



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

_____ April 5, 2006 _____

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$44,908,850 for the year ended June 30, 2005, which included \$1,937,316 in tax credits from the state. The County forwarded \$33,749,334 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$11,159,516 of the local tax revenue to finance County operations, a 15 percent increase from the prior year. Other revenues included charges for service of \$1,619,853, operating grants, contributions and restricted interest of \$7,075,440, capital grants, contributions and restricted interest of \$843,280, local option sales tax of \$1,363,326, unrestricted investment earnings of \$227,054 and other general revenues of \$850,885.

Expenses for County operations totaled \$19,808,544, an 8 percent increase from the prior year. Expenses included \$4,775,807 for public safety and legal services, \$4,291,691 for roads and transportation and \$3,613,395 for administration.

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

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DES MOINES COUNTY

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

JUNE 30, 2005

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Des Moines County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
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 2010
(After January 2005)		
Edgar Blow	Board of Supervisors	Jan 2007
Timothy Hoschek	Board of Supervisors	Jan 2009
Robert Beck	Board of Supervisors	Jan 2009
Carol S. Copeland	County Auditor	Jan 2009
Brenda A. Buck	County Treasurer	Jan 2007
Kathryn S. Waterhouse	County Recorder	Jan 2007
Mike Johnstone	County Sheriff	Jan 2009
Patrick C. Jackson	County Attorney	Jan 2007
Michael Anderson	County Assessor	Jan 2010

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, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Des Moines County's management. Our responsibility is to express opinions on these financial statements based on our audit.

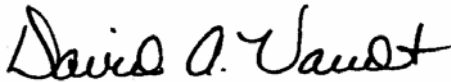
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Des Moines County at June 30, 2005, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

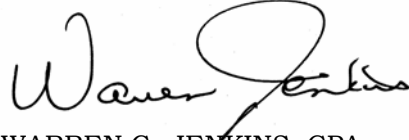
In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2005 on our consideration of Des Moines County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Des Moines County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 19, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Des Moines County provides this Management's Discussion and Analysis of Des Moines County's financial statements. This narrative overview and analysis of the financial activities of Des Moines County is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

As discussed in Note 12 to the financial statements, the County restated the beginning balance to include certain capital assets, primarily infrastructure, that was previously excluded. To facilitate and enhance comparability in this discussion and analysis, fiscal year 2004 amounts have been revised to reflect the changes as if they had been made in the prior year.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 14%, or approximately \$2,868,000, from fiscal 2004 to fiscal 2005. Property tax increased approximately \$1,465,000, operating grants, contributions and restricted interest increased approximately \$1,035,000 and capital grants, contributions and restricted interest increased approximately \$636,000.
- Program expenses of the County's governmental activities were 7.7%, or approximately \$1,411,000, more in fiscal 2005 than in fiscal 2004. Roads and transportation expenses increased approximately \$899,000.
- The County's net assets increased 14%, or approximately \$3,331,000, from June 30, 2004 to June 30, 2005.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration and interest on long-term debt. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Des Moines County's combined net assets increased from \$23.4 million to \$26.8 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

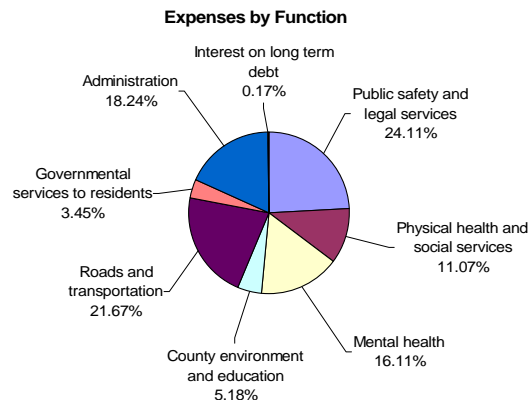
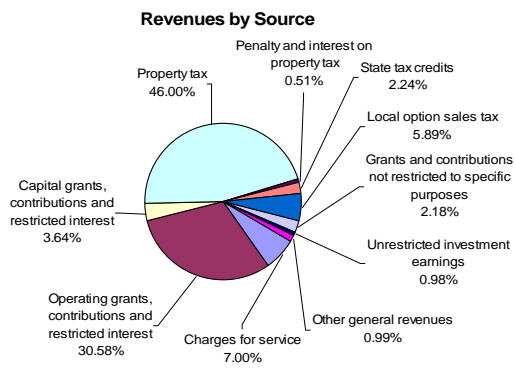
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2005	2004
Current and other assets	\$ 18,885	17,738
Capital assets	20,721	18,289
Total assets	<u>39,606</u>	<u>36,027</u>
Long-term liabilities	1,023	1,054
Other liabilities	11,804	11,525
Total liabilities	<u>12,827</u>	<u>12,579</u>
Net assets:		
Invested in capital assets	20,721	18,289
Restricted	2,717	3,660
Unrestricted	3,341	1,499
Total net assets	<u>\$ 26,779</u>	<u>23,448</u>

Net assets of Des Moines County's governmental activities increased by \$3.331 million (\$23.4 million compared to \$26.8 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased from \$1,499,269 at June 30, 2004 to \$3,340,871 at the end of this year.

This increase of \$1,841,602 in unrestricted net assets was mainly a result of increased property tax rates. The County has adopted a five year plan to replace aging equipment and infrastructure.

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

	Year ended June 30,	
	2005	2004
Revenues:		
Program revenues:		
Charges for service	\$ 1,620	1,663
Operating grants, contributions and restricted interest	7,076	6,041
Capital grants, contributions and restricted interest	843	207
General revenues:		
Property tax	10,641	9,176
Penalty and interest on property tax	117	331
State tax credits	518	560
Local option sales tax	1,363	1,365
Grants and contributions not restricted to specific purposes	505	589
Unrestricted investment earnings	227	136
Other general revenues	230	204
Total revenues	23,140	20,272
Program expenses:		
Public safety and legal services	4,776	4,549
Physical health and social services	2,192	2,149
Mental health	3,192	3,338
County environment and education	1,027	927
Roads and transportation	4,292	3,393
Governmental services to residents	683	598
Administration	3,614	3,444
Interest on long term debt	33	-
Total expenses	19,809	18,398
Increase in net assets	3,331	1,874
Net assets beginning of year, as restated	23,448	21,574
Net assets end of year	\$ 26,779	23,448



Des Moines County's governmental activities net assets increased by \$3,330,810 during the year. Revenues for governmental activities increased by \$2,868,000 over the prior year, with property tax revenue up from the prior year by \$1,465,000, or 16 percent.

The County increased county-wide property tax rates for 2005 by an average of 19 percent. This increase raised the County's property tax revenue by \$1,465,000 in 2005. Based on increases in the total assessed valuation, property tax revenue is budgeted to increase by an additional \$557,000 next year.

The cost of all governmental activities this year was \$19.8 million, compared to \$18.4 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$10.3 million because some of the cost was paid by those directly benefited from the programs (\$1,619,853) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,918,720). Overall, the County's governmental activities revenues, including intergovernmental aid and fees for services, increased in 2005 from \$7,911,225 to \$9,538,573, principally due to an increase in grants/contributions in mental health and roads and transportation. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$10,641,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Des Moines County completed the year, its governmental funds reported a combined fund balance of \$6.9 million, an increase of \$885,211 over last year. The increase in fund balance is primarily attributable to an increase in revenue. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures increased. The ending fund balance showed a modest increase of \$559,184 from the prior year to \$4,210,368.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$4,942,565, an increase of 20.6% from the prior year. This is attributed to the building of a new residential care facility. The Mental Health Fund balance at year end decreased by \$137,696 from the prior year to \$497,601.
- Revenues of the Rural Services Fund increased \$373,981 in fiscal year 2005. The Rural Services Fund ending balance also increased \$272,505 over the prior year.
- Secondary Roads Fund expenditures increased by \$428,110 from the prior year, due principally to an increase in land purchases. The Secondary Roads Fund ending balance of \$1,274,430 is an increase of \$185,719 over the prior year.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund and the Capital Projects Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, Des Moines County amended its budget two times. The amendments were made on November 30, 2004 and May 3, 2005 and increased revenues by \$2,448,869 for grants and increased expenditures by \$2,558,918 due to grants and increased expenditures due to an increase in law enforcement activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, Des Moines County had approximately \$20.7 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$2,431,917, or 13%, over last year. The June 30, 2004 amounts have been restated to add prior years infrastructure as described in Note 12.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2005	2004 Restated
Land	\$ 4,465	4,466
Construction in progress	3,275	957
Buildings and improvements	2,221	2,310
Equipment and vehicles	2,544	2,600
Infrastructure	8,216	7,956
Total	\$ 20,721	18,289

The County had depreciation expense of \$1,590,269 in FY05 and total accumulated depreciation of \$19,198,239 at June 30, 2005.

The County's fiscal year 2005 capital budget included \$1,584,100 for capital projects, principally for land acquisition for roadway construction, the Big Hollow lake project and Starr's Cave. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

Des Moines County had \$500,000 in general obligation capital loan notes outstanding at June 30, 2005 and 2004.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Des Moines County's outstanding general obligation debt is significantly below its constitutional debt limit of \$56 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Des Moines County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The County's nonagricultural employment growth has mirrored its population growth during 1999-2005, averaging per year declines of 11 percent. Unemployment in the County now stands at 5.6 percent versus 6.3 percent a year ago. This compares with the State's unemployment rate of 4.6 percent and the national rate of 5.0 percent.

These indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are \$28 million, an increase of 14.7 percent from the final 2005 budget. Property tax (benefiting from the 2004 rate increase) and grant receipts (boosted by increased State funding in several of our current programs) are expected to lead this increase. Des Moines County will use these increases in receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs.

Budgeted disbursements are expected to increase by approximately \$5,099,000. Wage and cost-of-living adjustments, health insurance and capital projects represent the largest increases. The County has budgeted to build a new residential care facility in 2005/2006. The County was awarded a Vision Iowa Grant and will be constructing bike trails and capital projects at Big Hollow.

If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of 2006.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Des Moines County

Basic Financial Statements

Des Moines County
Statement of Net Assets
June 30, 2005

	Governmental Activities
Assets	
Cash and pooled investments	\$ 7,171,531
Receivables:	
Property tax:	
Delinquent	67,146
Succeeding year	10,485,000
Interest and penalty on property tax	152,436
Accounts	27,639
Accrued interest	34,160
Due from other governments	851,985
Inventories	94,792
Capital assets (net of accumulated depreciation)	20,720,747
Total assets	39,605,436
Liabilities	
Accounts payable	822,555
Salaries and benefits payable	101,309
Accrued interest payable	16,523
Due to other governments	378,543
Deferred revenue:	
Succeeding year property tax	10,485,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	110,000
Compensated absences	280,613
Portion due or payable after one year:	
General obligation capital loan notes	390,000
Compensated absences	242,187
Total liabilities	12,826,730
Net Assets	
Invested in capital assets	20,720,747
Restricted for:	
Supplemental levy purposes	895,703
Mental health purposes	499,543
Secondary roads purposes	1,157,259
Debt service	23,736
Other purposes	140,847
Unrestricted	3,340,871
Total net assets	\$ 26,778,706

See notes to financial statements.

Des Moines County
Statement of Activities
Year ended June 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 4,775,807	498,308	749,857	-	(3,527,642)
Physical health and social services	2,192,469	255,873	1,371,093	-	(565,503)
Mental health	3,191,943	-	2,602,319	-	(589,624)
County environment and education	1,027,026	34,029	104,542	243,444	(645,011)
Roads and transportation	4,291,691	102,386	2,247,629	597,336	(1,344,340)
Governmental services to residents	682,819	551,971	-	-	(130,848)
Administration	3,613,395	177,286	-	2,500	(3,433,609)
Interest on long term debt	33,394	-	-	-	(33,394)
Total	\$ 19,808,544	1,619,853	7,075,440	843,280	(10,269,971)
General Revenues:					
Property and other county tax levied for general purposes					10,641,219
Penalty and interest on property tax					116,397
State tax credits					518,297
Local option sales tax					1,363,326
Grants and contributions not restricted to specific purpose					504,656
Unrestricted investment earnings					227,054
Gain on sale of capital assets					30,696
Miscellaneous					199,136
Total general revenues					13,600,781
Change in net assets					3,330,810
Net assets beginning of year, as restated					23,447,896
Net assets end of year					\$ 26,778,706

See notes to financial statements.

Des Moines County

Balance Sheet
Governmental Funds

June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 3,949,384	1,150,102	342,597	1,235,382
Receivables:				
Property tax:				
Delinquent	45,748	10,313	11,085	-
Succeeding year	7,335,000	1,653,000	1,376,000	-
Interest and penalty on property tax	152,436	-	-	-
Accounts	10,903	16,530	-	206
Accrued interest	32,286	-	-	-
Due from other governments	605,957	-	-	171,944
Inventories	-	-	-	94,792
Total assets	\$ 12,131,714	2,829,945	1,729,682	1,502,324
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 174,379	416,582	10,169	221,425
Salaries and benefits payable	90,876	4,086	685	5,662
Due to other governments	128,790	248,892	54	807
Deferred revenue:				
Succeeding year property tax	7,335,000	1,653,000	1,376,000	-
Other	192,301	9,784	9,834	-
Total liabilities	7,921,346	2,332,344	1,396,742	227,894
Fund balances:				
Reserved for:				
Supplemental levy purposes	922,810	-	-	-
Hawk - I medicaid administration	13,453	-	-	-
Debt service	-	-	-	-
Cemetery levy	218	-	-	-
Unreserved, reported in:				
General fund	3,273,887	-	-	-
Special revenue funds	-	497,601	332,940	1,274,430
Capital projects fund	-	-	-	-
Total fund balances	4,210,368	497,601	332,940	1,274,430
Total liabilities and fund balances	\$ 12,131,714	2,829,945	1,729,682	1,502,324

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
9,970	405,441	78,655	7,171,531
-	-	-	67,146
121,000	-	-	10,485,000
-	-	-	152,436
-	-	-	27,639
1,800	-	74	34,160
-	-	74,084	851,985
-	-	-	94,792
132,770	405,441	152,813	18,884,689
-	-	-	822,555
-	-	-	101,309
-	-	-	378,543
121,000	-	-	10,485,000
-	-	-	211,919
121,000	-	-	11,999,326
-	-	-	922,810
-	-	-	13,453
11,770	-	-	11,770
-	-	-	218
-	-	-	3,273,887
-	-	152,813	2,257,784
-	405,441	-	405,441
11,770	405,441	152,813	6,885,363
132,770	405,441	152,813	18,884,689

Des Moines County

Des Moines County

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

June 30, 2005

Total governmental fund balances (page 19) \$ 6,885,363

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 \$39,918,986 and the accumulated depreciation is \$19,198,239. 20,720,747

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 211,919

Long-term liabilities, including general obligation capital loan notes payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (1,039,323)

Net assets of governmental activities (page 16) \$ 26,778,706

See notes to financial statements.

Des Moines County

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

Year ended June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 7,518,916	1,657,549	1,466,374	-
Local option sales tax	408,998	-	272,665	681,663
Interest and penalty on property tax	115,554	-	-	-
Intergovernmental	3,143,529	3,121,795	62,628	2,342,456
Licenses and permits	41,993	-	-	1,791
Charges for service	803,153	-	1,771	356
Use of money and property	224,626	-	-	-
Miscellaneous	287,437	25,525	-	26,737
Total revenues	12,544,206	4,804,869	1,803,438	3,053,003
Expenditures:				
Operating:				
Public safety and legal services	4,681,993	-	-	-
Physical health and social services	2,161,440	-	-	-
Mental health	-	3,200,582	-	-
County environment and education	657,533	-	317,853	-
Roads and transportation	-	-	844	3,338,326
Governmental services to residents	636,747	-	-	-
Administration	3,584,164	-	37,470	-
Debt service	16,871	-	-	-
Capital projects	11,693	1,741,983	-	826,377
Total expenditures	11,750,441	4,942,565	356,167	4,164,703
Excess (deficiency) of revenues over (under) expenditures	793,765	(137,696)	1,447,271	(1,111,700)
Other financing sources (uses):				
Sale of capital assets	6	-	-	1,260
Operating transfers in	619	-	-	1,296,159
Operating transfers out	(235,206)	-	(1,174,766)	-
Total other financing sources (uses)	(234,581)	-	(1,174,766)	1,297,419
Net change in fund balances	559,184	(137,696)	272,505	185,719
Fund balances beginning of year	3,651,184	635,297	60,435	1,088,711
Fund balances end of year	\$ 4,210,368	497,601	332,940	1,274,430

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
-	-	-	10,642,839
-	-	-	1,363,326
-	-	-	115,554
-	-	242,634	8,913,042
-	-	-	43,784
-	-	22,149	827,429
9,800	-	860	235,286
-	3,510	27,631	370,840
9,800	3,510	293,274	22,512,100
-	-	-	4,681,993
-	-	-	2,161,440
-	-	-	3,200,582
-	-	-	975,386
-	-	-	3,339,170
-	-	45,731	682,478
-	-	-	3,621,634
-	-	-	16,871
-	-	368,548	2,948,601
-	-	414,279	21,628,155
9,800	3,510	(121,005)	883,945
-	-	-	1,266
1,813	12,000	100,000	1,410,591
-	-	(619)	(1,410,591)
1,813	12,000	99,381	1,266
11,613	15,510	(21,624)	885,211
157	389,931	174,437	6,000,152
11,770	405,441	152,813	6,885,363

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, 2005

Net change in fund balances - Total governmental funds (page 23) \$ 885,211

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

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

Expenditures for capital assets	\$ 3,457,760	
Capital assets contributed by the Iowa Department of Transportation	597,336	
Depreciation expense	(1,590,269)	2,464,827

In the Statement of Activities, the gain on the sale of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (32,910)

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. (778)

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

Compensated absences	30,983	
Interest on long-term debt	(16,523)	14,460

Change in net assets of governmental activities (page 17) \$ 3,330,810

See notes to financial statements.

Des Moines County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets

Cash and pooled investments:	
County Treasurer	\$ 2,778,851
Other County officials	135,286
Receivables:	
Property tax:	
Delinquent	172,474
Succeeding year	32,570,000
Accounts	32,721
Special assessments:	
Current	42,440
Future	186,989
Drainage assessments:	
Current	2,066
Accrued interest	62
Due from other governments	2,691
Total assets	35,923,580

Liabilities

Accounts payable	6,096
Salaries and benefits payable	5,028
Due to other governments	35,735,679
Trusts payable	104,559
Compensated absences	72,218
Total liabilities	35,923,580

Net assets	\$ -
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See notes to financial statements.

Des Moines County

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Des Moines County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

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

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Des Moines County Assessor's Conference Board, Des Moines County Emergency Management Commission, Des Moines County Regional Solid Waste Commission, Des Moines County Joint E911 Service Board, South Iowa Area Crime Commission and Southeast Iowa Regional Planning Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the Des Moines County/City of Burlington Health Care Plan (Plan). The Plan was developed as the result of a 28E agreement between Des Moines County and the City of Burlington.

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is paid at 50% upon retirement if the retiree meets IPERS requirements. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in certain departments exceeded the amounts appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

At June 30, 2005 the County had the following investments:

<u>Type</u>	<u>Fair Value</u>	<u>Maturity</u>
U.S. Treasury Bonds	<u>\$ 514,778</u>	Various dates

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$113,004 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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

Custodial Credit Risk. Linsco/Private Ledger, Financial Services is fully bonded, therefore there is no custodial credit risk for Drainage District #7's U.S. Treasury Bonds.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: SEINT-To be forfeited funds	\$ 619
Special Revenue: Secondary Roads	General	121,393
	Special Revenue: Rural Services	1,174,766
Conservation Reserve	General	100,000
Debt Service	General	1,813
Capital Projects	General	12,000
Total		<u>\$ 1,410,591</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, 2005 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,465,816	-	-	4,465,816
Construction in progress	957,541	3,041,193	(723,692)	3,275,042
Total capital assets not being depreciated	<u>5,423,357</u>	<u>3,041,193</u>	<u>(723,692)</u>	<u>7,740,858</u>
Capital assets being depreciated:				
Buildings	3,687,593	-	-	3,687,593
Improvements other than buildings	1,092,910	40,506	-	1,133,416
Equipment and vehicles	6,148,062	653,431	(272,929)	6,528,564
Infrastructure, road network	19,784,897	723,692	-	20,508,589
Infrastructure, other	-	319,966	-	319,966
Total capital assets being depreciated	<u>30,713,462</u>	<u>1,737,595</u>	<u>(272,929)</u>	<u>32,178,128</u>
Less accumulated depreciation for:				
Buildings	1,439,276	116,047	-	1,555,323
Improvements other than buildings	1,031,636	13,396	-	1,045,032
Equipment and vehicles	3,548,241	676,664	(240,019)	3,984,886
Infrastructure, road network	11,828,836	777,763	-	12,606,599
Infrastructure, other	-	6,399	-	6,399
Total accumulated depreciation	<u>17,847,989</u>	<u>1,590,269</u>	<u>(240,019)</u>	<u>19,198,239</u>
Total capital assets being depreciated, net	<u>12,865,473</u>	<u>147,326</u>	<u>(32,910)</u>	<u>12,979,889</u>
Governmental activities capital assets, net	<u>\$18,288,830</u>	<u>3,188,519</u>	<u>(756,602)</u>	<u>20,720,747</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 195,733
Physical health and social services		33,559
Mental health		22,293
County environment and education		38,107
Roads and transportation		1,191,724
Governmental services to residents		341
Administration		<u>108,512</u>
Total depreciation expense - governmental activities		<u><u>\$ 1,590,269</u></u>

(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	<u>\$ 128,790</u>
Special Revenue:		
Mental Health	Services	248,892
Rural Services	Services	54
Secondary Roads	Services	807
		<u>249,753</u>
Total for governmental funds		<u><u>\$ 378,543</u></u>
Agency:		
County Assessor	Collections	\$ 1,247,364
Schools		17,664,338
Community Colleges		1,081,458
Corporations		13,517,310
Auto License and Use Tax		704,433
All other		<u>1,520,776</u>
Total for agency funds		<u><u>\$ 35,735,679</u></u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	General Obligation Capital Loan Notes	Compen- sated Absences	Total
Balance beginning of year	\$ 500,000	553,783	1,053,783
Increases	-	361,286	361,286
Decreases	-	392,269	392,269
Balance end of year	\$ 500,000	522,800	1,022,800
Due within one year	\$ 110,000	280,613	390,613

Notes Payable

A summary of the County's June 30, 2005 general obligation capital loan note indebtedness is as follows:

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

(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.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$392,464, \$373,548 and \$372,987, respectively, equal to the required contributions for each year.

(8) 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 employee; and natural disaster. 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 years.

(9) Employee Health Insurance Plan

The County, in conjunction with the City of Burlington, Iowa, the Southeast Iowa Regional Airport Authority (SIRAA) and other organizations, entered into an agreement as authorized in Chapter 28E of the Code of Iowa for health insurance which is funded through employer and employee contributions. The County, the City, SIRRA and the other participating organizations are contingently liable with respect to medical claims made by the participants in the plan. The plan is self insured up to a stop loss amount including aggregate of 125% of established covered claims and specific coverage with a \$75,000 attachment point. Coverage from an independent insurer is maintained for losses in excess of both the individual and aggregate stop loss amounts. Claims based on occurrences prior to July 1, 1983 remain insured under previous insurance policies. All claims handling procedures are performed by an independent claims administrator. Settled claims have not exceeded the plan coverage during any of the past three years.

The unaudited cash balance of the Des Moines County/City of Burlington Health Care Plan was \$714,146 at June 30, 2005. The plan had unaudited claims expense, after reinsurance reimbursement, of \$1,849,078 for the plan year ended June 30, 2005. The plan had an unaudited reserve for incurred but unpaid claims of \$270,815 at June 30, 2005.

(10) Contingent Liability

The South Iowa Area Detention Service Agency (SIADSA) is a public authority established in 1991 under a 28E agreement by Appanoose, Davis, Des Moines, Jefferson, Lee, Lucas, Louisa, Mahaska, Union and Wapello counties. In May 1991, SIADSA issued \$2,300,000 in capital loan note certificates for construction of the detention center facilities and purchase of equipment. Each member county authorized separate loan agreements with SIADSA which were pledged as security for SIADSA's debt obligation through the 2005/2006 fiscal year.

During the year ended June 30, 2004, SIADSA refinanced the 1991 debt issuance to receive better interest rates. The SIADSA Board consented to SIADSA incurring indebtedness to refund the 1991 capital loan note certificates for cost savings and pledged the 1991 loan agreements as security for the new debt obligation provided the refunding debt does not extend beyond the 2005/2006 fiscal year. The principal balance for Des Moines County remaining at June 30, 2005 was \$24,500.

Although Des Moines County has authorized the loan agreement, it has not issued any debt as a guarantor for SIADSA. Accordingly, the County remains contingently liable in the event SIADSA cannot satisfy its debt obligation. During the fiscal year ending June 30, 2005, each of the ten member counties was asked to contribute \$16,871 to the debt service payment due on June 1, 2005.

(11) Industrial Development Revenue Bonds

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

(12) Restatement

Beginning net assets for governmental activities has been restated to include additional road infrastructure and to correct equipment and vehicles and accumulated depreciation by \$17,564. As permitted by U.S. generally accepted accounting principles, the County added prior year road infrastructure totaling \$18,314,250, net of accumulated depreciation of \$11,817,440. The County also reclassified \$141,633 of right of way land from construction in progress to land.

		<u>Governmental Activities</u>
Net assets June 30, 2004, as previously reported		\$ 16,933,522
Capital asset restatement:		
Additional road infrastructure,		
net of accumulated depreciation	\$ 6,496,810	
Right of way reclassified from construction in progress	(141,633)	
Right of way reclassified as land	141,633	
Correction of various equipment and vehicles and		
accumulated depreciation errors	17,564	
Net restatement		<u>6,514,374</u>
Net assets July 1, 2004, as restated		<u><u>\$ 23,447,896</u></u>

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, 2005

	<u>Actual</u>
Receipts:	
Property and other county tax	\$ 12,020,314
Interest and penalty on property tax	119,575
Intergovernmental	8,807,380
Licenses and permits	43,744
Charges for service	840,814
Use of money and property	211,835
Miscellaneous	395,256
Total receipts	<u>22,438,918</u>
Disbursements:	
Public safety and legal services	4,659,085
Physical health and social services	2,282,449
Mental health	4,831,957
County environment and education	971,443
Roads and transportation	3,246,261
Governmental services to residents	654,806
Administration	3,520,589
Debt service	16,871
Capital projects	1,209,893
Total disbursements	<u>21,393,354</u>
Excess (deficiency) of receipts over (under) disbursements	1,045,564
Other financing sources, net	<u>14,768</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,060,332
Balance beginning of year	<u>6,111,199</u>
Balance end of year	<u>\$ 7,171,531</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
11,858,761	11,858,761	161,553
150,298	150,298	(30,723)
7,342,163	9,732,532	(925,152)
29,475	29,475	14,269
732,795	732,795	108,019
242,375	242,375	(30,540)
265,685	324,185	71,071
<u>20,621,552</u>	<u>23,070,421</u>	<u>(631,503)</u>
4,425,640	4,906,455	247,370
1,706,416	3,003,119	720,670
5,347,445	5,380,945	548,988
1,199,116	1,471,616	500,173
3,570,260	3,970,260	723,999
691,867	731,867	77,061
4,373,880	4,373,880	853,291
40,000	40,000	23,129
1,584,100	1,619,500	409,607
<u>22,938,724</u>	<u>25,497,642</u>	<u>4,104,288</u>
(2,317,172)	(2,427,221)	3,472,785
<u>1,015,000</u>	<u>1,015,000</u>	<u>(1,000,232)</u>
(1,302,172)	(1,412,221)	2,472,553
<u>4,115,023</u>	<u>4,115,023</u>	<u>1,996,176</u>
<u>2,812,851</u>	<u>2,702,802</u>	<u>4,468,729</u>

Des Moines County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 22,438,918	73,182	22,512,100
Expenditures	21,393,354	234,801	21,628,155
Net	1,045,564	(161,619)	883,945
Other financing sources, net	14,768	(13,502)	1,266
Beginning fund balances	6,111,199	(111,047)	6,000,152
Ending fund balances	\$ 7,171,531	(286,168)	6,885,363

See accompanying independent auditor's report.

Des Moines County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$2,558,918. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2005, disbursements in certain departments exceeded the amounts appropriated.

Des Moines County

Other Supplementary Information

Des Moines County
 Combining Balance Sheet
 Nonmajor Special Revenue Funds

June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee
Assets		
Cash and pooled investments	\$ 20,060	12,903
Accrued interest receivable	15	-
Due from other governments	-	-
	\$ 20,075	12,903
Liabilities and Fund Equity		
Liabilities:		
None	\$ -	-
Fund equity:		
Unreserved fund balances	20,075	12,903
	\$ 20,075	12,903

See accompanying independent auditor's report.

Resource Enhancement and Protection	Conservation Reserve	SEINT To Be Forfeited Funds	Total
23,697	153	21,842	78,655
39	-	20	74
-	74,084	-	74,084
23,736	74,237	21,862	152,813
-	-	-	-
23,736	74,237	21,862	152,813
23,736	74,237	21,862	152,813

Des Moines County

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

Year ended June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee
Revenues:		
Intergovernmental	\$ -	-
Charges for service	7,953	14,196
Use of money and property	183	220
Miscellaneous	-	-
Total revenues	8,136	14,416
Expenditures:		
Operating:		
Governmental services to residents	16,160	24,271
Capital projects	-	-
Total expenditures	16,160	24,271
Excess (deficiency) of revenues over (under) expenditures	(8,024)	(9,855)
Other financing sources (uses), net	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(8,024)	(9,855)
Fund balances beginning of year	28,099	22,758
Fund balances end of year	\$ 20,075	12,903

See accompanying independent auditor's report.

Resource Enhance- ment and Protection	Conservation Reserve	SEINT To Be Forfeited Funds	Total
16,810	225,824	-	242,634
-	-	-	22,149
307	-	150	860
-	-	27,631	27,631
17,117	225,824	27,781	293,274
-	-	5,300	45,731
34,845	333,703	-	368,548
34,845	333,703	5,300	414,279
(17,728)	(107,879)	22,481	(121,005)
-	100,000	(619)	99,381
(17,728)	(7,879)	21,862	(21,624)
41,464	82,116	-	174,437
23,736	74,237	21,862	152,813

Des Moines County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	2,385	837,650	221,384
Other County officials	135,286	-	-	-
Receivables:				
Property tax:				
Delinquent	-	1,148	2,756	106,954
Succeeding year	-	184,000	474,000	17,336,000
Accounts	459	-	-	-
Special assessments:				
Current	-	-	-	-
Future	-	-	-	-
Drainage assessments:				
Current	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 135,745	187,533	1,314,406	17,664,338
Liabilities				
Accounts payable	\$ -	-	348	-
Salaries and benefits payable	-	-	3,894	-
Due to other governments	31,912	187,533	1,247,364	17,664,338
Trusts payable	103,833	-	-	-
Compensated absences	-	-	62,800	-
Total liabilities	\$ 135,745	187,533	1,314,406	17,664,338

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Drainage Districts	Other	Total
14,005	155,904	2,471	5,388	704,433	782,801	52,430	2,778,851
-	-	-	-	-	-	-	135,286
6,453	53,406	1,731	-	-	-	26	172,474
1,061,000	13,308,000	199,000	-	-	-	8,000	32,570,000
-	-	-	-	-	-	32,262	32,721
-	-	-	42,440	-	-	-	42,440
-	-	-	186,989	-	-	-	186,989
-	-	-	-	-	2,066	-	2,066
-	-	-	-	-	-	62	62
-	-	-	-	-	1,190	1,501	2,691
1,081,458	13,517,310	203,202	234,817	704,433	786,057	94,281	35,923,580
-	-	-	-	-	-	5,748	6,096
-	-	-	-	-	-	1,134	5,028
1,081,458	13,517,310	203,202	234,817	704,433	786,057	77,255	35,735,679
-	-	-	-	-	-	726	104,559
-	-	-	-	-	-	9,418	72,218
1,081,458	13,517,310	203,202	234,817	704,433	786,057	94,281	35,923,580

Des Moines County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 182,540	180,310	1,247,091	16,889,504
Additions:				
Property and other county tax	-	184,980	477,007	17,452,849
E911 surcharge	-	-	-	-
State tax credits	-	8,940	21,651	826,582
Office fees and collections	690,029	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	930,776	-	-	-
Miscellaneous	-	-	2,492	9,641
Total additions	1,620,805	193,920	501,150	18,289,072
Deductions:				
Agency remittances:				
To other funds	419,467	-	-	-
To other governments	259,243	186,697	433,835	17,514,238
Trusts paid out	988,890	-	-	-
Total deductions	1,667,600	186,697	433,835	17,514,238
Balances end of year	\$ 135,745	187,533	1,314,406	17,664,338

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Drainage Districts	Other	Total
1,073,523	13,030,660	201,819	322,850	739,399	762,296	164,712	34,794,704
1,066,573	12,928,497	212,652	-	-	-	7,757	32,330,315
-	-	-	-	-	-	145,552	145,552
51,940	500,672	9,023	-	-	-	211	1,419,019
-	-	-	-	-	-	-	690,029
-	-	-	-	8,071,924	-	-	8,071,924
-	-	-	49,877	-	418,188	-	468,065
-	-	-	-	-	-	-	930,776
-	1,483	-	-	-	267,997	737,139	1,018,752
1,118,513	13,430,652	221,675	49,877	8,071,924	686,185	890,659	45,074,432
-	-	-	-	273,530	30,640	32	723,669
1,110,578	12,944,002	220,292	137,910	7,833,360	631,784	372,099	41,644,038
-	-	-	-	-	-	588,959	1,577,849
1,110,578	12,944,002	220,292	137,910	8,106,890	662,424	961,090	43,945,556
1,081,458	13,517,310	203,202	234,817	704,433	786,057	94,281	35,923,580

Schedule 5

Des Moines County

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

For the Last Five Years

	Modified Accrual Basis				
	2005	2004	2003	2002	2001
Revenues:					
Property and other county tax	\$ 10,642,839	9,198,165	9,125,951	8,645,729	8,232,601
Local option sales tax	1,363,326	1,365,240	1,325,959	1,374,052	1,346,248
Interest and penalty on property tax	115,554	182,952	138,048	155,753	114,588
Intergovernmental	8,913,042	7,763,991	8,602,070	7,187,135	7,172,472
Licenses and permits	43,784	43,085	45,752	53,179	50,965
Charges for service	827,429	892,684	894,786	810,172	739,354
Use of money and property	235,286	144,012	274,253	333,748	647,901
Fines, forfeitures and defaults	-	-	-	42,151	63,318
Miscellaneous	370,840	422,175	183,765	401,953	261,354
Total	\$ 22,512,100	20,012,304	20,590,584	19,003,872	18,628,801
Expenditures:					
Operating:					
Public safety and legal services	\$ 4,681,993	4,584,761	4,223,090	4,058,761	3,998,964
Physical health and social services	2,161,440	2,137,665	1,766,379	1,290,461	1,465,037
Mental health	3,200,582	3,334,802	3,786,227	3,801,057	3,856,755
County environment and education	975,386	852,565	903,868	1,146,965	1,164,678
Roads and transportation	3,339,170	3,235,696	3,903,168	3,326,754	4,306,066
Governmental services to residents	682,478	597,698	639,331	561,856	686,634
Administration	3,621,634	3,587,116	4,212,616	3,239,655	3,292,463
Debt service	16,871	-	-	-	-
Capital projects	2,948,601	1,379,729	1,778,899	685,809	248,819
Total	\$ 21,628,155	19,710,032	21,213,578	18,111,318	19,019,416

See accompanying independent auditor's report.

Des Moines County

Schedule 6

Des Moines County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Interior:			
Bureau of Land Management:			
Payments in Lieu of Taxes	15.226		\$ 5,122
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		20,884
U.S. Department of Defense:			
Treasurer of the State:			
Payments to States in Lieu of Real Estate Taxes	12.112		9,711
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	389,730
U.S. Department of Justice:			
Iowa Department of Human Rights:			
Juvenile Accountability Incentive Block Grants	16.523	19-JD02-F03	6,303
Enforcing Underage Drinking Laws Program	16.727	19-JD02-F03	495
Governor's Office of Drug Control Policy:			
Bryne Formula Grant Program	16.579	02S-B13003	44,060
Bryne Formula Grant Program	16.579	03A-0241	1,220
Bryne Formula Grant Program	16.579	04A-0242	175,826
			<u>221,106</u>
Iowa Division of Narcotics Enforcement:			
Edward Bryne State and Local Law Enforcement			
Discretionary Grant Program	16.580	03-hotspots-14	63,882
Iowa Department of Justice - Crime Victim Assistance Division:			
Crime Victim Assistance	16.575	VA-05-09	13,800

Des Moines County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U. S. Department of Transportation:			
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	#04-04, Task #24	854
State and Community Highway Safety	20.600	#05-04/05-163, TASK #24	15,408
			<u>16,262</u>
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-E-C029(33)--8V-29	151,740
U. S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		27,832
Temporary Assistance for Needy Families	93.558	DCAT-050-074	31,308
			<u>59,140</u>
Refugee and Entrant Assistance - State Administered Programs	93.566		37
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		5,434
Foster Care - Title IV-E	93.658		14,567
Adoption Assistance	93.659		3,404
Medical Assistance Program	93.778		29,971
Social Services Block Grant	93.667		18,440
Social Services Block Grant	93.667		217,215
			<u>235,655</u>
Iowa Department of Public Health:			
Immunization Grants	93.268	5884I406	4,432
Immunization Grants	93.268	5885I406	5,493
			<u>9,925</u>
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5884BT05	158,399
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5885BT05	242,846
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5884BT11	109,823
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5885BT11	228,928
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5885BT25	124,356
			<u>864,352</u>

Schedule 6

Des Moines County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
HIV Prevention Activities-Health Department Based	93.940	5884AP08	1,669
HIV Prevention Activities-Health Department Based	93.940	5885AP08	2,620
			<u>4,289</u>
Preventive Health and Health Services Block Grant	93.991	5884AP08	1,005
Preventive Health and Health Services Block Grant	93.991	5885AP08	1,300
			<u>2,305</u>
Maternal and Child Health Services Block Grant to the States	93.994	5884MC02	4,687
Maternal and Child Health Services Block Grant to the States	93.994	5885MC02	30,680
			<u>35,367</u>
Southeast Iowa Area Agency on Aging:			
Special Programs for the Aging-Title III, Part D- Disease Prevention and Health Promotion Services	93.043		<u>8,000</u>
U.S. Department of Homeland Security:			
Homeland Security and Emergency Management Division:			
State Domestic Preparedness Equipment Support Program	97.004	SHSGP	8,928
State Domestic Preparedness Equipment Support Program	97.004	SHSGP I & II	175,825
State Domestic Preparedness Equipment Support Program	97.004	HSGP	13,808
			<u>198,561</u>
Hazard Mitigation Grant	97.039	965-GIS-29-00	2,500
Emergency Management Performance Grants	97.042		25,852
Pre-Disaster Mitigation Grant	97.047		<u>3,877</u>
Total			<u><u>\$ 2,402,271</u></u>

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.



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

To the Officials of Des Moines County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Des Moines County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated October 19, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Des Moines County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud 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, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

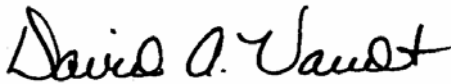
As part of obtaining reasonable assurance about whether Des Moines County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of

non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2005 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.

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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Des Moines County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 19, 2005

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Des Moines County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

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, 2005. Des Moines County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Des Moines County's management. Our responsibility is to express an opinion on Des Moines County's compliance based on our audit.

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

In our opinion, Des Moines County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-05 in the accompanying Schedule of Findings and Questioned Costs.

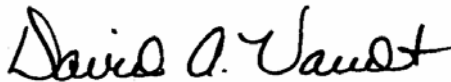
Internal Control Over Compliance

The management of Des Moines County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Des Moines County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

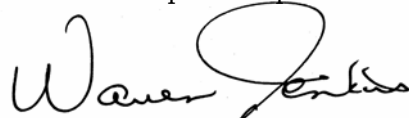
We noted matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Des Moines County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item III-A-05 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable 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 grant agreements caused by error or fraud 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. Our consideration of the internal control over compliance 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, we believe the reportable condition described above as item III-A-05 is a material weakness.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 19, 2005

Des Moines County
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, none of which are considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over a major program was identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follow:
 - CFDA Number 14.228 – Community Development Block/States Program.
 - 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 did not qualify as a low-risk auditee.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) One employee is responsible for preparing, processing, and approving payroll records. Also, there are no independent reviews of pay rates entered into the payroll system or final payroll journals.	Auditor
(2) One individual issues receipts, prepares deposits, records cash receipts, reconciles bank accounts, and opens mail. Also, a listing of money and checks received through the mail is not prepared and compared with the cash receipt records by an independent person.	Agricultural Extension

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

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Response -

- (1) Auditor – Another employee is being trained as back-up for the payroll deputy. In the future, this person will double check the payroll records and reports.
- (2) Agricultural Extension – To the best of our abilities, we will try to achieve these goals.

Conclusion – Response accepted.

II-B-05 Travel Policy – Expenditures were made by the County for reimbursement of travel costs. However, written policies governing the extent of reimbursement of travel expense has not been adopted.

Recommendation – The Board of Supervisors should establish written policies governing travel reimbursements. In addition, claims for travel expenses should include the individual for whom the expenses are for and the reason for the travel.

Response – A majority of the Supervisors are in favor of establishing a policy on business travel. I expect one to be approved before the next audit.

Conclusion – Response accepted.

II-C-05 Care Facility Expenditures - Expenditures for landscaping services totaling \$17,980 for the new Care Facility were paid for out of the Mental Health Fund during the year ended June 30, 2005. Through observations and discussion with County employees, it was determined that as of October 18, 2005, all of the services have not been completed.

Recommendation - Expenditures should not be paid until services or goods have been received. The County should contact the vendor and request services be completed and, if necessary, consult the County Attorney.

Response – The expenditures for the landscaping have been completed. There were a few delays due to the weather but otherwise they have completed the job to the county department head's satisfaction. Payment was made during the fiscal year that the services were "bought". The landscaping company had to purchase supplies and materials in order to complete the job.

Conclusion – Response acknowledged. The County should not approve claims for payment until services or goods have been received.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

III-A-05 Subrecipient Monitoring – Des Moines County is the fiscal agent for Region 5, which consists of seventeen counties. The County is responsible for monitoring the expenditures of the seventeen counties. Subrecipient monitoring has not been performed since April 2004. For the Centers for Disease Control and Prevention- Investigations and Technical Assistance grant, CFDA #93.283, subrecipient monitoring is not performed as required by the procedures established by the Iowa Department of Public Health.

Recommendation – As the fiscal agent for Region 5, Des Moines County is responsible for subrecipient monitoring. According to procedures established by the Iowa Department of Public Health, subrecipient monitoring may be completed through on-site visits or requesting submission of supporting documentation to the fiscal agent. The County should establish procedures to ensure all recipients of the federal grant, Centers for Disease Control and Prevention- Investigations and Technical Assistance, are being appropriately monitored.

Response – Subrecipient monitoring will be performed at least annually at Regional Steering Committee meetings. Each County will receive a summary of audit results.

Conclusion – Response accepted.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-05 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, 2005.

IV-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted.

Disbursements in certain departments exceeded the amounts appropriated.

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

Response – The County will amend appropriations on a timely basis.

Conclusion – Response accepted.

IV-C-05 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-05 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-05 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-F-05 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of bond coverage should be periodically reviewed to ensure the coverage is adequate for current operations.

IV-G-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. Although minutes of the Board proceedings were published, a copy of the proceedings was not furnished to the official publication within one week following adjournment of the Board as required by Chapter 349.18 of the Code of Iowa.

Recommendation – The County Auditor should furnish a copy of the proceedings to be published within one week following the adjournment of the Board, as required by Chapter 349.18 of the Code of Iowa.

Response – Now that I am aware of the deadline, I will attempt to meet it. I have contacted my area Legislators to amend this law to make it a reasonable length of time.

Conclusion – Response accepted.

Des Moines County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

IV-H-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

IV-I-05 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-05 Deficit Fund Balance – The Conservation Reserve Fund had a deficit fund balance during the fiscal year ended June 30, 2005 and the E911 Surcharge Fund had a deficit balance during the fiscal year and at June 30, 2005.

Recommendation – The County should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

Response – The Conservation Department purchased a truck before it had all the funds. This purchase has since been covered by an additional transfer of money. The revenue for telephone surcharge has been less than anticipated. The E911 Board is seeking solutions to resolve this matter.

Conclusion - Response accepted.

IV-K-05 E911 Services Board – The E911 Services Board exceeded the budget.

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

Response – The Auditor’s office advised the Director of E911 that the budget needed to be amended. However, the fund was running in the red. The E911 Board approved claims exceeding the budgeted amount.

Conclusion – Response acknowledged. Claims should not be approved for payment when funds are not available.

IV-L-05 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.

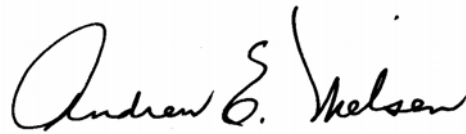
Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

Des Moines County

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Karen L. Brustkern, CPA, Senior Auditor
Trevor L. Theulen, Staff Auditor
Daniel L. Grady, Staff Auditor
Nick J. Schaul, Assistant Auditor
Michael J. Hackett, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State