



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE February 23, 2004

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

The County had local tax revenue of \$5,863,695 for the year ended June 30, 2003, which included \$449,206 in tax credits from the state. The County forwarded \$4,000,197 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$1,863,498 of the local tax revenue to finance County operations, a five percent increase from the prior year. Other revenues included \$2,825,719 from other governments, including indirect federal funding, and \$41,424 in interest on investments.

Expenditures for County operations totaled \$4,833,725, an eleven percent increase from the prior year. Expenditures included \$1,994,793 for roads and transportation, \$582,684 for public safety and legal services and \$482,279 for capital projects. The significant increase in expenditures is due primarily to an increase in bridge replacement project expenditures funded by the Iowa Department of Transportation.

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

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ADAMS COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

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Adams County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2003)		
James R. Amdor	Board of Supervisors	Jan 2003
Phyllis Mullen	Board of Supervisors	Jan 2003
Kevin Wynn	Board of Supervisors	Jan 2003
Mark Olive	Board of Supervisors	Jan 2005
Verlyn Rice	Board of Supervisors	Jan 2005
Donna West	County Auditor	Jan 2005
Marcus Carr	County Treasurer	Resigned
Nancy Kempton	County Treasurer	Nov 2002
Mary Miller	County Recorder	Jan 2003
Merlin Dixon	County Sheriff	Jan 2005
Earl Hardisty	County Attorney	Jan 2003
Carolyn Burroughs	County Assessor	Jan 2006
(After January 2003)		
Mark Olive	Board of Supervisors	Jan 2005
Verlyn Rice	Board of Supervisors	Jan 2005
Rhonda Milhollin	Board of Supervisors	Jan 2007
Phyllis Mullen	Board of Supervisors	Jan 2007
Kevin Wynn	Board of Supervisors	Jan 2007
Donna West	County Auditor	Jan 2005
Nancy Kempton	County Treasurer	Jan 2007
Mary Miller	County Recorder	Jan 2007
Merlin Dixon	County Sheriff	Jan 2005
Jeff Milhollin	County Attorney	Jan 2007
Carolyn Burroughs	County Assessor	Jan 2006

Adams County



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Independent Auditor's Report

To the Officials of Adams County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Adams County, Iowa, as of and for the year ended June 30, 2003. These general purpose financial statements are the responsibility of Adams County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with U.S. generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known. Also, the County has not included materials and supplies inventory, pertaining primarily to the Special Revenue Funds, although required by U.S. generally accepted accounting principles. The amounts of such inventory are not determinable.

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Adams County at June 30, 2003, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and expendable trust fund of Adams County for the year ended June 30, 2003.

As discussed in Note 10 to the financial statements, Adams County intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the County's financial statements and related notes in the year of implementation. The revised requirements include the use of the economic resources measurement focus and full accrual accounting, as well as an analytical overview of the County's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our reports dated December 2, 2003 on our consideration of Adams County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed qualified opinions on those financial statements for the effects of the omission of the general fixed assets account group and the materials and supplies inventory, pertaining primarily to the Special Revenue Funds. The supplemental information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, except for the effects of the omission of materials and supplies inventories, pertaining primarily to the Special Revenue Funds, as discussed in the fourth preceding paragraph, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 2, 2003

Financial Statements

Adams County
 Combined Balance Sheet
 All Fund Types and Account Group
 June 30, 2003

	Governmental	
	General	Special Revenue
Assets and Other Debits		
Cash and pooled investments:		
County Treasurer	\$ 296,209	1,418,916
Other County officials	-	-
Receivables:		
Property tax:		
Delinquent	364	190
Succeeding year	983,000	750,000
Interest and penalty on property tax	13	-
Accounts	12,196	1,712
Accrued interest	310	-
Due from other funds (note 3)	18,864	904
Due from other governments	24,041	183,104
Amount available in Debt Service Fund	-	-
Amount to be provided for retirement of general long-term debt	-	-
	\$ 1,334,997	2,354,826
Liabilities and Fund Equity		
Liabilities:		
Excess of outstanding checks over bank balance	\$ -	-
Accounts payable	18,879	175,541
Salaries and benefits payable	987	2,368
Due to other funds (note 3)	-	12,967
Due to other governments (note 4)	3,268	45,418
Trusts payable	-	-
Deferred revenue:		
Succeeding year property tax	983,000	750,000
Other	354	185
Capital loan notes payable (note 5)	-	-
Compensated absences	4,784	10,327
Total liabilities	1,011,272	996,806
Fund equity:		
Fund balances:		
Reserved for:		
Supplemental levy purposes	84,171	-
Debt service	-	-
Unreserved	239,554	1,358,020
Total fund equity	323,725	1,358,020
	\$ 1,334,997	2,354,826

See notes to financial statements.

<u>Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	<u>Total</u>
<u>Debt Service</u>	<u>Trust and Agency</u>	<u>General Long-Term Debt</u>	<u>(Memorandum Only)</u>
822	316,857	-	2,032,804
-	11,923	-	11,923
10	1,779	-	2,343
27,000	3,516,000	-	5,276,000
-	-	-	13
-	37	-	13,945
-	59	-	369
-	3,001	-	22,769
-	68,051	-	275,196
-	-	822	822
-	-	506,052	506,052
<u>27,832</u>	<u>3,917,707</u>	<u>506,874</u>	<u>8,142,236</u>
-	9,251	-	9,251
-	8,560	-	202,980
-	-	-	3,355
-	9,802	-	22,769
-	3,864,098	-	3,912,784
-	3,812	-	3,812
27,000	-	-	1,760,000
10	-	-	549
-	-	450,173	450,173
-	11,230	56,701	83,042
<u>27,010</u>	<u>3,906,753</u>	<u>506,874</u>	<u>6,448,715</u>
-	-	-	84,171
822	-	-	822
-	10,954	-	1,608,528
<u>822</u>	<u>10,954</u>	<u>-</u>	<u>1,693,521</u>
<u>27,832</u>	<u>3,917,707</u>	<u>506,874</u>	<u>8,142,236</u>

Adams County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - All Governmental Fund Types
and Expendable Trust Fund

Year ended June 30, 2003

	Governmental	
	General	Special Revenue
Revenues:		
Property and other County tax	\$ 948,344	745,694
Interest and penalty on property tax	16,318	-
Intergovernmental	349,121	2,614,096
Licenses and permits	9,065	240
Charges for service	222,240	8,193
Use of money and property	106,483	232
Miscellaneous	12,838	44,916
Total revenues	1,664,409	3,413,371
Expenditures:		
Operating:		
Public safety and legal services	496,987	85,697
Physical health and social services	236,155	82,432
Mental health	-	405,010
County environment and education	304,816	28,849
Roads and transportation	-	1,994,793
Governmental services to residents	137,801	2,296
Administration	475,246	-
Non-program	19,287	-
Debt service	-	-
Capital projects	-	482,279
Total expenditures	1,670,292	3,081,356
Excess (deficiency) of revenues over (under) expenditures	(5,883)	332,015
Other financing sources (uses):		
Sale of general fixed assets	-	9,484
Operating transfers in	18,389	538,241
Operating transfers out	(5,000)	(601,630)
Total other financing sources (uses)	13,389	(53,905)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	7,506	278,110
Fund balances beginning of year	316,219	1,079,910
Fund balances end of year	\$ 323,725	1,358,020

See notes to financial statements.

<u>Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Total</u>
<u>Debt Service</u>	<u>Expendable Trust</u>	<u>(Memorandum Only)</u>
29,507	-	1,723,545
-	-	16,318
2,455	-	2,965,672
-	-	9,305
-	-	230,433
-	-	106,715
-	-	57,754
<u>31,962</u>	<u>-</u>	<u>5,109,742</u>
-	-	582,684
-	-	318,587
-	-	405,010
-	5,410	339,075
-	-	1,994,793
-	-	140,097
-	-	475,246
-	-	19,287
76,667	-	76,667
-	-	482,279
<u>76,667</u>	<u>5,410</u>	<u>4,833,725</u>
<u>(44,705)</u>	<u>(5,410)</u>	<u>276,017</u>
-	-	9,484
45,000	5,000	606,630
-	-	(606,630)
<u>45,000</u>	<u>5,000</u>	<u>9,484</u>
295	(410)	285,501
<u>527</u>	<u>11,364</u>	<u>1,408,020</u>
<u>822</u>	<u>10,954</u>	<u>1,693,521</u>

Exhibit C

Adams County

Comparison of Receipts, Disbursements and
Changes in Balances - Actual to Budget (Cash Basis)
All Governmental Fund Types and Expendable Trust Fund

Year ended June 30, 2003

	Actual	Amended Budget	Variance - Favorable (Unfavorable)	Actual as % of Amended Budget
Receipts:				
Property and other County tax	\$ 1,724,002	1,725,436	(1,434)	100%
Interest and penalty on property tax	16,486	12,535	3,951	132%
Intergovernmental	3,091,736	2,719,674	372,062	114%
Licenses and permits	9,305	8,770	535	106%
Charges for service	233,803	155,305	78,498	151%
Use of money and property	107,330	108,138	(808)	99%
Miscellaneous	51,215	48,497	2,718	106%
Total receipts	5,233,877	4,778,355	455,522	110%
Disbursements:				
Public safety and legal services	581,095	647,090	65,995	90%
Physical health and social services	331,862	365,965	34,103	91%
Mental health	413,126	524,000	110,874	79%
County environment and education	346,908	387,086	40,178	90%
Roads and transportation	1,881,219	2,399,000	517,781	78%
Governmental services to residents	140,956	167,790	26,834	84%
Administration	474,782	496,137	21,355	96%
Non-program	19,134	20,916	1,782	91%
Debt service	76,667	76,668	1	100%
Capital projects	572,351	545,000	(27,351)	105%
Total disbursements	4,838,100	5,629,652	791,552	86%
Excess (deficiency) of receipts over (under) disbursements	395,777	(851,297)		
Other financing sources, net	9,484	-		
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	405,261	(851,297)		
Balance beginning of year	1,321,640	1,637,395		
Balance end of year	\$ 1,726,901	786,098		

See notes to financial statements.

Adams County

Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

Adams 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.

A. Reporting Entity

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

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

The County also participates in the following jointly governed organizations: Creston Cluster Decat Program, Adams and Taylor Counties Regional Service Agency, and South Iowa Area Detention Service Agency.

B. Fund Accounting

The accounts of the County are organized on the basis of funds and account group, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures. The various funds and account group and their designated purposes are as follows:

Governmental Funds

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

Special Revenue Funds – The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

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

Fiduciary Funds

Trust Funds – The Trust Funds are used to account for assets held by the County in a trustee capacity. These include an Expendable Trust Fund which is accounted for in essentially the same manner as Governmental Funds.

Agency Funds – The 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. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Account Group

General Long-Term Debt – This account group is established to account for long-term debt of the County. Long-term liabilities expected to be financed from Governmental Funds are accounted for in this account group, not in the Governmental Funds.

C. Measurement Focus

Governmental Funds and the Expendable Trust Fund are accounted for on a spending or "financial flow" measurement focus. This means only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources." Governmental Fund and the Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and the Expendable Trust Fund are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and 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. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.

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.

E. Assets, Liabilities and Fund Equity

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred 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 1 ½% per month penalty for delinquent payments; is based on January 1, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2002.

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, 2003, balances of interfund amounts receivable or payable have been recorded.

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.

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 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, the succeeding year property tax receivable, as well as delinquent property tax receivables and other receivables not collected within sixty days after year end.

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%, not to exceed 360 hours, upon retirement or death. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of vacation and sick leave payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003.

F. Budgets and Budgetary Accounting

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 amounts deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutory prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 service areas are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and the Expendable Trust Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

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 and for the County Assessor by the County Conference Board.

Exhibit C is a comparison of cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by function, not fund type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 1,662,006	2,403	1,664,409	3,539,901	(126,530)	3,413,371
Expenditures	1,690,723	(20,431)	1,670,292	3,065,300	16,056	3,081,356
Net	(28,717)	22,834	(5,883)	474,601	(142,586)	332,015
Other financing sources (uses)	13,389	-	13,389	(53,905)	-	(53,905)
Beginning fund balances	321,353	(5,134)	316,219	988,404	91,506	1,079,910
Ending fund balances	\$ 306,025	17,700	323,725	1,409,100	(51,080)	1,358,020

	Governmental Fund Types			Fiduciary Fund Type		
	Debt Service			Expendable Trust		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 31,970	(8)	31,962	-	-	-
Expenditures	76,667	-	76,667	5,410	-	5,410
Net	(44,697)	(8)	(44,705)	(5,410)	-	(5,410)
Other financing sources (uses)	45,000	-	45,000	5,000	-	5,000
Beginning fund balances	519	8	527	11,364	-	11,364
Ending fund balances	\$ 822	-	822	10,954	-	10,954

	Total		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	Revenues	\$ 5,233,877	(124,135)
Expenditures	4,838,100	(4,375)	4,833,725
Net	395,777	(119,760)	276,017
Other financing sources (uses)	9,484	-	9,484
Beginning fund balances	1,321,640	86,380	1,408,020
Ending fund balances	\$ 1,726,901	(33,380)	1,693,521

G. Total (Memorandum Only)

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned "Memorandum Only" to indicate it is presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2003 is as follows:

Receivable Fund	Payable Fund	Amount
General	Trust and Agency:	
	County Recorder	\$ 6,627
	Auto License and Use Tax	2,271
	Special Revenue:	
	Mental Health	150
	Decategorization Project	9,816
Special Revenue:		
County Recorder's Records Management	Trust and Agency:	
Drivers License	County Recorder	267
	Auto License and Use Tax	637
Trust and Agency:	Special Revenue:	
Case Management	Mental Health	3,001
Total		\$ 22,769

(4) 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. The Agency Fund collections also include accruals of property tax for the succeeding year. The 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	\$ 3,268
Special Revenue:		
Rural Services	Services	64
Secondary Roads		2,287
Mental Health		39,878
Decategorization Project		3,189
		<u>45,418</u>
Trust and Agency:		
County Assessor	Collections	205,285
Schools		2,704,320
Community Colleges		126,544
Corporations		509,022
Townships		81,723
Auto License and Use Tax		68,612
All other		168,592
		<u>3,864,098</u>
Total		<u>\$ 3,912,784</u>

(5) Changes in Long-Term Debt

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

	General Obligation Capital Loan Notes	Compensated Absences	Total
Balance beginning of year	\$ 502,944	48,141	551,085
Additions	-	8,560	8,560
Reductions	52,771	-	52,771
Balance end of year	<u>\$ 450,173</u>	<u>56,701</u>	<u>506,874</u>

The County has issued notes for the remodeling of the courthouse building, including jail renovations. Details of the County's June 30, 2003 general obligation capital loan note indebtedness are as follows:

Year Ending June 30,	Capital Loan Notes							
	Series 1998				Series 1998B			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2004	4.45%	\$ 40,000	10,023	50,023	4.75%	\$ 10,000	10,425	20,425
2005	4.50	40,000	8,242	48,242	4.80	10,000	9,950	19,950
2006	4.55	45,000	6,443	51,443	4.85	10,000	9,470	19,470
2007	4.60	45,000	4,395	49,395	4.90	10,000	8,985	18,985
2008	4.65	50,000	2,325	52,325	4.95	10,000	8,495	18,495
2009		-	-	-	5.00	50,000	8,000	58,000
2010		-	-	-	5.00	55,000	5,500	60,500
2011		-	-	-	5.00	55,000	2,750	57,750
Total		\$ 220,000	31,428	251,428		\$ 210,000	63,575	273,575

Year Ending June 30,	Capital Loan Note No. 1042-001				Total of all Issues		
	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
	2004	5.47%	\$ 2,925	1,064	3,989	\$ 52,925	21,512
2005	5.47	3,088	902	3,990	53,088	19,094	72,182
2006	5.47	3,259	730	3,989	58,259	16,643	74,902
2007	5.47	3,439	550	3,989	58,439	13,930	72,369
2008	5.47	3,630	359	3,989	63,630	11,179	74,809
2009	5.47	3,831	158	3,989	53,831	8,158	61,989
2010		-	-	-	55,000	5,500	60,500
2011		-	-	-	55,000	2,750	57,750
Total		\$ 20,172	3,763	23,935	\$ 450,172	98,766	548,938

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$90,364, \$85,167, and \$80,879, respectively, equal to the required contribution for each year.

(7) Risk Management

Adams 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 with over 400 members from 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 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 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2003 were \$74,015.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual member basis.

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 that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2003, no liability has been recorded in the County's financial statements. As of June 30, 2003, 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 claims 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.

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

(8) Industrial Development Revenue Bonds

The County has issued a total of \$3,935,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$3,435,000 is outstanding at June 30, 2003. The bonds and related interest are payable solely from the rents payable by the tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the County.

(9) Health Insurance

The County has a group insurance policy which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. The County's group insurance is a partial self-funded health plan. Under the partial self-funded plan, the County will reimburse the insurance company for an eligible employee's portion of the deductible as well as a portion of out-of-pocket expenses. The amount of the deductibles and out-of-pocket expenses for the employees and the County are as follows:

County employees (excluding the Secondary Roads Department)

	Deductible	
	Single	Family
Employee	\$ 500	1,000
County	2,000	4,000

	Out-of-Pocket	
	Single	Family
Employee	\$ 500	1,000
County	2,000	4,000

Secondary Roads Department employees

	Deductible	
	Single	Family
Employee	\$ 100	200
County	2,400	4,800

	Out-of-Pocket	
	Single	Family
Employee	\$ 100	200
County	2,400	4,800

(10) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of the County’s financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. Also, the revised minimum reporting requirements include Management’s Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the County’s financial activities.

Adams County

Adams County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Revenues:

Property and other County tax:

Property tax	\$ 896,032	
Utility tax replacement excise tax	52,032	
Other	<u>280</u>	\$ 948,344

Interest and penalty on property tax		16,318
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Intergovernmental:

State shared revenues:

Franchise tax	4,286	
Other	<u>1,365</u>	
	<u>5,651</u>	

State tax replacements:

State tax credits	79,150	
State allocation	<u>46,201</u>	
	<u>125,351</u>	

State and federal pass-thru revenues:

Human services administrative reimbursement	<u>18,904</u>	
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Contributions from other governmental units:

Contract law enforcement	58,000	
Other	<u>59,026</u>	
	<u>117,026</u>	

State grants and entitlements:

Home care aide grant	23,366	
Well testing and abandonment	3,716	
Other	<u>18,241</u>	
	<u>45,323</u>	

Federal grants and entitlements:

Watershed protection and flood prevention	<u>36,866</u>	349,121
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Licenses and permits		9,065
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Adams County

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Revenues (continued):		
Charges for service:		
Office fees and collections	49,907	
Auto registration, use tax and mailing	28,658	
Recreation fees	106,396	
Other	<u>37,279</u>	222,240
Use of money and property:		
Interest on investments	41,192	
Rent	<u>65,291</u>	106,483
Miscellaneous		12,838
Total revenues		<u>1,664,409</u>
Expenditures:		
Operating:		
Public safety and legal services		496,987
Physical health and social services		236,155
County environment and education		304,816
Governmental services to residents		137,801
Administration		475,246
Non-program		<u>19,287</u>
Total expenditures		<u>1,670,292</u>
Deficiency of revenues under expenditures		<u>(5,883)</u>
Other financing sources (uses):		
Operating transfers in (out):		
Special Revenue:		
Special Law Enforcement		18,389
Expendable Trust:		
Conservation Land Acquisition Trust		<u>(5,000)</u>
Total other financing sources (uses)		<u>13,389</u>
Excess of revenues and other financing sources over expenditures and other financing uses		7,506
Fund balance beginning of year		<u>316,219</u>
Fund balance end of year		<u><u>\$ 323,725</u></u>

See accompanying independent auditor's report.

Adams County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Public safety and legal services:

Law enforcement:

Investigations	\$ 118,073	
Law enforcement communication	184,747	
Adult correctional services	13,786	
Administration	51,491	
	<u>368,097</u>	

Legal services:

Criminal prosecution	55,355	
Medical examinations	2,827	
	<u>58,182</u>	

Emergency services:

Ambulance services	41,649	
Emergency management	4,994	
	<u>46,643</u>	

Assistance to district court system:

Research and other assistance	10,815	
	<u>10,815</u>	

Court proceedings:

Court costs	1,317	
	<u>1,317</u>	

Juvenile justice administration:

Juvenile victim restitution	8,724	
Court-appointed attorneys and court costs for juveniles	3,209	
	<u>11,933</u>	\$ 496,987

Physical health and social services:

Physical health services:

Sanitation	16,350	
Health administration	130,703	
	<u>147,053</u>	

Services to the poor:

Administration	12,770	
General welfare services	34,690	
	<u>47,460</u>	

Schedule 2

Adams County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Physical health and social services (continued):		
Services to military veterans:		
Administration	5,539	
General services to veterans	<u>3,305</u>	
	<u>8,844</u>	
Children's and family services:		
Family protective services	<u>2,100</u>	
Services to other adults:		
Services to the elderly	9,068	
Other social services	<u>4,626</u>	
	<u>13,694</u>	
Chemical dependency:		
Treatment services	3,385	
Preventive services	<u>13,619</u>	
	<u>17,004</u>	236,155
County environment and education:		
Conservation and recreation services:		
Administration	51,994	
Maintenance and operations	<u>205,808</u>	
	<u>257,802</u>	
Animal control:		
Animal shelter	<u>53</u>	
County development:		
Economic development	<u>25,261</u>	
Educational services:		
Historic preservation	1,700	
Fair and 4-H clubs	<u>20,000</u>	
	<u>21,700</u>	304,816
Governmental services to residents:		
Representation services:		
Elections administration	14,396	
Elections	<u>10,049</u>	
	<u>24,445</u>	

Adams County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Governmental services to residents (continued):		
State administrative services:		
Motor vehicle registrations and licensing	38,322	
Recording of public documents	75,034	
	<u>113,356</u>	137,801
Administration:		
Policy and administration:		
General County management	111,640	
Administrative management services	79,758	
Treasury management services	70,638	
Other policy and administration	43,042	
	<u>305,078</u>	
Central services:		
General services	79,989	
Data processing services	24,342	
	<u>104,331</u>	
Risk management services:		
Safety of the workplace	63,260	
Fidelity of public officials	622	
Unemployment compensation	1,955	
	<u>65,837</u>	475,246
Non-program:		
County farm operations		<u>19,287</u>
Total		<u>\$ 1,670,292</u>

See accompanying independent auditor's report.

Adams County
Special Revenue Funds
Combining Balance Sheet
June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management
Assets				
Cash and pooled investments	\$ 82,311	724,305	3,018	7,065
Receivables:				
Property tax:				
Delinquent	124	-	-	-
Succeeding year	572,000	-	-	-
Accounts	-	1,212	-	-
Due from other funds	-	-	-	267
Due from other governments	-	126,869	6,050	-
Total assets	\$ 654,435	852,386	9,068	7,332
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 1,596	161,759	-	-
Salaries and benefits payable	-	1,692	-	-
Due to other funds	-	-	-	-
Due to other governments	64	2,287	-	-
Deferred revenue:				
Succeeding year property tax	572,000	-	-	-
Other	121	-	-	-
Compensated absences	-	10,327	-	-
Total liabilities	573,781	176,065	-	-
Fund equity:				
Unreserved fund balances	80,654	676,321	9,068	7,332
Total liabilities and fund equity	\$ 654,435	852,386	9,068	7,332

See accompanying independent auditor's report.

Mental Health	Special Law Enforcement	Law Enforcement Forfeiture	County Attorney Forfeiture	Drivers License Revenue	Decategorization Project	Total
176,704	387,795	11,494	1,419	24,805	-	1,418,916
66	-	-	-	-	-	190
178,000	-	-	-	-	-	750,000
-	500	-	-	-	-	1,712
-	-	-	-	637	-	904
-	19,680	-	-	-	30,505	183,104
354,770	407,975	11,494	1,419	25,442	30,505	2,354,826
6,548	4,424	-	-	-	1,214	175,541
676	-	-	-	-	-	2,368
3,151	-	-	-	-	9,816	12,967
39,878	-	-	-	-	3,189	45,418
178,000	-	-	-	-	-	750,000
64	-	-	-	-	-	185
-	-	-	-	-	-	10,327
228,317	4,424	-	-	-	14,219	996,806
126,453	403,551	11,494	1,419	25,442	16,286	1,358,020
354,770	407,975	11,494	1,419	25,442	30,505	2,354,826

Adams County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management
Revenues:				
Property and other County tax:				
Property tax	\$ 532,901	-	-	-
Utility tax replacement excise tax	34,539	-	-	-
Other	65	-	-	-
	<u>567,505</u>	<u>-</u>	<u>-</u>	<u>-</u>
Intergovernmental:				
State shared revenues:				
Road use tax	-	1,608,392	-	-
	<u>-</u>	<u>1,608,392</u>	<u>-</u>	<u>-</u>
State tax replacements:				
State tax credits	43,476	-	-	-
Mental health property tax relief	-	-	-	-
	<u>43,476</u>	<u>-</u>	<u>-</u>	<u>-</u>
State and federal pass-thru revenues:				
Social services block grant	-	-	-	-
Bridge replacement	-	379,151	-	-
	<u>-</u>	<u>379,151</u>	<u>-</u>	<u>-</u>
Contributions from other governmental units				
	-	13,114	-	-
	<u>-</u>	<u>13,114</u>	<u>-</u>	<u>-</u>
State grants and entitlements:				
REAP	-	-	3,038	-
MH-DD allowed growth factor adjustment	-	-	-	-
Well testing and abandonment	106	-	-	-
Other	-	6,207	-	-
	<u>106</u>	<u>6,207</u>	<u>3,038</u>	<u>-</u>
Federal grants and entitlements				
	-	-	6,050	-
	<u>43,582</u>	<u>2,006,864</u>	<u>9,088</u>	<u>-</u>
Licenses and permits				
	-	240	-	-
	<u>-</u>	<u>240</u>	<u>-</u>	<u>-</u>
Charges for service				
	-	50	-	1,061
	<u>-</u>	<u>50</u>	<u>-</u>	<u>1,061</u>
Use of money and property:				
Interest on investments	-	-	102	130
	<u>-</u>	<u>-</u>	<u>102</u>	<u>130</u>
Miscellaneous				
	1,777	42,924	-	-
Total revenues	<u>612,864</u>	<u>2,050,078</u>	<u>9,190</u>	<u>1,191</u>

Mental Health	Special Law Enforcement	Law Enforcement Forfeiture	County Attorney Forfeiture	Drivers License Revenue	Decategorization Project	Total
168,360	-	-	-	-	-	701,261
9,776	-	-	-	-	-	44,315
53	-	-	-	-	-	118
178,189	-	-	-	-	-	745,694
-	-	-	-	-	-	1,608,392
14,872	-	-	-	-	-	58,348
172,315	-	-	-	-	-	172,315
187,187	-	-	-	-	-	230,663
24,668	-	-	-	-	-	24,668
-	-	-	-	-	-	379,151
24,668	-	-	-	-	-	403,819
-	220,250	-	-	-	-	233,364
-	-	-	-	-	-	3,038
36,831	-	-	-	-	-	36,831
-	-	-	-	-	-	106
-	-	-	-	-	85,626	91,833
36,831	-	-	-	-	85,626	131,808
-	-	-	-	-	-	6,050
248,686	220,250	-	-	-	85,626	2,614,096
-	-	-	-	-	-	240
-	141	-	-	6,941	-	8,193
-	-	-	-	-	-	232
-	-	215	-	-	-	44,916
426,875	220,391	215	-	6,941	85,626	3,413,371

Adams County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management
Expenditures:				
Operating:				
Public safety and legal services:				
Law enforcement:				
Investigations	-	-	-	-
Administration	-	-	-	-
	-	-	-	-
Legal services:				
Criminal prosecution	-	-	-	-
Emergency services:				
Ambulance services	13,885	-	-	-
Emergency services	-	-	-	-
	13,885	-	-	-
	13,885	-	-	-
Physical health and social services:				
Physical health services:				
Sanitation	1,596	-	-	-
Children's and family services:				
Family protective services	-	-	-	-
	1,596	-	-	-
Mental health:				
Persons with mental health problems - mental illness:				
Information and education services	-	-	-	-
Treatment services	-	-	-	-
Institutional, hospital, and commitment services	-	-	-	-
	-	-	-	-
Persons with chronic mental illness:				
Coordination services	-	-	-	-
Personal and environmental support	-	-	-	-
Treatment services	-	-	-	-
Vocational and day services	-	-	-	-
Licensed or certified living arrangements	-	-	-	-
Institutional, hospital, and commitment services	-	-	-	-
	-	-	-	-

Mental Health	Special Law Enforcement	Law Enforcement Forfeiture	County Attorney Forfeiture	Drivers License Revenue	Decategorization Project	Total
-	41,949	-	-	-	-	41,949
-	21,974	121	-	-	-	22,095
-	63,923	121	-	-	-	64,044
-	-	-	964	-	-	964
-	-	-	-	-	-	13,885
-	6,804	-	-	-	-	6,804
-	6,804	-	-	-	-	20,689
-	70,727	121	964	-	-	85,697
-	-	-	-	-	-	1,596
-	-	-	-	-	80,836	80,836
-	-	-	-	-	80,836	82,432
505	-	-	-	-	-	505
23,736	-	-	-	-	-	23,736
12,422	-	-	-	-	-	12,422
36,663	-	-	-	-	-	36,663
196	-	-	-	-	-	196
3,677	-	-	-	-	-	3,677
5,809	-	-	-	-	-	5,809
6,669	-	-	-	-	-	6,669
24,019	-	-	-	-	-	24,019
942	-	-	-	-	-	942
41,312	-	-	-	-	-	41,312

Adams County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management
Expenditures (continued):				
Operating:				
Mental health:				
Persons with mental retardation:				
General administration	-	-	-	-
Coordination services	-	-	-	-
Personal and environmental support	-	-	-	-
Vocational and day services	-	-	-	-
Licensed or certified living arrangements	-	-	-	-
Institutional, hospital, and commitment services	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
County environment and education:				
Environmental quality:				
Weed eradication	5,691	-	-	-
Conservation and recreation services:				
Maintenance and operations	-	-	5,417	-
County development:				
Economic development	3,741	-	-	-
Educational services:				
Libraries	14,000	-	-	-
	23,432	-	5,417	-
Roads and transportation:				
Secondary roads administration and engineering:				
Administration	-	52,739	-	-
Engineering	-	105,238	-	-
	-	157,977	-	-
Roadway maintenance:				
Bridges and culverts	-	78,871	-	-
Roads	-	913,131	-	-
Snow and ice control	-	39,264	-	-
Traffic controls	-	37,663	-	-
Road clearing	-	64,778	-	-
	-	1,133,707	-	-
General roadway:				
Equipment	-	245,350	-	-
Equipment operations	-	339,254	-	-
Tools, materials, and supplies	-	93,332	-	-
Real estate and buildings	-	25,173	-	-
	-	703,109	-	-
	-	1,994,793	-	-

Mental Health	Special Law Enforcement	Law Enforcement Forfeiture	County Attorney Forfeiture	Drivers License Revenue	Decategorization Project	Total
11,844	-	-	-	-	-	11,844
2,362	-	-	-	-	-	2,362
7,902	-	-	-	-	-	7,902
56,324	-	-	-	-	-	56,324
181,636	-	-	-	-	-	181,636
66,967	-	-	-	-	-	66,967
327,035	-	-	-	-	-	327,035
405,010	-	-	-	-	-	405,010
-	-	-	-	-	-	5,691
-	-	-	-	-	-	5,417
-	-	-	-	-	-	3,741
-	-	-	-	-	-	14,000
-	-	-	-	-	-	28,849
-	-	-	-	-	-	52,739
-	-	-	-	-	-	105,238
-	-	-	-	-	-	157,977
-	-	-	-	-	-	78,871
-	-	-	-	-	-	913,131
-	-	-	-	-	-	39,264
-	-	-	-	-	-	37,663
-	-	-	-	-	-	64,778
-	-	-	-	-	-	1,133,707
-	-	-	-	-	-	245,350
-	-	-	-	-	-	339,254
-	-	-	-	-	-	93,332
-	-	-	-	-	-	25,173
-	-	-	-	-	-	703,109
-	-	-	-	-	-	1,994,793

Adams County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Resource Enhance- ment and Protection	County Recorder's Records Management
Expenditures (continued):				
Operating:				
Governmental services to residents:				
Representation services:				
Township officials	696	-	-	-
State administrative services:				
Motor vehicle registrations and licensing	-	-	-	-
	<u>696</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital projects:				
Other capital projects	-	458,911	-	-
Total expenditures	<u>39,609</u>	<u>2,453,704</u>	<u>5,417</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>573,255</u>	<u>(403,626)</u>	<u>3,773</u>	<u>1,191</u>
Other financing sources (uses):				
Sale of general fixed assets	-	-	-	-
Operating transfers in (out):				
General	-	-	-	-
Special Revenue:				
Rural Services	-	538,241	-	-
Secondary Roads	(538,241)	-	-	-
Debt Service	-	-	-	-
Total other financing sources (uses)	<u>(538,241)</u>	<u>538,241</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>35,014</u>	<u>134,615</u>	<u>3,773</u>	<u>1,191</u>
Fund balances beginning of year	<u>45,640</u>	<u>541,706</u>	<u>5,295</u>	<u>6,141</u>
Fund balances end of year	<u>\$ 80,654</u>	<u>676,321</u>	<u>9,068</u>	<u>7,332</u>

See accompanying independent auditor's report.

Mental Health	Special Law Enforcement	Law Enforcement Forfeiture	County Attorney Forfeiture	Drivers License Revenue	Decategorization Project	Total
-	-	-	-	-	-	696
-	-	-	-	1,600	-	1,600
-	-	-	-	1,600	-	2,296
-	23,368	-	-	-	-	482,279
405,010	94,095	121	964	1,600	80,836	3,081,356
21,865	126,296	94	(964)	5,341	4,790	332,015
-	9,484	-	-	-	-	9,484
-	(18,389)	-	-	-	-	(18,389)
-	-	-	-	-	-	538,241
-	-	-	-	-	-	(538,241)
-	(45,000)	-	-	-	-	(45,000)
-	(53,905)	-	-	-	-	(53,905)
21,865	72,391	94	(964)	5,341	4,790	278,110
104,588	331,160	11,400	2,383	20,101	11,496	1,079,910
126,453	403,551	11,494	1,419	25,442	16,286	1,358,020

Schedule 5

Adams County

Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Revenues:

Property and other County tax:

Property tax	\$ 27,884	
Utility tax replacement excise tax	1,614	
Other	<u>9</u>	\$ 29,507

Intergovernmental:

State tax replacements:

State tax credits		<u>2,455</u>
Total revenues		<u>31,962</u>

Expenditures:

Debt service:

Note principal	52,771	
Interest	<u>23,896</u>	<u>76,667</u>

Deficiency of revenues under expenditures

(44,705)

Other financing sources:

Operating transfers in:

Special Revenue:

Special Law Enforcement		<u>45,000</u>
-------------------------	--	---------------

Excess of revenues and other financing sources
over expenditures

295

Fund balance beginning of year

527

Fund balance end of year

\$ 822

See accompanying independent auditor's report.

Adams County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2003

	Expendable		
	Trust	Agency	Total
Assets			
Cash and pooled investments:			
County Treasurer	\$ 10,954	305,903	316,857
Other County officials	-	11,923	11,923
Receivables:			
Property tax:			
Delinquent	-	1,779	1,779
Succeeding year	-	3,516,000	3,516,000
Accounts	-	37	37
Accrued interest	-	59	59
Due from other funds	-	3,001	3,001
Due from other governments	-	68,051	68,051
Total assets	\$ 10,954	3,906,753	3,917,707
Liabilities and Fund Equity			
Liabilities:			
Excess of outstanding checks over bank balance	\$ -	9,251	9,251
Accounts payable	-	8,560	8,560
Due to other funds	-	9,802	9,802
Due to other governments	-	3,864,098	3,864,098
Trusts payable	-	3,812	3,812
Compensated absences	-	11,230	11,230
Total liabilities	-	3,906,753	3,906,753
Fund equity:			
Unreserved fund balance	10,954	-	10,954
Total liabilities and fund equity	\$ 10,954	3,906,753	3,917,707

See accompanying independent auditor's report.

Schedule 7

Adams County

Expendable Trust Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

	<u>Conservation Land Acquisition Trust</u>
Revenues:	
None	\$ -
Expenditures:	
County environment and education:	
Conservation and recreation services:	
Maintenance and operations	<u>5,410</u>
Deficiency of revenues under expenditures	(5,410)
Other financing sources:	
Operating transfers in:	
General	<u>5,000</u>
Deficiency of revenues and other financing sources under expenditures	(410)
Fund balance beginning of year	<u>11,364</u>
Fund balance end of year	<u><u>\$ 10,954</u></u>

See accompanying independent auditor's report.

Adams County

Adams County
 Agency Funds
 Combining Balance Sheet
 June 30, 2003

	<u>County Offices</u>		Empower- ment	Agricultural Extension Education
	County Recorder	County Sheriff		
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	-	46,250	1,441
Other County officials	8,310	3,613	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	21
Succeeding year	-	-	-	58,000
Accounts	-	37	-	-
Accrued interest	-	-	59	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 8,310	3,650	46,309	59,462
Liabilities				
Liabilities:				
Excess of outstanding checks over bank balance	\$ -	-	-	-
Accounts payable	-	8	4,368	-
Due to other funds	6,894	-	-	-
Due to other governments	1,405	-	41,941	59,462
Trusts payable	11	3,642	-	-
Compensated absences	-	-	-	-
Total liabilities	\$ 8,310	3,650	46,309	59,462

County Assessor	Schools	Community Colleges	Corporations	Townships
106,519	54,364	2,498	9,324	1,704
-	-	-	-	-
39	956	46	698	19
105,000	2,649,000	124,000	499,000	80,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
211,558	2,704,320	126,544	509,022	81,723
-	-	-	-	-
620	-	-	-	-
-	-	-	-	-
205,285	2,704,320	126,544	509,022	81,723
-	-	-	-	-
5,653	-	-	-	-
211,558	2,704,320	126,544	509,022	81,723

Adams County
 Agency Funds
 Combining Balance Sheet
 June 30, 2003

	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication	Iowa Organ Donor	Credit Card Trans- actions
Assets				
Cash and pooled investments:				
County Treasurer	71,520	15	1	159
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	1,000	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Total assets	71,520	1,015	1	159
Liabilities				
Liabilities:				
Excess of outstanding checks over bank balance	-	-	-	-
Accounts payable	-	-	-	-
Due to other funds	2,908	-	-	-
Due to other governments	68,612	1,015	1	-
Trusts payable	-	-	-	159
Compensated absences	-	-	-	-
Total liabilities	71,520	1,015	1	159

See accompanying independent auditor's report.

Special Assessments	Advance Tax	Treasurer's Trust	Case Management	Total
136	6,958	5,014	-	305,903
-	-	-	-	11,923
-	-	-	-	1,779
-	-	-	-	3,516,000
-	-	-	-	37
-	-	-	-	59
-	-	-	3,001	3,001
-	-	-	68,051	68,051
136	6,958	5,014	71,052	3,906,753
-	-	-	9,251	9,251
-	-	-	3,564	8,560
-	-	-	-	9,802
136	6,958	5,014	52,660	3,864,098
-	-	-	-	3,812
-	-	-	5,577	11,230
136	6,958	5,014	71,052	3,906,753

Adams County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	County Offices		
	County Recorder	County Sheriff	Empowerment
Assets and Liabilities			
Balance beginning of year	\$ 10,707	468	47,184
Additions:			
Property and other County tax	-	-	-
State tax credits	-	-	-
Office fees and collections	66,116	41,056	-
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Trusts	-	-	-
Miscellaneous	-	-	66,936
Total additions	66,116	41,056	66,936
Deductions:			
Agency Remittances:			
To other funds	26,881	19,973	-
To other governments	41,632	347	67,811
Trusts paid out	-	17,554	-
Total deductions	68,513	37,874	67,811
Balance end of year	\$ 8,310	3,650	46,309

Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations	Town- ships
55,069	191,423	2,580,070	118,397	443,323	78,574
61,764	111,858	2,810,369	131,458	488,404	86,326
4,819	8,916	225,493	10,300	53,486	6,175
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
50	2,305	-	-	-	-
66,633	123,079	3,035,862	141,758	541,890	92,501
-	-	-	-	-	-
62,240	102,944	2,911,612	133,611	476,191	89,352
-	-	-	-	-	-
62,240	102,944	2,911,612	133,611	476,191	89,352
59,462	211,558	2,704,320	126,544	509,022	81,723

Adams County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication	Iowa Organ Donor
Assets and Liabilities			
Balance beginning of year	58,990	1,018	6
Additions:			
Property and other County tax	-	765	-
State tax credits	-	64	-
Office fees and collections	-	-	-
Auto licenses, use tax and postage	944,564	-	-
Assessments	-	-	-
Trusts	-	-	-
Miscellaneous	-	-	17
Total additions	944,564	829	17
Deductions:			
Agency Remittances:			
To other funds	35,241	-	-
To other governments	896,793	832	22
Trusts paid out	-	-	-
Total deductions	932,034	832	22
Balance end of year	71,520	1,015	1

See accompanying independent auditor's report.

Credit Card Trans- actions	Special Assess- ments	Advance Tax	Treasurer's Trust	Case Management	Total
159	-	6,471	4,065	83,390	3,679,314
-	-	-	-	-	3,690,944
-	-	-	-	-	309,253
-	-	-	-	-	107,172
-	-	-	-	-	944,564
-	856	-	-	-	856
-	-	15,859	39,045	-	54,904
-	-	-	-	304,352	373,660
-	856	15,859	39,045	304,352	5,481,353
-	-	-	-	-	82,095
-	720	15,372	38,096	325,941	5,163,516
-	-	-	-	-	17,554
-	720	15,372	38,096	325,941	5,263,165
159	136	6,958	5,014	61,801	3,897,502

Schedule 10

Adams County

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2003	2002	2001	2000
Taxes:				
Property tax	\$ 1,625,177	1,548,412	1,561,353	1,587,824
Utility tax replacement excise tax	97,961	100,015	103,537	-
Other	407	506	539	565
	<u>1,723,545</u>	<u>1,648,933</u>	<u>1,665,429</u>	<u>1,588,389</u>
Intergovernmental:				
State shared revenues:				
Road use tax	1,608,392	1,619,775	1,553,260	1,575,847
Other	5,651	6,751	3,230	3,573
State tax replacements:				
State tax credits	139,953	126,982	136,770	139,867
State allocation	46,201	48,814	89,757	84,943
Mental health property tax relief	172,315	172,314	172,315	172,315
State and federal pass-thru revenues:				
Community development block grant	-	-	529,183	316,817
Bridge replacement	379,151	138,042	-	-
Social services block grant	24,668	29,171	30,124	30,957
Contributions from other governmental units:	350,390	284,012	231,795	318,583
State grants and entitlements:				
Other	196,035	205,345	253,729	354,682
Federal grants and entitlements:				
Watershed protection and flood prevention	36,866	-	-	-
Other	6,050	4,842	13,656	23,440
	<u>2,965,672</u>	<u>2,642,340</u>	<u>3,014,696</u>	<u>3,021,924</u>
Total	<u>\$ 4,689,217</u>	<u>4,291,273</u>	<u>4,680,125</u>	<u>4,610,313</u>

See accompanying independent auditor's report

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

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expend- itures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Agriculture:			
Watershed Protection and Flood Prevention	10.904		<u>\$ 36,866</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		<u>3,188</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	99-HBRR-057	173,360
Highway Planning and Construction	20.205	401-HBRRS-020	<u>116,150</u>
			<u>289,510</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		<u>4,820</u>
Refugee and Entrant Assistance - State Administered Programs	93.566		<u>14</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>924</u>
Foster Care - Title IV-E	93.658		<u>1,631</u>
Adoption Assistance	93.659		<u>545</u>
Medical Assistance Program	93.778		<u>4,572</u>
Social Services Block Grant	93.667		<u>3,119</u>
Social Services Block Grant	93.667		<u>24,668</u>
			<u>27,787</u>
Total			<u>\$ 369,857</u>

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

See accompanying independent auditor's report.

Adams County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Adams County:

We have audited the general purpose financial statements of Adams County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 2, 2003. Our report expressed a qualified opinion on the financial statements due to the omission of the general fixed assets account group and materials and supplies inventory, pertaining primarily to the Special Revenue Funds, which should be included in order to conform with U.S. generally accepted accounting principles.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have not been resolved and have been repeated as items IV-B-03 and IV-E-03.

Internal Control over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. The prior year reportable condition has not been resolved and has been repeated as item II-A-03

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Adams County and other parties to whom Adams County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 2, 2003

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

Adams County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Adams County:

Compliance

We have audited the compliance of Adams 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, 2003. Adams County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Adams County's management. Our responsibility is to express an opinion on Adams County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Adams County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Adams County's compliance with those requirements.

In our opinion, Adams County complied, in all material respects, with the requirements referred to above that are applicable its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

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

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

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

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 2, 2003

Adams County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

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

- (a) A qualified opinion was issued on the financial statements due to the omission of the general fixed asset account group and materials and supplies inventory pertaining primarily to the Special Revenue Funds.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements. That reportable condition was not considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Adams County did not qualify as a low-risk auditee.

Adams County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

II-A-03 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the County Recorder's Office may have control over the following areas for which no compensating controls exist:

- (1) Receipts – opening and listing mail receipts, collecting, depositing, posting and daily reconciling.
- (2) Disbursements – check writing, check signing, posting, reconciling and final approval.
- (3) Bank reconciliations are not reviewed periodically by an independent person for propriety.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the County Recorder should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Response – The County Recorder will review the operating procedures of the office to obtain the maximum internal control possible with just two persons in the office.

Conclusion – Response accepted.

Adams County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

Adams County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-03 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.

IV-B-03 Certified Budget – Disbursements during the year ended June 30, 2003 exceeded the amount budgeted in the capital projects function. Also, disbursements in certain departments exceeded the amounts appropriated prior to amendment.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Response – We will attempt to increase department appropriations before disbursements are allowed to exceed the appropriation and to amend the budget timely.

Conclusion – Response accepted.

IV-C-03 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mark Olive, Board of Supervisor Member, owns The Print Shop	Conservation brochures	\$ 1,175
Rhonda Mothershed, Sheriff's Office employee, owns T & R Communications	Radio repairs	3,926
Kim Lundquist, Deputy Assessor, spouse owns Lundquist AC Service	Air conditioner repair	557

Adams County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

In accordance with Chapter 331.342(10) of the Code of Iowa, the brochures purchased from The Print Shop and the air conditioning repair from Lundquist AC Service do not appear to represent a conflict of interest since total cumulative transactions by individual were less than \$1,500 during the fiscal year. The transactions for radio repairs may represent a conflict of interest.

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

Response – We did business with T&R Communications long before Rhonda Mothershed became an employee. They did not perform services over an extended period of time throughout the fiscal year. The fees charged were appropriately priced and fair. The County was pleased with what they did and does not feel any type of conflict existed.

Conclusion – Response acknowledged. Legal counsel should be consulted to determine final disposition.

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

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

IV-H-03 Deposits and Pooled Investments – No instances of non-compliance with the deposit and pooled investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policies were noted.

IV-I-03 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-J-03 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2003 for the County Extension Office did not exceed the amount budgeted.

IV-K-03 Deficit Fund Balance – The Special Revenue Fund – Decategorization Project had deficit fund balances during the year and at June 30, 2003. This appears to violate Chapter 331.476 of the Code of Iowa.

Recommendation – Claims should not be approved for payment when funds are not available unless the debt is authorized by resolution of the Board of Supervisors and takes the form of anticipatory warrants, loans from other County funds or other formal short-term debt instruments or obligations.

Adams County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Response – Decategorization Project funds are entirely pass through grants. The project was awarded an unexpected grant during FY2002-03, but the funds were not received until FY2003-04. In the future for the DECAT budget we will attempt to allow funds sufficient to cover unexpected grants as well as the lag time we experience regarding reimbursement from the State of Iowa.

Conclusion – Response accepted.

IV-L-03 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The County Recorder and County Extension Office retain cancelled checks through electronic image, but do not obtain an image of the back of each cancelled check as required.

Recommendation – The County Recorder and County Extension Office should obtain and retain an image of both the front and back of each cancelled check as required.

Responses –

County Recorder – The bank changed their system and started imaging cancelled checks. At that time, I asked if the reverse side was available and they said it was “if needed”. I did not know it was mandatory by Code. I will contact the Bank to see if they can furnish without charge.

County Extension Office – I have asked the bank to make copies of both sides of our cancelled checks from now on. They said that would be no problem and they will begin doing that.

Conclusion –

County Recorder – Response accepted.

County Extension Office – Response accepted.

Adams County

Staff

This audit was performed by:

Suzanne R. Hanft, CPA, Manager
Tammy A. Wolterman, Staff Auditor
Kevin P. Riley, CPA, Staff Auditor
Corinne M. Widen, Assistant Auditor

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