

DES MOINES COUNTY

Independent Auditors' Reports
Basic Financial Statements
and Supplementary Information
Schedule of Findings and Questioned Costs

June 30, 2008

DES MOINES COUNTY

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DES MOINES COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jeff M. Heland	Board of Supervisors	January 2011
Timothy E. Hoschek	Board of Supervisors	January 2009
Robert (Bob) Beck	Board of Supervisors	January 2009
Carol S. Copeland	County Auditor	January 2009
Brenda A. Buck	County Treasurer	January 2011
Kathryn S. Waterhouse	County Recorder	January 2011
Mike Johnstone	County Sheriff	January 2009
Patrick C. Jackson	County Attorney	January 2011
Michael Anderson	County Assessor	January 2010



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Cedar Rapids
Centerville
Fairfield
Oskaloosa
Ottumwa
Pella
Sigourney

Independent Auditors' 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, 2008, 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Des Moines County at June 30, 2008, 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 March 23, 2009 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 4 through 10 and 33 through 35 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 year ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the two years ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

T&T Financial Group, P.C.

Mt. Pleasant, Iowa
March 23, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Des Moines County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of Des Moines County is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 6.3%, or approximately \$1,461,000 from fiscal 2007 to fiscal 2008. Property tax increased approximately \$117,000, operating grants, contributions and restricted interest decreased approximately \$1,663,000, capital grants, contributions and restricted interest decreased approximately \$39,000, charges for services decreased approximately \$249,000, and local option sales tax increased approximately \$88,000.
- Program expenses were 11.7%, or approximately \$2,341,000, more in fiscal 2008 than in fiscal 2007. Roads and transportation increased approximately \$1,526,000.
- The County's net assets decreased 1.3%, or approximately \$434,000, from June 30, 2007, as restated, to June 30, 2008.

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 non-major Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Des Moines County's combined net assets increased from \$31.5 million to \$31.8 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,	
	2008	2007
Current and other assets	\$20,736	19,696
Capital assets	27,628	24,513
Total assets	48,364	44,209
Long-term liabilities	3,917	1,342
Other liabilities	12,632	11,369
Total liabilities	16,549	12,711
Net assets:		
Invested in capital assets	27,628	24,513
Restricted	4,139	4,498
Unrestricted	48	2,487
Total net assets	\$31,815	31,498

Net assets of Des Moines County's governmental activities increased by less than one percent (\$31.8 million compared to \$31.5 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$2,487,000 at June 30, 2007 to \$48,000 at the end of this year, a decrease of 98.1%.

This decrease of approximately \$2,439,000 in unrestricted net assets was mainly a result of the flood of 2008, the Big Hollow Lake Project, the bike trails, and the relocation of the Department of Human Services.

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

	Year ended June 30,	
	2008	2007
Revenues:		
Program revenues:		
Charges for service	\$ 1,916	2,165
Operating grants, contributions and restricted interest	5,197	6,861
Capital grants, contributions and restricted interest	153	192
General revenues:		
Property tax	10,452	10,335
Penalty and interest on property tax	134	146
State tax credits	456	461
Local option sales tax	1,716	1,628
Grants and contributions not restricted to specific purposes	201	222
Unrestricted investment earnings	495	679
Other general revenues	1,175	667
Total revenues	<u>21,895</u>	<u>23,356</u>
Program expenses:		
Public safety and legal services	6,167	5,202
Physical health and social services	2,778	2,325
Mental health	4,242	3,507
County environment and education	672	1,570
Roads and transportation	3,752	2,226
Governmental services to residents	848	703
Administration	3,514	4,418
Non-program	269	33
Interest on long term debt	87	4
Total expenses	<u>22,329</u>	<u>19,988</u>
Increase (decrease) in net assets	(434)	3,368
Net assets beginning of year, as restated	<u>32,249</u>	<u>28,130</u>
Net assets end of year	<u>\$31,815</u>	<u>31,498</u>

Des Moines County's governmental activities net assets decreased approximately \$434,000 during the year. Revenues for governmental activities decreased approximately \$1,461,000 over the prior year, and property tax revenue increased from the prior year approximately \$117,000, or 1.1 percent.

Property tax rates remained virtually unchanged for 2008. Based on an increase in the levy rates, and an increase in property values, property tax revenue is budgeted to increase by \$1,382,388 next year.

The cost of all governmental activities this year was \$22.3 million, compared to \$20.0 million last year. However, as shown in the Statement of Activities on page 12, the amount taxpayers ultimately financed for these activities was only \$15.1 million because some of the cost was paid by those directly benefited from the programs (\$1,916,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,350,000). Overall, the County's governmental activities revenues, including intergovernmental aid and fees for services, decreased in 2008 from approximately \$9,218,000 to \$7,267,000, principally due to a decrease in grants. The County paid for the remaining "public benefit" portion of governmental activities (\$15,062,000) with 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 \$5.1 million, a decrease of approximately \$3 million over last year. The decrease in fund balance is primarily attributable to a decrease in projected revenue and an increase in budgeted expenditures. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased and expenditures increased. The ending fund balance showed a decrease of \$2,685,577 from the prior year to approximately \$1,633,208.
- The County has continued to look for ways to effectively manage the cost of mental health services. State reimbursed revenue decreased by \$775,046 and expenditures increased by \$639,021. The Mental Health Fund balance at year end decreased by \$613,800 over the prior year to \$1,043,221.
- Secondary Roads Fund expenditures decreased approximately \$102,000 from the prior year, due principally to a decrease in new construction, new equipment, and rock surfacing. The Secondary Roads Fund ending balance of \$1,849,847 is an increase of approximately \$395,000 over the prior year.
- The Debt Service Fund revenues increased approximately \$321,000 and expenditures increased approximately \$325,000 due to the repayment of the new landfill bond.
- The Capital Projects Fund balance decreased approximately \$166,000 as the County paid for Courthouse improvements during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Des Moines County amended its budget three times. The amendments were made on October 16, 2007, May 13, 2008, and June 5, 2008. The amendments increased revenues by \$566,640 and increased expenditures by \$1,053,300 due to moving health insurance from non-departmental to each department due to computer conversion; GIS conversion services; Public Health transfer from Hawk I; Conservation transfer from General Basic to Conservation Reserve; record preservation; closing of Narcotics Task Force Fund; Judicial Dialog Case Management Project; expert witness fees, discovery and transcript fees; grant for Veterans; Snow and Ice Control, fuel, new equipment; land use expenses incurred in previous year, but paid in current year; landfill bond; Home Visitor Fund; moving expenses, rent, furniture, equipment, postage, phone system, wiring and installation for DHS; and an increase in E911 budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, Des Moines County had approximately \$27.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$3,115,000, or 12.7%, over last year.

Capital Assets of Governmental Activities at Year End		
(Express in Thousands)		
	June 30,	
	2008	2007
Land	\$ 4,498	\$ 4,498
Construction in progress	1,900	1,807
Buildings and improvements	4,970	4,989
Equipment and vehicles	2,515	2,671
Infrastructure	13,745	10,548
Total	\$27,628	\$24,513

The County had depreciation expense of \$1,721,210 in fiscal 2008 and total accumulated depreciation of \$23,387,000 at June 30, 2008.

The County's fiscal year 2008 capital budget included \$3,648,170 for capital projects, principally for Big Hollow lake project, roadway construction and courthouse improvements. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2008, Des Moines County had \$3,375,000 in general obligation capital loan notes outstanding compared to \$725,000 at June 30, 2007. Debt increased as a result of a \$3,085,000 bond for the landfill, which will be repaid by the landfill.

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 \$92 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Des Moines County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The County's population declined with an estimated percent change of 3.9% from April 1, 2000 to July 1, 2007 while the State's population increased 2.1%. Unemployment in the County now stands at 6.8% versus 5.6% a year ago. This compares with the State's unemployment rate of 4.6% and the national rate of 7.2%. Iowa non-farm employment rose to 1,526,900 jobs.

These indicators were taken into account when adopting the budget for fiscal year 2009. Budgeted revenues are expected to decrease by approximately \$1.9 million. This is due to anticipated loss of interest income, filing fees and state reimbursements.

Budgeted disbursements are expected to decrease by approximately \$1,129,000. This is due to decreases in departmental budgets including fuel costs, travel expenses, capital projects, equipment and vehicles.

If these estimates are realized, the County's budgetary operating balance is expected to decrease.

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

Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,245,243
Receivables:	
Property tax:	
Delinquent	53,228
Succeeding year	10,327,000
Interest and penalty on property tax	154,070
Accounts	52,863
Accrued interest	42,646
Due from other governments	3,747,256
Inventories	113,282
Capital assets (net of accumulated depreciation)	27,628,413
Total assets	<u>48,364,001</u>
Liabilities	
Accounts payable	1,259,165
Salaries and benefits payable	254,188
Accrued interest payable	11,363
Renter's deposits	1,250
Due to other governments	779,358
Deferred revenue:	
Succeeding year property tax	10,327,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	445,000
Compensated absences	292,537
Portion due or payable after one year:	
General obligation capital loan notes	2,930,000
Compensated absences	249,209
Total liabilities	<u>16,549,070</u>
Net Assets	
Invested in capital assets	27,628,413
Restricted for:	
Supplemental levy purposes	687,552
Mental health purposes	1,042,872
Secondary roads purposes	1,858,554
Debt service	10,502
Other purposes	539,250
Unrestricted	47,788
Total net assets	<u>\$ 31,814,931</u>

See notes to financial statements.

DES MOINES COUNTY

Statement of Activities
Year Ended June 30, 2008

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental activities:					
Public safety and legal services	\$ 6,166,577	1,166,892	50,609	-	(4,949,076)
Physical health and social services	2,778,200	108,306	930,154	-	(1,739,740)
Mental health	4,242,403	-	-	-	(4,242,403)
County environment and education	671,616	14,634	1,797,514	152,977	1,293,509
Roads and transportation	3,752,013	21,037	2,262,042	-	(1,468,934)
Government services to residents	847,879	566,954	128,483	-	(152,442)
Administration	3,514,263	-	-	-	(3,514,263)
Non-program	268,765	38,586	28,435	-	(201,744)
Interest on long term debt	87,362	-	-	-	(87,362)
Total	\$ 22,329,078	1,916,409	5,197,237	152,977	(15,062,455)
General Revenues:					
Property and other county tax levied for:					
General purposes					10,221,882
Debt service					229,972
Penalty and interest on property tax					133,502
State tax credits					456,474
Local option sales tax					1,715,659
Grants and contributions not restricted to specific purposes					200,890
Unrestricted investment earnings					495,243
Gain on sale of property and equipment					107,602
Miscellaneous					1,067,342
Total general revenues					14,628,566
Change in net assets					(433,889)
Net assets beginning of year, as restated (see note 12)					32,248,820
Net assets end of year					\$ 31,814,931

See notes to financial statements.

DES MOINES COUNTY

Balance Sheet
Governmental Funds
June 30, 2008

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<u>Assets</u>				
Cash and pooled investment:	\$ 1,775,439	1,773,249	424,454	2,172,544
Receivables:				
Property tax:				
Delinquent	35,967	8,481	7,870	-
Succeeding year	7,062,000	1,665,000	1,421,999	-
Interest and penalty on property tax	154,070	-	-	-
Accounts	49,049	1,003	1,076	1,130
Accrued interest	42,541	-	-	-
Due from other government:	702,772	51,636	45,526	116,058
Due from other funds	27,249	-	-	-
Inventories	-	-	-	113,283
Total assets	<u>\$ 9,849,087</u>	<u>3,499,369</u>	<u>1,900,925</u>	<u>2,403,015</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 578,784	168,742	10,136	499,975
Renters' deposits	-	-	-	-
Salaries and benefits payable	185,929	8,273	6,836	53,149
Due to other funds	-	27,249	-	-
Due to other government:	200,694	578,549	-	44
Deferred revenue				
Succeeding year property tax	7,062,000	1,665,000	1,422,000	-
Other	188,472	8,335	7,662	-
Total liabilities	<u>8,215,879</u>	<u>2,456,148</u>	<u>1,446,634</u>	<u>553,168</u>
Fund balances:				
Reserved for:				
Supplemental levy purposes	689,292	-	-	-
Debt service	-	-	-	-
Cemetery levy	281	-	-	-
Unreserved, reported in				
General fund	943,635	-	-	-
Special revenue funds	-	1,043,221	454,291	1,849,847
Capital projects fund	-	-	-	-
Total fund balances	<u>1,633,208</u>	<u>1,043,221</u>	<u>454,291</u>	<u>1,849,847</u>
Total liabilities and fund balances	<u>\$ 9,849,087</u>	<u>3,499,369</u>	<u>1,900,925</u>	<u>2,403,015</u>

See notes to financial statements

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
10,502	3,689	85,366	6,245,243
908	-	-	53,226
178,000	-	-	10,326,999
-	-	-	154,070
-	-	607	52,865
-	-	105	42,646
-	-	1,951	917,943
-	-	-	27,249
-	-	-	113,283
189,410	3,689	88,029	17,933,524

-	648	880	1,259,165
-	-	1,250	1,250
-	-	-	254,187
-	-	-	27,249
-	-	71	779,358
178,000	-	-	10,327,000
908	-	-	205,377
178,908	648	2,201	12,853,586

-	-	-	689,292
10,502	-	-	10,502
-	-	-	281
-	-	-	943,635
-	-	85,828	3,433,187
-	3,041	-	3,041
10,502	3,041	85,828	5,079,938
189,410	3,689	88,029	17,933,524

DES MOINES COUNTY

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

June 30, 2008

Total governmental fund balances (page 13)	\$ 5,079,938
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$51,015,413 and the accumulated depreciation is \$23,387,000.	27,628,413
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	205,377
Due from other governments on the Statement of Net Assets includes amounts associated with long-term liabilities, which are not reported in the governmental funds.	2,829,312
Long-term liabilities, including compensated absences payable, capital loan notes payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(3,928,109)</u>
Net assets of governmental activities (page 11)	<u><u>\$ 31,814,931</u></u>

DES MOINES COUNTY

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 7,110,236	1,681,750	1,468,215	-
Local option sales tax	514,698	-	343,132	857,830
Interest and penalty on property tax	155,192	-	-	-
Intergovernmental	2,673,494	2,025,881	62,980	2,312,343
Licenses and permits	43,265	-	-	3,330
Charges for service	830,202	-	1,723	47
Use of money and property	534,332	-	-	-
Miscellaneous	487,675	9,751	1,076	54,620
Total revenues	<u>12,349,094</u>	<u>3,717,382</u>	<u>1,877,126</u>	<u>3,228,170</u>
Expenditures:				
Operating:				
Public safety and legal services	5,930,918	-	198,497	-
Physical health and social services	2,722,094	-	-	-
Mental health	-	4,331,182	-	-
County environment and education	1,144,376	-	361,099	-
Roads and transportation	-	-	50,178	4,162,673
Governmental services to residents	834,826	-	-	-
Administration	3,315,284	-	45,000	-
Debt service	-	-	-	-
Capital projects	683,306	-	-	184,893
Total expenditures	<u>14,630,804</u>	<u>4,331,182</u>	<u>654,774</u>	<u>4,347,566</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,281,710)</u>	<u>(613,800)</u>	<u>1,222,352</u>	<u>(1,119,396)</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	98,000
Operating transfers in	85,769	-	-	1,416,690
Operating transfers out	(489,636)	-	(1,227,159)	-
Total other financing sources (uses)	<u>(403,867)</u>	<u>-</u>	<u>(1,227,159)</u>	<u>1,514,690</u>
Net change in fund balances	(2,685,577)	(613,800)	(4,807)	395,294
Fund balances beginning of year	<u>4,318,785</u>	<u>1,657,021</u>	<u>459,098</u>	<u>1,454,553</u>
Fund balances end of year	<u>\$ 1,633,208</u>	<u>1,043,221</u>	<u>454,291</u>	<u>1,849,847</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
189,138	-	-	10,449,339
-	-	-	1,715,660
-	-	-	155,192
333,943	-	28,435	7,437,076
-	-	-	46,595
-	50,000	7,824	889,796
1,013	-	26,686	562,031
-	-	2,681	555,803
524,094	50,000	65,626	21,811,492
-	-	3,543	6,132,958
-	-	-	2,722,094
-	-	-	4,331,182
-	-	-	1,505,475
-	-	-	4,212,851
-	-	33,113	867,939
-	-	-	3,360,284
523,361	-	-	523,361
-	216,136	189,528	1,273,863
523,361	216,136	226,184	24,930,007
733	(166,136)	(160,558)	(3,118,515)
-	-	-	98,000
-	-	214,667	1,717,126
-	-	(331)	(1,717,126)
-	-	214,336	98,000
733	(166,136)	53,778	(3,020,515)
9,769	169,177	32,050	8,100,453
10,502	3,041	85,828	5,079,938

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, 2008

Net change in fund balances - Total governmental funds (page 15) \$ (3,020,515)

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 exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 4,085,280	
Depreciation expense	<u>(1,721,210)</u>	2,364,070

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

Property tax	(2,216)	
Other	<u>(21,690)</u>	(23,906)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

170,000

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	75,690	
Interest on long-term debt	<u>772</u>	<u>76,462</u>

Change in net assets of governmental activities (page 12) \$ (433,889)

DES MOINES COUNTY

Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2008

Assets

Cash and pooled investments:		
County Treasurer	\$	2,451,651
Other County officials		199,647
Receivables:		
Property tax:		
Delinquent		157,554
Succeeding year		34,126,000
Accounts		102,482
Special assessments:		
Current		44,307
Future		53,353
Accrued interest		204
Due from other governments		11,676
Total assets		<u>37,146,874</u>

Liabilities

Accounts payable	174,827
Salaries and benefits payable	9,527
Due to other governments	36,714,895
Trusts payable	110,575
Compensated absences	137,050
Total liabilities	<u>37,146,874</u>
Net assets	\$ <u><u>-</u></u>

See notes to financial statements.

DES MOINES COUNTY

Notes to Financial Statements June 30, 2008

Note 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 that 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 appointed representatives to the following boards and commissions: Des Moines County Assessor's Conference Board, Des Moines County Emergency Management Commission and Des Moines County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the Des Moines County/City of Burlington Health Care Plan (Plan). The Plan was developed as the result of a 28E agreement between Des Moines County and the City of Burlington. Further details of this relationship are provided in Note 10.

(continued)

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

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 that are imposed by management which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental funds 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.

(continued)

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

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:

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

C. Measurement Focus and Basis of Accounting

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

(continued)

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

(continued)

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

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

Special Assessments Receivable – Special assessments receivable represent the amounts 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, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

(continued)

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20 – 50
Improvements other than buildings	20 – 50
Infrastructure	10 – 65
Equipment	3 – 20
Vehicles	5 – 15

(continued)

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

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 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, 2008. 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 are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(continued)

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts appropriated for the Narcotics Task Force, Land Use Development, and Veteran's Affairs departments.

Note 2 – Cash and Pooled Investments

The County's deposits in banks at June 30, 2008 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.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$202,712 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.

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2008

Note 3 – Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Mental Health	<u>\$ 27,249</u>

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

Note 4 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General:	General:	
Geographic Information System	General Basic	\$ 72,316
General Basic	Hawk I	12,002
General Supplemental	Hawk I	1,451
Special Revenue:		
Special Deputy Reserve Unit	General Basic	4,521
Resource Enhancement And Protection	General Basic	1,545
Records Management	Special Revenue: Recorder's Electronic Transaction	331
Secondary Roads	General Basic	189,531
Secondary Roads	Special Revenue: Rural Services	1,227,159
Conservation Reserve	General Basic	<u>208,270</u>
Total		<u>\$ 1,717,126</u>

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

DES MOINES COUNTY

Notes to Financial Statements (Continued)

June 30, 2008

Note 5 – Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,498,316	-	-	4,498,316
Construction in progress	151,302	1,748,806	-	1,900,108
Construction in progress, road network	<u>1,655,671</u>	-	(1,655,671)	-
Total capital assets not being depreciated	<u>6,305,289</u>	<u>1,748,806</u>	<u>(1,655,671)</u>	<u>6,398,424</u>
Capital assets being depreciated:				
Buildings	6,865,848	233,577	-	7,099,425
Improvements other than buildings	1,270,795	18,642	-	1,289,437
Equipment and vehicles	7,244,430	537,201	(159,003)	7,622,628
Infrastructure, road network	25,082,809	3,202,724	-	28,285,533
Infrastructure, other	<u>319,966</u>	-	-	<u>319,966</u>
Total capital assets being depreciated	<u>40,783,848</u>	<u>3,992,144</u>	<u>(159,003)</u>	<u>44,616,989</u>
Less accumulated depreciation for:				
Buildings	2,053,113	235,188	-	2,288,301
Improvements other than buildings	1,094,875	35,446	-	1,130,321
Equipment and vehicles	4,573,266	693,207	(159,003)	5,107,470
Infrastructure, road network	14,084,341	750,970	-	14,835,311
Infrastructure, other	<u>19,198</u>	<u>6,399</u>	-	<u>25,597</u>
Total accumulated depreciation	<u>21,824,793</u>	<u>1,721,210</u>	<u>(159,003)</u>	<u>23,387,000</u>
Total capital assets being depreciated, net	<u>18,959,055</u>	<u>2,270,934</u>	-	<u>21,229,989</u>
Governmental activities capital assets, net	<u>\$ 25,264,344</u>	<u>4,019,740</u>	<u>(1,655,671)</u>	<u>27,628,413</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 244,118
Physical health and social services	32,723
Mental health	119,588
County environment and education	51,774
Roads and transportation	1,151,504
Governmental services to residents	341
Administration	117,624
Non-program	<u>3,538</u>
Total depreciation expense – governmental activities	<u>\$ 1,721,210</u>

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2008

Note 6 – Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ <u>200,694</u>
Special Revenue:		
Mental Health	Services	578,549
Secondary Roads	Services	44
Transitional Apartments	Services	<u>71</u>
		<u>578,664</u>
Total for governmental funds		<u>\$ 779,358</u>
Agency:		
County Assessor	Collections	\$ 1,447,208
Schools		18,697,427
Community Colleges		1,163,474
Corporations		14,023,136
Auto License and Use Tax		683,930
All other		<u>699,720</u>
Total for agency funds		<u>\$ 36,714,895</u>

Note 7 – Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	General Obligation Capital Loan Notes	Compensated Absences	Total
Balance beginning of year	\$ 725,000	617,436	1,342,436
Increases	3,085,000	270,430	3,355,430
Decreases	<u>435,000</u>	<u>346,120</u>	<u>781,120</u>
Balance end of year	<u>\$ 3,375,000</u>	<u>541,746</u>	<u>3,916,746</u>
Due within one year	<u>\$ 445,000</u>	<u>292,537</u>	<u>737,537</u>

(continued)

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2008

Note 7 – Long-Term Liabilities (Continued)

Notes Payable

A summary of the County's June 30, 2008 general obligation capital loan note indebtedness is as follows:

<u>Year ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	3.25, 3.70, 3.75%	\$ 445,000	131,963	576,963
2010	3.75 and 3.80	465,000	115,973	580,973
2011	3.80 and 3.85	480,000	98,395	578,395
2012	3.90	300,000	80,010	380,010
2013	3.95	310,000	68,310	378,310
2014	4.00	325,000	56,065	381,065
2015	4.05	335,000	43,065	378,065
2016	4.10	350,000	29,498	379,498
2017	4.15	<u>365,000</u>	<u>15,148</u>	<u>380,148</u>
Total		\$ <u>3,375,000</u>	<u>638,427</u>	<u>4,013,427</u>

During the year ended June 30, 2008, the County issued \$3,085,000 in general obligation capital loan notes and retired \$435,000 of notes.

Note 8 – Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$474,576, \$450,812 and \$408,467, respectively, equal to the required contributions for each year.

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2008

Note 9 – Risk Management

Des Moines County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2008 were \$230,891.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

(continued)

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2008

Note 9 – Risk Management (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2008, no liability has been recorded in the County's financial statements. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

Note 10 – Employee Health Insurance Plan

The County, in conjunction with the City of Burlington, Iowa, the Southeast Iowa Regional Airport Authority (SIRAA) and other organizations, entered into an agreement as authorized in Chapter 28E of the Code of Iowa for health insurance which is funded through employer and employee contributions. The County, the City, SIRAA 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 balance of Des Moines County/City of Burlington Health Care Plan was \$770,459 at June 30, 2008. The plan had unaudited net claims expense of \$5,486,744 for the plan year ended June 30, 2008. The plan had an unaudited reserve for incurred but unpaid claims of \$156,666 at June 30, 2008.

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2008

Note 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.

Note 12 – Restatements

Beginning net assets for governmental activities has been restated to correct a 2007 depreciation calculation error. An additional \$750,070 of depreciation was charged in error in the fiscal year ending June 30, 2007 to the roads and transportation service area. Accumulated depreciation for infrastructure – road network was overstated by this amount at June 30, 2007. This amount was to be charged in the fiscal year ending June 30, 2008.

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, 2008

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 12,051,133	-
Interest and penalty on property tax	153,978	-
Intergovernmental	7,376,638	-
Licenses and permits	46,686	-
Charges for services	857,916	-
Use of money and property	662,854	-
Miscellaneous	614,436	-
Total receipts	21,763,641	-
Disbursements:		
Public safety and legal services	6,073,813	-
Physical health and social services	2,523,443	-
Mental health	4,084,219	-
County environment and education	1,459,154	-
Roads and transportation	3,800,757	-
Governmental services to residents	845,285	-
Administration	3,422,116	-
Non-program	523,362	-
Capital projects	1,171,686	-
Total disbursements	23,903,835	-
Deficiency of receipts under disbursements	(2,140,194)	-
Other financing sources, net	99,013	-
Deficiency of receipts and other financing sources under disbursements and other financing uses	(2,041,181)	-
Balance beginning of year	8,286,424	-
Balance end of year	\$ 6,245,243	-

See accompanying independent auditors' report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
12,051,133	11,748,397	11,748,397	302,736
153,978	149,500	149,500	4,478
7,376,638	9,946,888	10,507,528	(3,130,890)
46,686	33,900	33,900	12,786
857,916	838,735	838,735	19,181
662,854	582,568	582,568	80,286
614,436	1,421,165	1,427,165	(812,729)
21,763,641	24,721,153	25,287,793	(3,524,152)
6,073,813	5,454,534	6,406,765	332,952
2,523,443	2,543,616	2,793,556	270,113
4,084,219	4,681,502	4,681,502	597,283
1,459,154	1,617,531	1,715,031	255,877
3,800,757	3,857,432	4,247,135	446,378
845,285	773,110	1,143,457	298,172
3,422,116	4,986,052	3,759,831	337,715
523,362	196,570	524,370	1,008
1,171,686	3,648,170	3,540,170	2,368,484
23,903,835	27,758,517	28,811,817	4,907,982
(2,140,194)	(3,037,364)	(3,524,024)	1,383,830
99,013	505,000	600,000	(500,987)
(2,041,181)	(2,532,364)	(2,924,024)	882,843
8,286,424	6,426,716	6,426,716	1,859,708
6,245,243	3,894,352	3,502,692	2,742,551

DES MOINES COUNTY

Budgetary Comparison Schedule - Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 21,763,641	47,851	21,811,492
Expenditures	23,903,835	1,026,172	24,930,007
Net	(2,140,194)	(978,321)	(3,118,515)
Other financing sources, net	99,013	(1,013)	98,000
Beginning fund balances	8,286,424	(185,971)	8,100,453
Ending fund balances	\$ 6,245,243	(1,165,305)	5,079,938

See accompanying independent auditors' report.

DES MOINES COUNTY

Notes to Required Supplementary Information- Budgetary Reporting June 30, 2008

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, 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 functions 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, three budget amendments increased budgeted disbursements by \$1,053,300. 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, 2008, disbursements in the Narcotics Task Force department, Land Use Development Department, and Veteran's Affairs Department exceeded the amounts appropriated.

DES MOINES COUNTY

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2008

	County Recorder's Records Management	Resource Enhancement and Protection	Transitional Apartments
<u>Assets</u>			
Cash and pooled investments	\$ 14,993	36,651	10,243
Receivables:			
Accounts	-	-	-
Accrued interest	32	73	-
Due from other governments	1,951	-	-
Total assets	\$ 16,976	36,724	10,243
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 659	-	221
Renters' deposits	-	-	1,250
Due to other governments	-	-	71
Total liabilities	659	-	1,542
Fund balances:			
Unreserved	16,317	36,724	8,701
Total liabilities and fund balances	\$ 16,976	36,724	10,243

See accompanying independent auditors' report.

Attorney Collection Incentive	Special Deputy Reserve Unit	Conservation Reserve	Total
7,837	1,279	14,363	85,366
-			
-	607	-	607
-	-	-	105
-	-	-	1,951
7,837	1,886	14,363	88,029
-	-	-	880
-	-	-	1,250
-	-	-	71
-	-	-	2,201
7,837	1,886	14,363	85,828
7,837	1,886	14,363	88,029

DES MOINES COUNTY

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2008

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection
Revenues:			
Intergovernmental	\$ -	-	28,435
Charges for service	7,824	-	-
Use of money and property	671	2	519
Miscellaneous	-	-	-
Total revenues	<u>8,495</u>	<u>2</u>	<u>28,954</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Governmental services to resident	15,431	1	-
Capital projects	-	-	17,000
Total expenditures	<u>15,431</u>	<u>1</u>	<u>17,000</u>
Excess (deficiency) of revenues over (under) expenditures	(6,936)	1	11,954
Other financing sources (uses), net	<u>331</u>	<u>(331)</u>	<u>1,545</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing use	(6,605)	(330)	13,499
Fund balances beginning of year	<u>22,922</u>	<u>330</u>	<u>23,225</u>
Fund balances end of year	<u>\$ 16,317</u>	<u>-</u>	<u>36,724</u>

See accompanying independent auditors' report.

Transitional Apartments	Attorney Collection Incentive	Special Deputy Reserve Unit	Conservation Reserve	SEINT To Be Forfeited Funds	Total
-	-	-	-	-	28,435
-	-	-	-	-	7,824
14,634	10,728	-	-	132	26,686
716	-	1,859	106	-	2,681
15,350	10,728	1,859	106	132	65,626
-	-	3,213	-	330	3,543
14,790	2,891	-	-	-	33,113
-	-	-	172,528	-	189,528
14,790	2,891	3,213	172,528	330	226,184
560	7,837	(1,354)	(172,422)	(198)	(160,558)
-	-	4,521	208,270	-	214,336
560	7,837	3,167	35,848	(198)	53,778
8,141	-	(1,281)	(21,485)	198	32,050
8,701	7,837	1,886	14,363	-	85,828

DES MOINES COUNTY

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

<u>Assets</u>	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Cash and pooled investments					
County Treasurer	\$ -	3,523	1,074,761	308,240	18,794
Other County officials	199,647	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,051	2,573	94,187	5,680
Succeeding year	-	206,000	505,000	18,295,000	1,139,000
Accounts	427	-	-	-	-
Special assessments:					
Current	-	-	-	-	-
Future	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
 Total assets	 \$ 200,074	 210,574	 1,582,334	 18,697,427	 1,163,474
 <u>Liabilities</u>					
Accounts payable	\$ -	-	700	-	-
Salaries and benefits payable	-	-	7,750	-	-
Due to other governments	89,499	210,574	1,447,208	18,697,427	1,163,474
Trusts payable	110,575	-	-	-	-
Compensated absences	-	-	126,676	-	-
 Total liabilities	 \$ 200,074	 210,574	 1,582,334	 18,697,427	 1,163,474

See accompanying independent auditors' report.

Corporations	Townships	City Special Assessments	Auto License and Use Tax	Drainage Districts	Other	Total
235,647	2,131	9,364	683,930	(23,822)	139,083	2,451,651
-	-	-	-	-	-	199,647
52,489	1,553	-	-	-	21	157,554
13,735,000	238,000	-	-	-	8,000	34,126,000
-	-	-	-	74,304	27,751	102,482
-	-	44,307	-	-	-	44,307
-	-	53,353	-	-	-	53,353
-	-	-	-	-	204	204
-	-	-	-	733	10,943	11,676
14,023,136	241,684	107,024	683,930	51,215	186,002	37,146,874
-	-	-	-	153,668	20,459	174,827
-	-	-	-	-	1,777	9,527
14,023,136	241,684	107,024	683,930	(102,453)	153,392	36,714,895
-	-	-	-	-	-	110,575
-	-	-	-	-	10,374	137,050
14,023,136	241,684	107,024	683,930	51,215	186,002	37,146,874

DES MOINES COUNTY

Combining Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year Ended June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<u>Assets and Liabilities</u>					
Balances beginning of year	\$ 245,912	196,567	1,498,521	17,872,398	1,109,023
Additions:					
Property and other county tax	-	214,672	509,214	18,478,310	1,147,201
E-911 surcharge	-	-	-	-	-
State tax credits	-	8,996	21,472	772,833	48,092
Office fees and collections	1,232,923	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	732,229	-	-	-	-
Miscellaneous	-	-	440	12,307	-
Total additions	1,965,152	223,668	531,126	19,263,450	1,195,293
Deductions:					
Agency remittances:					
To other funds	890,591	-	-	-	-
To other governments	376,912	209,661	447,313	18,438,421	1,140,842
Trusts paid out	743,487	-	-	-	-
Total deductions	2,010,990	209,661	447,313	18,438,421	1,140,842
Balances end of year	\$ 200,074	210,574	1,582,334	18,697,427	1,163,474

See accompanying independent auditors' report.

Corporations	Townships	City Special Assessments	Auto License and Use Tax	Drainage Districts	Other	Total
13,901,427	218,624	159,319	733,250	145,291	152,378	36,232,710
13,426,633	251,774	-	-	-	3,776	34,031,580
-	-	-	-	-	156,808	156,808
486,638	9,745	-	-	-	169	1,347,945
-	-	-	-	-	7,820	1,240,743
-	-	-	8,077,463	-	-	8,077,463
-	-	5,206	-	665,930	-	671,136
-	-	-	-	-	-	732,229
-	-	-	-	167,473	831,573	1,011,793
13,913,271	261,519	5,206	8,077,463	833,403	1,000,146	47,269,697
-	-	-	268,888	-	40	1,159,519
13,791,562	238,459	57,501	7,857,895	927,479	346,466	43,832,511
-	-	-	-	-	620,016	1,363,503
13,791,562	238,459	57,501	8,126,783	927,479	966,522	46,355,533
14,023,136	241,684	107,024	683,930	51,215	186,002	37,146,874

DES MOINES COUNTY

Schedule of Revenues by Source and Expenditures by Function -
All Governmental Funds
For the Last Four Years

	Modified Accrual Basis			
	2008	2007	2006	2005
Revenues:				
Property and other county tax	\$ 10,449,339	10,336,903	10,769,297	10,642,839
Local option sales tax	1,715,660	1,628,126	1,342,717	1,363,326
Interest and penalty on property tax	155,192	146,154	130,631	115,554
Intergovernmental	7,437,076	8,985,811	8,508,380	8,913,042
Licenses and permits	46,595	46,448	42,840	43,784
Charges for service	889,796	878,146	972,357	827,429
Use of money and property	562,031	727,814	527,215	235,286
Miscellaneous	555,803	526,168	598,159	370,840
Total	\$ 21,811,492	23,275,570	22,891,596	22,512,100
Expenditures:				
Operating:				
Public safety and legal services	\$ 6,132,958	5,119,567	4,705,552	4,681,993
Physical health and social services	2,722,094	2,193,961	2,067,305	2,161,440
Mental health	4,331,182	3,692,161	3,629,867	3,200,582
County environment and education	1,505,475	1,714,377	1,015,426	975,386
Roads and transportation	4,212,851	3,026,353	4,334,384	3,339,170
Governmental services to residents	867,939	702,324	909,301	682,478
Administration	3,360,284	4,335,439	4,678,468	3,621,634
Non-program	-	-	12,750	-
Debt service	523,361	198,327	140,324	16,871
Capital projects	1,273,863	1,820,955	1,074,528	2,948,601
Total	\$ 24,930,007	22,803,464	22,567,905	21,628,155

See accompanying independent auditors' report.

DES MOINES COUNTY

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607		<u>\$ 1,026</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>36,199</u>
U.S. Department of the Interior:			
Treasurer of the State:			
Payments in Lieu of Taxes	15.226		<u>5,171</u>
U.S. Department of Justice:			
Iowa Department of Justice - Crime Victim Assistance Division:			
Crime Victim Assistance	16.575		<u>13,473</u>

(continued)

See accompanying independent auditor's report.

DES MOINES COUNTY

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		39,190
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		9,499
Foster Care - Title IV-E	93.658		22,860
Adoption Assistance	93.659		5,447
State Children's Insurance Program	93.767		326
Medical Assistance Program	93.778		49,899
Social Services Block Grant	93.667		25,709
Social Services Block Grant	93.667		221,278
			<u>246,987</u>
Iowa Department of Public Health:			
Immunization Grants	93.268		14,180
Immunization Grants	93.268		12,987
			<u>27,167</u>
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5886BT05	50,061
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5887BT05	195,496
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5886BT11	80,538
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5887BT11	275,837
			<u>601,932</u>

(continued)

See accompanying independent auditor's report.

DES MOINES COUNTY

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2008

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	5886AP08	899
HIV Prevention Activities-Health Department Based	93.940	5887AP06	823
			<u>1,722</u>
Preventive Health and Health Services Block Grant	93.991	5886AP08	892
Preventive Health and Health Services Block Grant	93.991	5887AP06	817
			<u>1,709</u>
Washington County Public Health:			
Maternal and Child Health Services Block Grant to the States	93.994	5886MH30	7,551
U.S. Department of Homeland Security			
Iowa Department of Public Defense:			
Management Division:			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036		81,550
Emergency Management Performance Grants	97.042		17,399
Total			<u>\$ 1,169,107</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 requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ.

See accompanying independent auditor's report.



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Independent Auditors' 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, 2008, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 23, 2009. 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 as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Des Moines County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Des Moines County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-B-08 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain 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, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Des Moines County and other parties to whom Des Moines County may report, including federal awarding agencies and pass-through entities. 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 the 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.

T&T Financial Group, P.C.

Mt. Pleasant, Iowa
March 23, 2009



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Independent Auditors' 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 its major federal program for the year ended June 30, 2008. Des Moines County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major federal program is the responsibility of Des Moines County's management. Our responsibility is to express an opinion on Des Moines County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, 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 its major federal program for the year ended June 30, 2008.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Des Moines County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We did not note any deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. We noted no material weaknesses.

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

TDE&T Financial Group, P.C.

Mt. Pleasant, Iowa
March 23, 2009

DES MOINES COUNTY

Schedule of Findings and Questioned Costs Year Ended June 30, 2008

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over a major program were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to major programs.
- (f) The major program was:
 - CFDA Number 93.283 – Centers for Disease Control and Prevention- Investigations and Technical Assistance.
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Des Moines County qualified as a low-risk auditee.

DES MOINES COUNTY

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty, and, therefore, maximizes the accuracy of the County's financial statements.

One individual in the County Auditor's office prints out paychecks and puts them into envelopes. Pay rates are not reviewed or approved by another individual. There is no independent review of pay rates entered into the payroll computer system.

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

Response – We will assign the duty of placing paychecks in envelopes to a non-payroll employee.

Conclusion – Response accepted.

II-B-08 Financial Reporting – During the audit, we identified material amounts of payables and related expenditures not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Also, we noted that no formal procedures exist for properly documenting and controlling hours of vacation, sick leave, and compensated time off. Certain departments do not thoroughly track compensated absences hours, and some have only one person who tracks his or her own time.

Recommendation – The County should implement procedures to ensure all payables are identified and included in the County's financial statements.

The County should design and implement formal, written policies regarding the accounting of compensated absences for all departments.

Response – An employee from the Auditor's office will review all claims submitted July thru September for proper accrual coding.

The Board of Supervisors will implement a policy regarding the accounting of compensated absences for all departments.

Conclusion – Response accepted.

DES MOINES COUNTY

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

II-C-08 Delinquent Taxes – During the audit we identified an amount of delinquent mobile home taxes owed by a County Deputy Treasurer as of June 30, 2008. According to the County Treasurer’s records, the Deputy owes \$1,001 in back taxes plus \$955 in interest and costs, dating back to 2000.

Recommendation – The County should attempt to resolve this matter. The County should consult the County Attorney as this matter may represent a conflict of interest.

Response – The County Attorney will be consulted as recommended. At present, this employee is attempting to clear up the delinquency by making bi-monthly payments under a written payment plan.

Conclusion – Response accepted.

II-D-08 Deficit Balances – The Drainage Districts had an overall negative cash balance of \$23,822 as of June 30, 2008. The liabilities of the Drainage Districts exceeded assets by \$102,453 as of June 30, 2008. The deficits were covered with the County’s General Fund. The County received no interest for the use of the funds.

Recommendation – We realize that in the past, Drainage District obligations were paid with warrants, whereas they are now paid with checks. When funds were not sufficient, the warrants were stamped and payment could be delayed. However, since this is no longer possible the County has covered the deficits. The County should consult the County Attorney regarding this matter.

Response – The County Attorney has suggested that we go back to using warrants instead of checks for the Levee and Drainage Districts. We will test this with our bank and computer system before implementation. The Board is contacting Two Rivers Levee & Drainage District regarding borrowing money in the interim of FEMA reimbursement.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

DES MOINES COUNTY

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget – 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-B-08 Questionable Expenditures – We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-08 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-08 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-08 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure the coverage is adequate for current operations.

DES MOINES COUNTY

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

IV-F-08 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed session on August 7, 2007 and April 10, 2008 to discuss matters relating to the County. The minutes record for August 7, 2007 does not document the specific exemption for closed session under Chapter 21.5 of the Code of Iowa. The minutes record for April 10, 2008 does not document the vote of each member on the question of holding the closed session as required by Chapter 21.5 of the Code of Iowa.

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

Response – The Auditor will note the specific code when referring to a closed session. The Board of Supervisors will comply with Chapter 21 of the Code of Iowa regarding closed sessions.

Conclusion – Response accepted.

IV-G-08 Deposits and Investments – No instances of non-compliance with deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.

IV-H-08 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-08 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, 2008 for the County Extension Office did not exceed the amount budgeted.

The office lacks proper segregation of duties as the same individual is responsible for issuing receipts, preparing deposits, recording cash receipts, reconciling bank accounts, and opening the mail.

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

Response – With limited staff, we segregate responsibilities the best we can. With a small office it is sometimes hard to separate certain office functions.

Conclusion – Response accepted.

DES MOINES COUNTY

Audit Staff

This audit was performed by:

TD&T Financial Group, P.C.
Certified Public Accountants
Mt. Pleasant, Iowa

Personnel:

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