to cover this expenditure. However, it was not previously budgeted. The budget for public safety and legal services increased \$60,662, and included \$51,662 for criminal prosecution and \$9,000 for narcotics task force. The budget for physical health and social services increased \$327,839, and included \$292,063 for bio-terrorism, \$15,766 for immunizations and \$20,010 for data processing equipment. The expenditures for bio-terrorism were reimbursed through a grant. The immunizations were reimbursed from medicare and \$5,800 of the data processing equipment was covered by a GIS grant.

Intergovernmental revenues were budgeted for \$10.0 million but came in at \$8.4 million (17% below budget). For expenditures, mental health budgeted \$4.8 million and the actual expenditures totaled \$3.6 million. Roads & transportation budgeted \$3.8 million and spent \$3.8 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2003, the County had \$15.8 million invested in a broad range of capital assets, including land, buildings, computers and audio-visual equipment, transportation equipment and infrastructure. This is a net increase of approximately \$1.9 million from the prior year. Depreciation expense for the year was \$714,847.

Significant additions included FEMA buy-out properties totaling \$477,278. The Mental Health Fund purchased two vans for transporting clients and land and equipment for the new care facility totaling \$206,800. The Secondary Roads Fund purchased three vehicles, two motor graders, a uniloader and mowers totaling approximately \$559,000. The Sheriff purchased five public safety vehicles totaling \$76,200.

More detailed information about the County's capital assets is presented in note 4 to the financial statements.

Debt

At June 30, 2003, the County did not have any long-term debt and/or bonded indebtedness.

FACTORS BEARING ON THE COUNTY'S FUTURE

At the time these financial statements were prepared and audited, the County was aware of several existing circumstances that could significantly affect its financial health in the future:

- Loss of growth revenue due to tax increment financing districts.
- The elimination of the machinery and equipment reimbursement from the state.
- Increased roll-backs on residential properties.
- Construction of the new care facility.
- Transfer of jurisdiction of Highways 79, 99 and 406.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Des Moines County's citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carol Copeland, Des Moines County Auditor, 513 N. Main St., Burlington, IA 52601.

Exhibit A

Des Moines County
Statement of Net Assets
June 30, 2003

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 5,414,832
Receivables:	
Property tax:	
Delinquent	89,733
Succeeding year	9,757,000
Interest and penalty on property tax	948
Accounts	56,119
Accrued interest	69,329
Due from other governments	830,938
Inventories	77,294
Prepaid insurance	87,583
Capital assets (net of accumulated depreciation) (note 4)	<u>10,471,318</u>
Total assets	<u>26,855,094</u>
Liabilities	
Accounts payable	937,068
Salaries and benefits payable	56,170
Due to other governments	346,451
Deferred revenue:	
Succeeding year property tax	9,757,000
Other	10,600
Long-term liabilities (note 6):	
Portion due or payable within one year:	
Compensated absences	266,449
Portion due or payable after one year:	
Compensated absences	<u>421,776</u>
Total liabilities	<u>11,795,514</u>
Net Assets	
Invested in capital assets	10,471,318
Restricted for:	
Supplemental levy purposes	2,520,609
Mental health purposes	614,074
Secondary roads purposes	243,493
Other purposes	177,171
Unrestricted	<u>1,032,915</u>
Total net assets	<u>\$ 15,059,580</u>

See notes to financial statements.

Des Moines County
Statement of Activities
Year ended June 30, 2003

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions / Programs:					
Governmental activities:					
Public safety and legal services	\$ 4,324,927	471,727	667,985	-	(3,185,215)
Physical health and social services	1,702,855	145,289	909,409	-	(648,157)
Mental health	3,699,662	4,152	2,029,120	-	(1,666,390)
County environment and education	1,038,890	29,198	536	531,442	(477,714)
Roads and transportation	3,960,609	13,043	2,164,658	-	(1,782,908)
Governmental services to residents	547,112	549,029	-	-	1,917
Administration	4,352,115	269,813	279,292	2,500	(3,800,510)
Non-program	3,538	-	-	-	(3,538)
Total	\$ 19,629,708	1,482,251	6,051,000	533,942	(11,562,515)
General Revenues:					
Property and other county tax levied for general purposes					9,140,786
Penalty and interest on property tax					138,048
State tax credits					804,612
Local option sales tax					1,325,959
Grants and contributions not restricted to specific purpose					706,857
Unrestricted investment earnings					265,697
Miscellaneous					156,268
Gain on sale of assets					127,806
Total general revenues					12,666,033
Change in net assets					1,103,518
Net assets beginning of year, as restated (note 12)					13,956,062
Net assets end of year					\$ 15,059,580

See notes to financial statements.

Des Moines County

Balance Sheet
Governmental Funds

June 30, 2003

	General	Special Revenue	
		Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 3,163,354	1,118,868	208,284
Receivables:			
Property tax:			
Delinquent	64,845	16,973	7,915
Succeeding year	6,528,000	2,176,000	1,053,000
Interest and penalty on property tax	948	-	-
Accounts	48,701	-	-
Accrued interest	69,323	-	-
Due from other governments	600,988	-	23,726
Inventories	-	-	-
Prepaid insurance	87,583	-	-
Total assets	\$ 10,563,742	3,311,841	1,292,925
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 360,712	294,527	4,379
Salaries and benefits payable	34,317	873	423
Due to other governments	143,723	202,626	-
Deferred revenue:			
Succeeding year property tax	6,528,000	2,176,000	1,053,000
Other	74,346	16,685	7,768
Total liabilities	7,141,098	2,690,711	1,065,570
Fund balances:			
Reserved for:			
Inventories	-	-	-
Prepaid insurance	87,583	-	-
Supplemental levy purposes	2,576,291	-	-
Hawk - I medicaid administration	13,378	-	-
Conservation equipment	-	-	-
Unreserved, reported in:			
General fund	745,392	-	-
Special revenue funds	-	621,130	227,355
Capital projects fund	-	-	-
Total fund balances	3,422,644	621,130	227,355
Total liabilities and fund balances	\$ 10,563,742	3,311,841	1,292,925

See notes to financial statements.

Secondary Roads	Capital Projects	Nonmajor Special Revenue	Total
340,926	389,931	193,469	5,414,832
-	-	-	89,733
-	-	-	9,757,000
-	-	-	948
7,418	-	-	56,119
-	-	6	69,329
206,224	-	-	830,938
77,294	-	-	77,294
-	-	-	87,583
631,862	389,931	193,475	16,383,776
261,182	-	16,268	937,068
20,557	-	-	56,170
66	-	36	346,451
-	-	-	9,757,000
-	-	-	98,799
281,805	-	16,304	11,195,488
77,294	-	-	77,294
-	-	-	87,583
-	-	-	2,576,291
-	-	-	13,378
-	5,331	-	5,331
-	-	-	745,392
272,763	-	177,171	1,298,419
-	384,600	-	384,600
350,057	389,931	177,171	5,188,288
631,862	389,931	193,475	16,383,776

Des Moines County

Des Moines County

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

June 30, 2003

Total governmental fund balances (page 17) \$ 5,188,288

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 \$15,835,360 and the accumulated depreciation is \$5,364,042. 10,471,318

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 88,199

Long-term compensated absences payable are not due and payable in the current period and, therefore, are not reported in the funds. (688,225)

Net assets of governmental activities (page 15) \$ 15,059,580

See notes to financial statements.

Des Moines County

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

Year ended June 30, 2003

	Special Revenue		
	General	Mental Health	Rural Service
Revenues:			
Property and other county tax	\$ 6,771,208	1,666,750	1,350,972
Interest and penalty on property tax	138,048	-	-
Intergovernmental	3,707,570	2,661,285	59,445
Licenses and permits	44,717	-	-
Charges for service	879,160	4,152	-
Use of money and property	272,920	-	-
Miscellaneous	158,993	82	-
Total revenues	11,972,616	4,332,269	1,410,417
Expenditures:			
Operating:			
Public safety and legal services	4,223,090	-	-
Physical health and social services	1,766,379	-	-
Mental health	-	3,786,227	-
County environment and education	620,799	-	283,069
Roads and transportation	-	-	-
Governmental services to residents	593,962	-	-
Administration	4,157,741	-	54,875
Capital projects	529,937	-	-
Total expenditures	11,891,908	3,786,227	337,944
Excess (deficiency) of revenues over (under) expenditures	80,708	546,042	1,072,473
Other financing sources (uses):			
Sale of capital assets	2,526	-	-
Operating transfers in	-	-	-
Operating transfers out	(530,420)	-	(1,188,159)
Total other financing sources (uses)	(527,894)	-	(1,188,159)
Net change in fund balances	(447,186)	546,042	(115,686)
Fund balances beginning of year, as restated (note 12)	3,869,404	75,088	343,041
Increase (decrease) in reserve for:			
Inventories	-	-	-
Prepaid insurance	426	-	-
Fund balances end of year	\$ 3,422,644	621,130	227,355

See notes to financial statements.

Secondary Roads	Capital Projects	Nonmajor Special Revenue	Total
662,980	-	-	10,451,910
-	-	-	138,048
2,165,746	-	8,024	8,602,070
1,035	-	-	45,752
368	-	11,106	894,786
-	-	1,333	274,253
24,690	-	-	183,765
2,854,819	-	20,463	20,590,584
-	-	-	4,223,090
-	-	-	1,766,379
-	-	-	3,786,227
-	-	-	903,868
3,903,168	-	-	3,903,168
-	-	45,369	639,331
-	-	-	4,212,616
1,120,731	9,864	118,367	1,778,899
5,023,899	9,864	163,736	21,213,578
(2,169,080)	(9,864)	(143,273)	(622,994)
47,335	-	-	49,861
1,383,979	184,600	150,000	1,718,579
-	-	-	(1,718,579)
1,431,314	184,600	150,000	49,861
(737,766)	174,736	6,727	(573,133)
1,223,235	215,195	170,444	5,896,407
(135,412)	-	-	(135,412)
-	-	-	426
350,057	389,931	177,171	5,188,288

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, 2003

Net change in fund balances - Total governmental funds (page 21) \$ (573,133)

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

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

Expenditures for capital assets	\$ 2,495,604	
Depreciation expense	<u>(714,847)</u>	1,780,757

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.	77,945
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Because some property tax revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.	14,837
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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.	(61,903)
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Prepaid insurance and inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenses in the period the corresponding net asset is exhausted.	<u>(134,985)</u>
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Change in net assets of governmental activities (page 15) \$ 1,103,518

See notes to financial statements.

Des Moines County
Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2003

Assets

Cash and pooled investments:	
County Treasurer	\$ 2,780,144
Other County officials	126,674
Receivables:	
Property tax:	
Delinquent	347,885
Succeeding year	30,340,000
Accounts	31,906
Special assessments:	
Current	86,472
Delinquent	251,828
Drainage assessments:	
Current	1,671
Delinquent	9,473
Due from other governments	10,575
Total assets	<u>33,986,628</u>

Liabilities

Accounts payable	5,334
Salaries and benefits payable	1,257
Due to other governments	33,844,792
Trusts payable	102,749
Compensated absences	32,496
Total liabilities	<u>33,986,628</u>

Net assets \$ -

See notes to financial statements.

Des Moines County

Notes to Financial Statements

June 30, 2003

(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 that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that are 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues that are 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 expenses, the fixed charges and the capital improvement costs that are 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 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. The government-wide financial statements are reported using 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, compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

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 sheets:

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 that 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, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2002.

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.

Special Assessments Receivable – Special assessments receivable represent the amounts already assessed to individuals for work done which benefit their property. These assessments are payable by individuals in not less than ten nor more than twenty 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 are due and payable but have 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. Drainage assessments receivable represent assessments which are due and payable 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 that certain transactions between funds had not been paid or received as of June 30, 2003, 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. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

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.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

Property and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
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 represent 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 receivables and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is paid at 50% upon retirement if the retirees meet 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 that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2003, disbursements exceeded the amounts budgeted in the capital projects function and disbursements in certain departments exceeded the amounts appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2003 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 that 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, 2003 are as follows:

<u>Type</u>	<u>Fair Value</u>
U.S. government securities	<u>\$435,108</u>

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2003 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 195,820
	Special Revenue:	
	Rural Services	<u>1,188,159</u>
		<u>1,383,979</u>
Capital Projects:		
Courthouse Improvement	General	184,600
Nonmajor Special Revenue:		
Conservation Equipment Reserve	General	<u>150,000</u>
Total		<u>\$ 1,718,579</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2003 was as follows:

	Balance Beginning of Year (as restated, note 12)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,715,452	548,777	-	4,264,229
Construction in progress	-	68,700	-	68,700
Total capital assets not being depreciated	<u>3,715,452</u>	<u>617,477</u>	<u>-</u>	<u>4,332,929</u>
Capital assets being depreciated:				
Buildings	3,655,544	20,750	-	3,676,294
Improvements other than buildings	1,083,358	-	-	1,083,358
Machinery and equipment	5,084,442	890,735	(457,065)	5,518,112
Infrastructure, road network	103,935	1,120,732	-	1,224,667
Total capital assets being depreciated	<u>9,927,279</u>	<u>2,032,217</u>	<u>(457,065)</u>	<u>11,502,431</u>
Less accumulated depreciation for:				
Buildings	1,208,312	114,917	-	1,323,229
Improvements other than buildings	1,011,033	10,063	-	1,021,096
Machinery and equipment	2,810,771	589,867	(380,921)	3,019,717
Total accumulated depreciation	<u>5,030,116</u>	<u>714,847</u>	<u>(380,921)</u>	<u>5,364,042</u>
Total capital assets being depreciated, net	<u>4,897,163</u>	<u>1,317,370</u>	<u>(76,144)</u>	<u>6,138,389</u>
Governmental activities capital assets, net	<u>\$ 8,612,615</u>	<u>1,934,847</u>	<u>(76,144)</u>	<u>10,471,318</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 181,585
Physical health and social services	30,134
Mental health	19,161
County environment and education	34,390
Roads and transportation	362,312
Governmental services to residents	341
Administration	83,386
Non-program	<u>3,538</u>
Total depreciation expense - governmental activities	<u>\$ 714,847</u>

As permitted by U.S. generally accepted accounting principles, the County will add prior year road infrastructure during the next four years.

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 143,723
Special Revenue:		
Mental Health	Services	202,626
Secondary Roads	Services	66
		<u>202,692</u>
Nonmajor Special Revenue:		
County Recorder's Records Management	Services	36
		<u>36</u>
Total for governmental funds		<u>\$ 346,451</u>
Agency:		
County Assessor	Collections	\$ 1,288,191
Schools		16,451,498
Community Colleges		1,323,741
Corporations		12,402,062
Auto License and Use Tax		704,751
Drainage Districts		672,674
All other		1,001,875
		<u>1,001,875</u>
Total for agency funds		<u>\$ 33,844,792</u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2003 is as follows:

	Compensated Absences
Balance beginning of year, as restated (note 12)	\$ 626,322
Increase	412,744
Decreases	350,841
	<u>688,225</u>
Balance end of year	\$ 688,225
	<u>266,449</u>
Due within one year	\$ 266,449

(7) 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 are 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$372,987, \$354,264, and \$337,276, respectively, equal to the required contributions for each year.

(8) 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, 2003 are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest
2004	6.90%	\$ 21,000	4,739
2005	7.00	22,500	3,290
2006	7.00	24,500	1,715
Total		\$ 68,000	9,744

During the year ended June 30, 2003, \$19,500 of these bonds were retired by SIADSA.

(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) Des Moines County/City of Burlington Health Care 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, the Waterworks, and SIRRA, and the other 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 \$625,860 at June 30, 2003. The plan had unaudited claims expense, after reinsurance reimbursement, of \$3,869,555 for the plan year ended June 30, 2003. The plan had an unaudited reserve for incurred but unpaid claims of \$564,572 at June 30, 2003.

(11) Industrial Development Revenue Bonds

The County has issued a total of \$1,000,000 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.

(12) Accounting Change

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2003. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

The Capital Project, Capital Loan Notes Fund reported in previous years was eliminated at July 1, 2002. The fund included \$15,000 held by SIADSA for the County. However, SIADSA will not be refunding the \$15,000 to the County because the \$15,000 has been or will be used for paying the indebtedness.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented during the year ended June 30, 2003. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor special revenue funds are presented in total in one column.

The government-wide financial statements report the County’s governmental activities. Beginning net assets for governmental activities has been restated to include capital assets and the changes in assets and liabilities at July 1, 2002 resulting from the conversion to the accrual basis of accounting.

The County also revised its capital assets capitalization policy. The threshold for capitalizing capital assets except for infrastructure increased to \$5,000. These result in a restatement of the beginning balances as follows:

	<u>Total</u>
Net assets, June 30, 2002, as previously reported	\$ 5,883,646
GASB Interpretation 6 adjustments	27,761
Elimination of Capital Projects, Capital Loan Notes Fund	<u>(15,000)</u>
Net assets, July 1, 2002, as restated for governmental funds	5,896,407
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$5,030,116	8,612,615
Change in long-term liabilities	(626,322)
Change in deferral of long-term assets	<u>73,362</u>
Net assets, July 1, 2002, as restated	<u>\$ 13,956,062</u>

As a result of the new capitalization policy, the recording of depreciation and other corrections, the beginning balance for capital assets and accumulated depreciation have been restated, as follows:

	Balance Beginning of Year	Adjustments	Restated Balance	Accumulated Depreciation at June 30, 2002
Land	\$ 2,897,168	818,284	3,715,452	-
Buildings	5,902,179	(2,246,635)	3,655,544	1,208,312
Improvements other than buildings	-	1,083,358	1,083,358	1,011,033
Furniture and equipment	8,447,200	(3,362,758)	5,084,442	2,810,771
Infrastructure	-	103,935	103,935	-
Total	\$ 17,246,547	(3,603,816)	13,642,731	5,030,116

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, 2003

	Governmental Fund Types Actual
Receipts:	
Property and other county tax	\$ 10,453,423
Interest and penalty on property tax	150,298
Intergovernmental	8,354,778
Licenses and permits	45,237
Charges for service	978,617
Use of money and property	284,543
Miscellaneous	177,957
Total receipts	20,444,853
Disbursements:	
Public safety and legal services	4,159,357
Physical health and social services	1,591,765
Mental health	3,582,127
County environment and education	923,995
Roads and transportation	3,758,340
Governmental services to residents	635,410
Administration	4,104,339
Debt service	-
Capital projects	1,887,465
Total disbursements	20,642,798
Deficiency of receipts under disbursements	(197,945)
Other financing sources, net	49,861
Deficiency of receipts and other financing sources under disbursements and other financing uses	(148,084)
Balance beginning of year	5,562,916
Balance end of year	\$ 5,414,832

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to Actual Vairance
<u>Original</u>	<u>Final</u>	
10,427,011	10,427,011	26,412
101,500	101,500	48,798
9,644,922	10,027,429	(1,672,651)
39,600	39,600	5,637
743,740	743,740	234,877
339,655	339,655	(55,112)
462,470	462,470	(284,513)
<u>21,758,898</u>	<u>22,141,405</u>	<u>(1,696,552)</u>
4,585,935	4,646,597	487,240
1,737,423	2,065,262	473,497
4,789,139	4,789,139	1,207,012
967,325	967,325	43,330
3,800,000	3,800,000	41,660
679,516	699,516	64,106
4,711,771	4,711,771	607,432
40,616	40,616	40,616
692,550	692,550	(1,194,915)
<u>22,004,275</u>	<u>22,412,776</u>	<u>1,769,978</u>
(245,377)	(271,371)	73,426
6,000	6,000	43,861
(239,377)	(265,371)	117,287
<u>3,692,974</u>	<u>3,692,974</u>	<u>1,869,942</u>
<u>3,453,597</u>	<u>3,427,603</u>	<u>1,987,229</u>

Des Moines County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2003

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 20,444,853	145,731	20,590,584
Expenditures	20,642,798	570,780	21,213,578
Net	(197,945)	(425,049)	(622,994)
Other financing sources	49,861	-	49,861
Beginning fund balances	5,562,916	333,491	5,896,407
Increase (decrease) in reserve for:			-
Inventories	-	(135,412)	(135,412)
Prepaid insurance	-	426	426
Ending fund balances	\$ 5,414,832	(226,544)	5,188,288

See accompanying independent auditor's report.

Des Moines County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2003

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 or fund type. 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, special revenue funds, and capital projects funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$408,501. This 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, 2003, disbursements exceeded the amounts budgeted in the capital projects function and disbursements in certain departments exceeded the amounts appropriated.

Des Moines County

Other Supplementary Information

Schedule 1

Des Moines County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2003

	County Recorder's Records Management	Resource Enhance- ment and Protection	Conservation Reserve	Total
Assets				
Cash and pooled investments	\$ 21,982	28,934	142,553	193,469
Accrued interest receivable	-	6	-	6
Total assets	\$ 21,982	28,940	142,553	193,475
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 768	-	15,500	16,268
Due to other governments	36	-	-	36
Total liabilities	804	-	15,500	16,304
Fund equity:				
Unreserved fund balances	21,178	28,940	127,053	177,171
Total liabilities and fund equity	\$ 21,982	28,940	142,553	193,475

See accompanying independent auditor's report.

Des Moines County

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

Year ended June 30, 2003

	County Recorder's Records Management	Resource Enhance- ment and Protection	Conservation Reserve	Total
Revenues:				
Intergovernmental	\$ -	348	7,676	8,024
Charges for service	11,106	-	-	11,106
Use of money and property	654	679	-	1,333
Total revenues	11,760	1,027	7,676	20,463
Expenditures:				
Operating:				
Governmental services to residents	45,369	-	-	45,369
Capital projects	-	9,878	108,489	118,367
Total expenditures	45,369	9,878	108,489	163,736
Deficiency of revenues under expenditures	(33,609)	(8,851)	(100,813)	(143,273)
Other financing sources:				
Operating transfers in	-	-	150,000	150,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(33,609)	(8,851)	49,187	6,727
Fund balances beginning of year	54,787	37,791	77,866	170,444
Fund balances end of year	\$ 21,178	28,940	127,053	177,171

See accompanying independent auditor's report.

Des Moines County

Combining Schedule of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2003

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	-	-	2,619
Other County officials	55,544	23,918	47,212	-
Receivables:				
Property tax:				
Delinquent	-	-	-	1,754
Succeeding year	-	-	-	172,000
Accounts	-	1,186	-	-
Special assessments:				
Current	-	-	-	-
Future	-	-	-	-
Drainage assessments:				
Current	-	-	-	-
Future	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 55,544	25,104	47,212	176,373
Liabilities				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	25,104	7	176,373
Trusts payable	55,544	-	47,205	-
Compensated absences	-	-	-	-
Total liabilities	\$ 55,544	25,104	47,212	176,373

County Assessor	Schools	Community Colleges	Corporations	Townships	State General Fund
796,338	243,982	18,977	174,318	3,280	-
-	-	-	-	-	-
4,866	161,339	11,764	166,256	1,861	-
515,000	16,043,000	1,293,000	12,061,000	252,000	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	3,177	-	488	-	-
<u>1,316,204</u>	<u>16,451,498</u>	<u>1,323,741</u>	<u>12,402,062</u>	<u>257,141</u>	<u>-</u>
293	-	-	-	-	-
872	-	-	-	-	-
1,288,191	16,451,498	1,323,741	12,402,062	257,141	-
-	-	-	-	-	-
26,848	-	-	-	-	-
<u>1,316,204</u>	<u>16,451,498</u>	<u>1,323,741</u>	<u>12,402,062</u>	<u>257,141</u>	<u>-</u>

Des Moines County

Combining Schedule of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2003

	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication	E911 Service Commission	E911 Surcharge
Assets				
Cash and pooled investments:				
County Treasurer	704,751	1,294	979	67,714
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	45	-	-
Succeeding year	-	4,000	-	-
Accounts	-	-	-	30,719
Special assessments:				
Current	-	-	-	-
Future	-	-	-	-
Drainage assessments:				
Current	-	-	-	-
Future	-	-	-	-
Due from other governments	-	-	-	-
Total assets	704,751	5,339	979	98,433
Liabilities				
Accounts payable	-	-	-	4,600
Salaries and benefits payable	-	-	-	-
Due to other governments	704,751	5,339	979	93,833
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	704,751	5,339	979	98,433

See accompanying independent auditor's report.

Emergency Management Services	City Special Assessments	Tax Sale Redemptions	Partial Tax Payments	Drainage Districts	Anatomical Gift Public Awareness and Transportation	Total
49,921	29,902	-	24,387	661,530	152	2,780,144
-	-	-	-	-	-	126,674
-	-	-	-	-	-	347,885
-	-	-	-	-	-	30,340,000
-	-	-	-	-	1	31,906
-	86,472	-	-	-	-	86,472
-	251,828	-	-	-	-	251,828
-	-	-	-	1,671	-	1,671
-	-	-	-	9,473	-	9,473
6,910	-	-	-	-	-	10,575
56,831	368,202	-	24,387	672,674	153	33,986,628
441	-	-	-	-	-	5,334
385	-	-	-	-	-	1,257
50,357	368,202	-	24,387	672,674	153	33,844,792
-	-	-	-	-	-	102,749
5,648	-	-	-	-	-	32,496
56,831	368,202	-	24,387	672,674	153	33,986,628

Des Moines County

Combining Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year ended June 30, 2003

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
Assets and Liabilities				
Balances beginning of year	\$ 50,862	72,623	47,653	168,444
Additions:				
Property and other County tax	-	-	-	174,192
E911 surcharge	-	-	-	-
State tax credits	-	-	-	15,526
State allocation	-	-	-	-
Office fees and collections	2,528	518,522	118,888	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	4,712	-	899,646	-
Miscellaneous	-	-	-	-
Total additions	7,240	518,522	1,018,534	189,718
Deductions:				
Agency Remittances:				
To other funds	2,558	340,797	127,806	-
To other governments	-	225,244	131	181,789
Trusts paid out	-	-	891,038	-
Total deductions	2,558	566,041	1,018,975	181,789
Balances end of year	\$ 55,544	25,104	47,212	176,373

County Assessor	Schools	Community Colleges	Corporations	Townships	State General Fund
1,201,816	15,717,345	1,261,013	11,864,571	246,293	-
520,641	16,419,343	1,306,606	11,632,010	268,645	560
-	-	-	-	-	-
46,497	1,474,176	111,786	1,013,330	13,380	-
5,310	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,536	12,386	-	1,905	-	-
575,984	17,905,905	1,418,392	12,647,245	282,025	560
-	-	-	-	-	-
461,596	17,171,752	1,355,664	12,109,754	271,177	560
-	-	-	-	-	-
461,596	17,171,752	1,355,664	12,109,754	271,177	560
1,316,204	16,451,498	1,323,741	12,402,062	257,141	-

Des Moines County

Combining Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year ended June 30, 2003

	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication	E911 Service Commission	E911 Surcharge	Emergency Management Services
Assets and Liabilities					
Balances beginning of year	680,120	4,771	877	237,424	57,135
Additions:					
Property and other County tax	-	4,417	-	-	-
E911 surcharge	-	-	-	131,086	-
State tax credits	-	413	-	-	-
State allocation	-	-	-	-	-
Office fees and collections	-	-	-	-	-
Auto licenses, use tax and postage	8,050,910	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	102	2,754	140,966
Total additions	8,050,910	4,830	102	133,840	140,966
Deductions:					
Agency Remittances:					
To other funds	277,092	-	-	-	-
To other governments	7,749,187	4,262	-	272,831	141,270
Trusts paid out	-	-	-	-	-
Total deductions	8,026,279	4,262	-	272,831	141,270
Balances end of year	704,751	5,339	979	98,433	56,831

See accompanying independent auditor's report.

City Special Assessments	Tax Sale Redemptions	Partial Tax Payments	Drainage Districts	Anatomical Gift Public Awareness and Transportation	Total
291,115	-	645	642,674	154	32,545,535
-	-	-	-	-	30,326,414
-	-	-	-	-	131,086
-	-	-	-	-	2,675,108
-	-	-	-	-	5,310
-	-	-	-	-	639,938
-	-	-	-	-	8,050,910
194,757	-	-	387,777	-	582,534
-	-	-	-	-	904,358
-	652,732	39,146	590,917	565	1,445,009
194,757	652,732	39,146	978,694	565	44,760,667
-	-	-	-	28	748,281
117,670	-	-	948,694	538	41,012,119
-	652,732	15,404	-	-	1,559,174
117,670	652,732	15,404	948,694	566	43,319,574
368,202	-	24,387	672,674	153	33,986,628

Schedule 5

Des Moines County

Schedule of Revenues By Source and Expenditures By Function -
All Governmental Fund Types

For the Last Four Years

	Modified Accrual Basis			
	2003	2002	2001	2000
Revenues:				
Property and other County tax	\$ 10,451,910	10,019,781	9,578,849	8,908,337
Interest and penalty on property tax	138,048	155,753	114,588	118,272
Intergovernmental	8,602,070	7,187,135	7,172,472	6,806,018
Licenses and permits	45,752	53,179	50,965	59,367
Charges for service	894,786	810,172	739,354	733,999
Use of money and property	274,253	333,748	647,901	726,189
Fines, forfeitures and defaults	-	42,151	63,318	85,008
Miscellaneous	183,765	401,953	261,354	373,706
Total	\$ 20,590,584	19,003,872	18,628,801	17,810,896
Expenditures:				
Operating:				
Public safety and legal services	\$ 4,223,090	4,058,761	3,998,964	3,702,376
Physical health and social services	1,766,379	1,290,461	1,465,037	952,140
Mental health	3,786,227	3,801,057	3,856,755	3,674,456
County environment and education	903,868	1,146,965	1,164,678	1,253,257
Roads and transportation	3,903,168	3,326,754	4,306,066	3,799,923
Governmental services to residents	639,331	561,856	686,634	656,287
Administration	4,212,616	3,239,655	3,292,463	2,860,609
Capital projects	1,778,899	685,809	248,819	545,602
Total	\$ 21,213,578	18,111,318	19,019,416	17,444,650

See accompanying independent auditor's report.

Des Moines County

Schedule 6

Des Moines County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Bulletproof Vest Partnership Program	16.607	1008125	\$ 1,442
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		20,424
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	5,270
Community Development Block Grants/State's Program	14.228	02-CF-012-01	259,370
			<u>264,640</u>
U.S. Department of Justice:			
Iowa Department of Human Rights:			
Juvenile Accountability Incentive Block Grants	16.523	19-JD01-F502	7,650
Juvenile Justice and Delinquency Prevention- Allocation to States	16.540	19-JD01-F502	5,309
Juvenile Justice and Delinquency Prevention- Allocation to States	16.540	JJYD-S02-19	3,473
			<u>8,782</u>
Title V - Delinquency Prevention Program	16.548	19-JD01-F502	4,735
Enforcing Underage Drinking Laws Program	16.727	19-JD01-F502	7,095
Iowa Department of Justice-Crime Victim Assistance Division:			
Crime Victim Assistance	16.575	VA-03-43	17,500
Governor's Office on Drug Control Policy:			
Bryne Formula Grant Program	16.579	02A-0216	182,418
Local Law Enforcement Block Grants Program	16.592	01-LE-0118	4,080
Local Law Enforcement Block Grants Program	16.592	02-LE-0012	7,350
			<u>11,430</u>

Des Moines County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2003

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	03-04, TASK 24	<u>8,857</u>
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	02-164, TASK 29	6,763
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	02-410, TASK 08	<u>1,452</u>
			<u>8,215</u>
Federal Emergency Management Agency:			
Iowa Department of Public Defense:			
Emergency Management Division:			
Hazard Mitigation Grant	83.548	1367-0003	<u>432,161</u>
Emergency Management Performance Grants	83.552		<u>27,614</u>
State and Local All Hazard Emergency Operations Planning	83.562		<u>3,175</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Childhood Lead Poisoning Prevention Project-State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	5883LP05	<u>5,139</u>
Immunization Grants	93.268	5882I406	3,221
Immunization Grants	93.268	5883I406	<u>7,411</u>
			<u>10,632</u>
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5883BT215	6,575
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5883BT31	9,859
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5883BT206	<u>323,763</u>
			<u>340,197</u>
HIV Prevention Activities-Health Department Based	93.940	5882AP08	3,082
HIV Prevention Activities-Health Department Based	93.940	5883AP08	<u>3,166</u>
			<u>6,248</u>
Preventive Health and Health Services Block Grant	93.991	5882AS06	675
Preventive Health and Health Services Block Grant	93.991	5883APO8	<u>344</u>
			<u>1,019</u>

Schedule 6

Des Moines County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
U.S. Department of Health and Human Services (continued):			
Iowa Department of Public Health:			
Maternal and Child Health Services			
Block Grant to the States	93.994	5882MC02	5,395
Maternal and Child Health Services			
Block Grant to the States	93.994	5883MC02	26,106
			31,501
Southeast Iowa Area Agency on Aging:			
Special Programs for the Aging-Title III, Part D- Disease Prevention and Health Promotion Services	93.043		7,638
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		30,232
Refugee and Entrant Assistance - State Administered Programs	93.566		88
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		5,821
Foster Care - Title IV-E	93.658		10,315
Adoption Assistance	93.659		3,405
Medical Assistance Program	93.778		29,419
Social Services Block Grant	93.667		19,855
Social Services Block Grant	93.667		215,797
			235,652
Total indirect			1,722,002
Total			\$ 1,723,444

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

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Auditor of State

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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, 2003, and have issued our report thereon dated November 5, 2003. 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, 2003 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 items IV-B-03 and IV-E-03.

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-03 is a material weakness. Prior year reportable conditions have not been resolved and are repeated as items II-A-03 and II-B-03.

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

November 5, 2003

**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 each of its major federal programs for the year ended June 30, 2003. Des Moines County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Des Moines County's management. Our responsibility is to express an opinion on Des Moines County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, 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 that 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 each of its major federal programs for the year ended June 30, 2003.

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 non-compliance 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

November 5, 2003

Des Moines County
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

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

- (a) An unqualified opinion was 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 major programs were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each 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) Major programs were as follows:
 - CFDA Number 83.548 – Hazard Mitigation Grant
 - 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 \$300,000.
- (i) Des Moines County qualifies as a low-risk auditee.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-03 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 being 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 being prepared and compared with the cash receipt records by an independent person for either the civil account or the jail account.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, operating procedures should be reviewed and duties segregated to obtain the maximum internal control possible under the circumstances.

Response – The mail log will be 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 Treasurer's office.

In regard to the commissary account we are currently in the process of adding additional personnel to assist in this area. Additionally, the administrative assistant prepares the checks and the jail administrator signs the checks.

We will attempt to comply with all recommendations.

Conclusion – Response accepted.

II-B-03 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.

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.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Response – The proceeds from the telephone rebate and commissary profits have been completely and accurately accounted for on a daily, weekly, monthly and yearly basis. The telephone profits are from an inmate phone system that was installed and paid for without tax dollars. The commissary profits are proceeds of items sold to inmates while in custody.

We will attempt to comply with all recommendations.

Conclusion – Response accepted.

Des Moines County
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

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 programs were noted.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-03 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, 2003.

IV-B-03 Certified Budget –The County amended its budget when new budget forms were developed to correspond with the new chart of accounts structure adopted in March, 2003. The County attempted to make a second budget amendment, published May 22, 2003, but did not use the new form and, therefore, the amendment was not effective. As a result, disbursements exceeded the amount budgeted in the capital projects function. Disbursements in certain departments exceeded the amounts appropriated.

Recommendation – Budget amendments should be made using the most current forms and in accordance with Chapter 331.435 of the Code of Iowa before disbursements are allowed to exceed the budget.

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 functional area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The Auditor agrees that informal instructions e-mailed in October 2002, told counties to use the budget amendment form found in the budget program for fiscal year 2004, instead of the budget program for fiscal year 2003, after the revision of the chart of accounts was completed. However, the Auditor did not recall these instructions when doing the budget amendment in May 2003. Due to the unusual circumstances, the Auditor thinks the Department of Management should have repeated the instructions with a formal directive. In the future, the Auditor has every intention to complete the County's budget amendment procedure as prescribed by Code.

Conclusion – Response accepted.

IV-C-03 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-03 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

IV-E-03 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Charles L. Stout, Maintenance Supervisor, father-in-law of employee of Granaman Construction	Remodeling, Labor and materials	\$4,914
Joyce Brockway, County Sheriff Office Manager, spouse of owner of Brockway Company, Inc.	Repair	\$ 219

The County has an agreement with the Maintenance Supervisor to contact and make arrangements with vendors when a small maintenance or remodeling project is needed. This project fell within the guidelines set by the County.

The transactions for the remodeling may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa. The transactions for repair do not appear to represent a conflict of interest since the amount was less than \$1,500 during the fiscal year.

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

Response – Charles Stout had attempted to find a local company to do a small remodeling project for the Sheriff's Department. Due to time constraints, Stout hired a business that employed his daughter's husband. As this could be considered to be a conflict of interest, Stout agrees not to hire this business in the future.

Conclusion – Response accepted.

IV-F-03 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety and bond coverage should be reviewed annually to insure the coverage is adequate for current operations.

IV-G-03 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-03 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.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

- IV-I-03 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-03 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, 2003 for the County Extension Office did not exceed the amount budgeted.

Des Moines County

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Richard C. Brown, CGFM, Senior Auditor
Karen L. Brustkern, CPA, Senior Auditor
Jedd D. Moore, Assistant Auditor
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Deputy Auditor of State