



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

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**NEWS RELEASE**

FOR RELEASE

March 7, 2012

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$7,873,339 for the year ended June 30, 2011, which included \$284,922 in tax credits from the state. The County forwarded \$4,816,047 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,057,292 of the local tax revenue to finance County operations, a 1.6% decrease from the prior year. Other revenues included charges for service of \$796,741, operating grants, contributions and restricted interest of \$2,565,909, capital grants, contributions and restricted interest of \$841,527, unrestricted investment earnings of \$57,070, local option sales tax of \$261,149 and other general revenues of \$26,269.

Expenses for County operations totaled \$6,640,891, a 2.7% increase over the prior year. Expenses included \$2,968,369 for roads and transportation, \$974,351 for public safety and legal services and \$696,062 for mental health.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1110-0002-B00F.pdf>.

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**ADAMS COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2011**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	25
Notes to Financial Statements		26-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		43
Budget to GAAP Reconciliation		44
Notes to Required Supplementary Information – Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48-49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	50-51
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	52-53
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	54-55
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	56-57
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		59-60
Schedule of Findings		61-65
Staff		66

**Adams County**

**Officials**

**(Before January 2011)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Linda England	Board of Supervisors	Jan 2011
Phyllis Mullen	Board of Supervisors	Jan 2011
Kevin Wynn	Board of Supervisors	Jan 2011
Karl McCarty	Board of Supervisors	Jan 2013
Mark Olive	Board of Supervisors	Jan 2013
Nancy Carmichael	County Auditor	Jan 2013
Nancy Kempton	County Treasurer	Jan 2011
Mary Miller	County Recorder	Jan 2011
Bill Lyddon	County Sheriff	Jan 2013
Jeff Millhollin	County Attorney	Jan 2011
Wesley Ray (Appointed)	County Assessor	Jan 2016

**(After January 2011)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Karl McCarty	Board of Supervisors	Jan 2013
Mark Olive	Board of Supervisors	Jan 2013
Douglas Birt	Board of Supervisors	Jan 2015
Linda England	Board of Supervisors	Jan 2015
Phyllis Mullen	Board of Supervisors	Jan 2015
Nancy Carmichael	County Auditor	Jan 2013
Nancy Kempton	County Treasurer	Jan 2015
Mary Miller	County Recorder	Jan 2015
Bill Lyddon	County Sheriff	(Retired Jan 2011)
Alan Johannes (Appointed)	County Sheriff	Nov 2012
Jeff Millhollin	County Attorney	(Retired Nov 2011)
Wesley Ray	County Assessor	Jan 2016

**Adams County**



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Independent Auditor's Report

To the Officials of Adams County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adams County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Adams County's management. Our responsibility is to express opinions on these financial statements based on our audit.

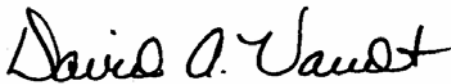
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Adams County at June 30, 2011, 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 February 14, 2012 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 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 43 through 46 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 Adams 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 nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 14, 2012



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Adams County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- Adams County's governmental activities' revenues decreased 22.8%, or approximately \$2,249,000, from fiscal year 2010 to fiscal year 2011. Property tax decreased approximately \$14,000. Operating grants, contributions and restricted interest decreased approximately \$84,000 and capital grants, contributions and restricted interest decreased approximately \$2,024,000.
- Program expenses of the County's governmental activities were 2.7%, or approximately \$173,000, more in fiscal year 2011 than in fiscal year 2010. Mental health expenses increased approximately \$188,000.
- The County's net assets increased 14.6%, or approximately \$965,000, from June 30, 2010 to June 30, 2011.

### **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 Adams 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 Adams County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Adams 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

## **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, and 3) the Debt Service 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 the County Assessor, Empowerment and CPC case management administration, 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. Adams County's combined net assets increased 14.6% over a year ago, increasing from approximately \$6.6 million to approximately \$7.6 million. The analysis that follows focuses on the net assets of governmental activities.

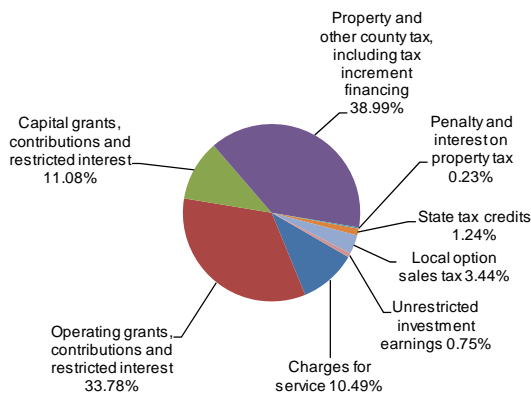
Net Assets of Governmental Activities		
	June 30,	
	2011	2010
Current and other assets	\$ 6,858,533	6,404,237
Capital assets	9,096,214	8,582,726
Total assets	<u>15,954,747</u>	<u>14,986,963</u>
Long-term liabilities	4,936,545	5,163,602
Other liabilities	3,427,809	3,198,034
Total liabilities	<u>8,364,354</u>	<u>8,361,636</u>
Net assets:		
Invested in capital assets	9,096,214	8,527,726
Restricted	1,833,058	1,793,803
Unrestricted	<u>(3,338,879)</u>	<u>(3,696,202)</u>
Total net assets	<u>\$ 7,590,393</u>	<u>6,625,327</u>

Net assets of Adams County's governmental activities increased 14.6% (approximately \$7.6 million compared to approximately \$6.6 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately \$3.7 million at June 30, 2010 to a deficit of approximately \$3.3 million at the end of this year. The deficit of \$3,338,879 is due primarily to urban renewal tax increment revenue bonds of approximately \$3.8 million and local option sales tax revenue bonds of \$865,000 for which the assets acquired by the debt proceeds are not recorded by the County.

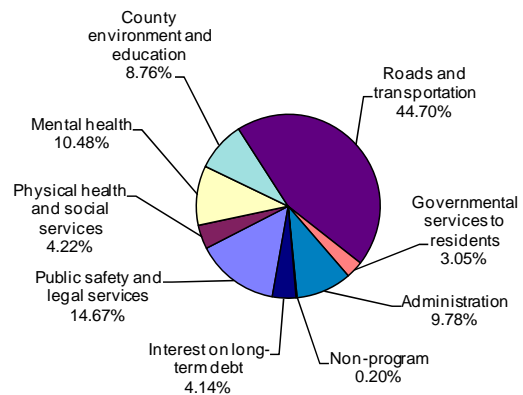
**Changes in Net Assets of Governmental Activities**

	Year ended June 30,	
	2011	2010
Revenues:		
Program revenues:		
Charges for service	\$ 796,741	754,836
Operating grants, contributions and restricted interest	2,565,909	2,650,264
Capital grants, contributions and restricted interest	841,527	2,865,052
General revenues:		
Property and other county tax, including tax increment financing	2,963,013	2,977,269
Penalty and interest on property tax	17,377	18,843
State tax credits	94,279	128,491
Local option sales tax	261,149	234,602
Unrestricted investment earnings	57,070	57,385
Gain on disposition of capital assets	-	13,655
Other general revenues	8,892	154,909
<b>Total revenues</b>	<b>7,605,957</b>	<b>9,855,306</b>
Program expenses:		
Public safety and legal services	974,351	885,354
Physical health and social services	280,174	253,135
Mental health	696,062	508,267
County environment and education	581,902	627,712
Roads and transportation	2,968,369	2,962,405
Governmental services to residents	202,583	200,837
Administration	649,358	728,947
Non-program	13,337	14,870
Interest on long-term debt	274,755	286,769
<b>Total expenses</b>	<b>6,640,891</b>	<b>6,468,296</b>
Increase in net assets	965,066	3,387,010
Net assets beginning of year	6,625,327	3,238,317
Net assets end of year	\$ 7,590,393	6,625,327

**Revenues by Source**



**Expenses by Program**



Adams County decreased property tax rates \$.20855 per \$1,000 of taxable valuation in the countywide levy and increased property tax rates \$.08257 per \$1,000 of taxable valuation in the rural services levy. The fiscal year 2011 Adams County taxable property valuation increased \$5,398,665. The General Assembly allows counties to exceed the statutory maximum levy rate of \$3.50 per \$1,000 of property valuation for the general basic tax levy for property tax when the conditions specified by statute are met. Adams County's general basic tax levy for fiscal year 2011 was \$4.00 per \$1,000 of taxable valuation. The net effect of these changes decreased the County's property and other county tax revenue \$14,256 in fiscal year 2011.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Adams County completed the year, its governmental funds reported a combined fund balance of approximately \$3.4 million, an increase of \$223,935 over last year's total of approximately \$3.2 million. The increase in the combined fund balance is due primarily to an increase in the General and the Special Revenue, Secondary Roads, Local Option Sales Tax and Urban Renewal Funds offset by a decrease in the Special Revenue, Mental Health Fund. Changes in fund balances of the major funds from the prior year are as follows:

- General Fund revenues decreased \$17,116 and expenditures increased \$50,400. The General Fund ending balance increased \$117,244 over the prior year to \$1,670,145. Revenue decreased in the General Fund, mainly due to a decrease in miscellaneous revenues of \$84,427, which consisted of reimbursements for storm damage which occurred in fiscal year 2010 but not in fiscal year 2011. Expenditures increased \$55,835 in the county environment and education function, primarily due to the Lake Icaria playground equipment and funding for Adams County Commission on Sustainability.
- The County has continued to look for ways to effectively manage the cost of mental health services. Special Revenue, Mental Health Fund revenues decreased \$89,970, due primarily to a decrease in funding for the MH-DD allowable growth factor adjustment as well as no state payment program prepayment in fiscal year 2011. Expenditures increased \$187,768, due primarily to administrative increases through required on-call staffing and case load. The Mental Health Fund balance at year end decreased \$251,157 from the prior year to a deficit balance of \$98,108.
- Special Revenue, Rural Services Fund revenues decreased \$15,642. The Rural Services Fund ending balance increased \$28,285 over the prior year to \$166,195. Transfers to the Special Revenue, Secondary Roads Fund increased \$14,364.
- Special Revenue, Secondary Roads Fund expenditures decreased \$27,295 from the prior year. Secondary Roads Fund revenues decreased \$79,527. The decrease in revenues is due to the County receiving less State and Federal pass-through revenues for disaster assistance and road construction projects during fiscal year 2011. These changes resulted in an increase in the Secondary Roads Fund ending balance of \$117,968 over fiscal year 2010 to \$784,377.
- Special Revenue, Local Option Sales Tax Fund expenditures decreased \$48,004 from the prior year, due primarily to debt service payments for the LOST revenue bonds having been paid out of the Special Revenue, Aquatic Center Sinking Fund during fiscal year 2011. Revenues increased \$26,548. As required by the revenue bond resolution, a transfer of \$92,830 was made during fiscal year 2011 to the Aquatic Center Sinking Fund. These changes resulted in an increase in the Local Option Sales Tax Fund ending balance of \$125,165 from fiscal year 2010 to \$274,530.

- Special Revenue, Urban Renewal Fund revenues decreased \$10,934 from the prior year due to less tax increment financing collections. Expenditures remained similar to the prior year. These changes resulted in an increase in the Urban Renewal Fund ending balance of \$87,424 from fiscal year 2010 to \$396,670.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Adams County amended its budget once. The amendment was made on May 24, 2011 and resulted in an increase in budgeted disbursements of \$194,301, related primarily to increases in disbursements due to increased disbursements for Lake Icaria Conservation playground equipment, Lake Icaria increased usership, dock repairs and employee benefits payouts.

The County's actual receipts were \$66,220 more than the amended budget, a variance of less than 1%. The variance resulted from the County receiving more intergovernmental receipts than anticipated.

Total disbursements were \$318,941 less than the amended budget. Actual disbursements for the roads and transportation, administration and capital projects functions were under the amended budget by \$199,091, \$78,179 and \$84,248, respectively.

Even with the budget amendment, the County exceeded the budgeted amount in the mental health and county environment and education functions for the year ended June 30, 2011. The County's mental health disbursements for fiscal year 2011 and county environment and education disbursements were not sufficiently budgeted for.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, Adams County had approximately \$9.1 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 \$500,000, or 5.8%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2011	2010
Land	\$ 265,266	265,266
Buildings and improvements	1,583,473	1,656,217
Equipment and vehicles	1,673,113	1,627,742
Infrastructure	5,574,362	5,033,501
Total	\$ 9,096,214	8,582,726
This year's major additions included:		
Dump trucks	\$ 142,980	
Capital assets contributed by the Iowa Department of Transportation	839,489	
Total	\$ 982,469	

The County had depreciation expense of \$587,118 in fiscal year 2011 and total accumulated depreciation of \$4,154,967 at June 30, 2011. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

## Long-Term Debt

At June 30, 2011, Adams County had \$4,668,321 in long-term debt outstanding, compared to \$4,910,453 at June 30, 2010.

	Outstanding Debt of Governmental Activities at Year-End	
	June 30,	
	2011	2010
General obligation capital loan notes	\$ -	55,000
Revenue bonds	4,668,321	4,855,453
Total	\$ 4,668,321	4,910,453

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Adams County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$20 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Adams County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Adams County's employment (number of persons working) has declined over 4% over the past 5 years. Total resident employment in 2011 was 2,020 and total resident employment in 2010 was 1,980. Unemployment in the County decreased from 5.1% in 2010 to 4.7% in 2011. This compares with the State's unemployment rate of 6.0% and the national rate of 9.2%.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the fiscal year 2012 operating budget are \$6,834,508, an increase of 1.0% from the final fiscal year 2011 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease from approximately \$3,180,000 to approximately \$2,712,000 by the close of fiscal year 2012.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Adams 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 Adams County Auditor's Office, 500 9<sup>th</sup> Street, Corning, Iowa, 50841.

**Adams County**



## **Basic Financial Statements**

Adams County  
Statement of Net Assets  
June 30, 2011

	Governmental Activities
<b>Assets</b>	
Cash and pooled investments	\$ 3,516,103
Receivables:	
Property tax:	
Delinquent	1,862
Succeeding year	2,555,000
Succeeding year tax increment financing	451,000
Accounts	1,736
Accrued interest	2,496
Loan	1,800
Due from other governments	219,262
Inventories	109,274
Capital assets (net of accumulated depreciation)	9,096,214
<b>Total assets</b>	<b>15,954,747</b>
<b>Liabilities</b>	
Accounts payable	71,749
Salaries and benefits payable	18,354
Due to other governments	331,706
Deferred revenue:	
Succeeding year tax increment financing	2,555,000
Succeeding year property tax	451,000
Long-term liabilities:	
Portion due or payable within one year:	
Revenue bonds	317,866
Compensated absences	39,401
Portion due or payable after one year:	
Revenue bonds	4,350,455
Compensated absences	177,823
Net OPEB liability	51,000
<b>Total liabilities</b>	<b>8,364,354</b>
<b>Net Assets</b>	
Invested in capital assets	9,096,214
Restricted for:	
Supplemental levy	449,958
Rural services	166,195
Secondary roads purposes	691,609
Water agreement	62,500
Debt service	322
Other purposes	462,474
Unrestricted	(3,338,879)
<b>Total net assets</b>	<b>\$ 7,590,393</b>

See notes to financial statements.

Adams County

Statement of Activities

Year ended June 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 974,351	370,771	2,297	-	(601,283)
Physical health and social services	280,174	14,463	69,336	2,038	(194,337)
Mental health	696,062	15,449	254,154	-	(426,459)
County environment and education	581,902	226,356	48,645	-	(306,901)
Roads and transportation	2,968,369	14,603	2,181,389	839,489	67,112
Governmental services to residents	202,583	75,780	10,088	-	(116,715)
Administration	649,358	6,551	-	-	(642,807)
Non-program	13,337	72,768	-	-	59,431
Debt service	274,755	-	-	-	(274,755)
<b>Total</b>	<b>\$ 6,640,891</b>	<b>796,741</b>	<b>2,565,909</b>	<b>841,527</b>	<b>(2,436,714)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					2,459,650
Debt service					55,112
Tax increment financing					448,251
Penalty and interest on property tax					17,377
State tax credits					94,279
Local option sales tax					261,149
Unrestricted investment earnings					57,070
Miscellaneous					8,892
<b>Total general revenues</b>					<b>3,401,780</b>
Change in net assets					965,066
Net assets beginning of year					6,625,327
Net assets end of year					<b>\$ 7,590,393</b>

See notes to financial statements.

Adams County  
Balance Sheet  
Governmental Funds

June 30, 2011

	General	Mental Health	Special Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 1,723,578	142,489	167,240
Receivables:			
Property tax:			
Delinquent	1,776	86	-
Succeeding year	1,591,000	180,000	784,000
Succeeding year tax increment financing	-	-	-
Accounts	1,163	-	-
Accrued interest	2,272	-	-
Loans	1,800	-	-
Due from other governments	3,962	-	-
Inventories	-	-	-
<b>Total assets</b>	<b>\$ 3,325,551</b>	<b>322,575</b>	<b>951,240</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 32,589	11,626	1,045
Salaries and benefits payable	-	195	-
Due to other governments	30,173	228,785	-
Deferred revenue:			
Succeeding year property tax	1,591,000	180,000	784,000
Succeeding year tax increment financing	-	-	-
Other	1,644	77	-
Total liabilities	1,655,406	420,683	785,045
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Restricted for:			
Supplemental levy purposes	449,663	-	-
Rural services purposes	-	-	166,195
Secondary roads purposes	-	-	-
SIRWA water grid	62,500	-	-
Local option sales tax	-	-	-
Urban renewal	-	-	-
Debt service	-	-	-
Conservation land acquisition/captial improvements	9,307	-	-
Other purposes	249,525	-	-
Unassigned	899,150	(98,108)	-
Total fund balances	1,670,145	(98,108)	166,195
<b>Total liabilities and fund balances</b>	<b>\$ 3,325,551</b>	<b>322,575</b>	<b>951,240</b>

See notes to financial statements.

Revenue				
Secondary Roads	Local Option Sales Tax	Urban Renewal	Nonmajor	Total
647,856	234,530	396,458	203,952	3,516,103
-	-	-	-	1,862
-	-	-	-	2,555,000
-	-	451,000	-	451,000
573	-	-	-	1,736
-	-	212	12	2,496
-	-	-	-	1,800
175,300	40,000	-	-	219,262
109,274	-	-	-	109,274
<b>933,003</b>	<b>274,530</b>	<b>847,670</b>	<b>203,964</b>	<b>6,858,533</b>
26,489	-	-	-	71,749
18,159	-	-	-	18,354
72,748	-	-	-	331,706
-	-	-	-	2,555,000
-	-	451,000	-	451,000
31,230	-	-	-	32,951
<b>148,626</b>	<b>-</b>	<b>451,000</b>	<b>-</b>	<b>3,460,760</b>
109,274	-	-	-	109,274
-	-	-	-	449,663
-	-	-	-	166,195
675,103	-	-	-	675,103
-	-	-	-	62,500
-	274,530	-	-	274,530
-	-	396,670	-	396,670
-	-	-	322	322
-	-	-	-	9,307
-	-	-	203,642	453,167
-	-	-	-	801,042
<b>784,377</b>	<b>274,530</b>	<b>396,670</b>	<b>203,964</b>	<b>3,397,773</b>
<b>933,003</b>	<b>274,530</b>	<b>847,670</b>	<b>203,964</b>	<b>6,858,533</b>

**Adams County**

Adams County

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

June 30, 2011

**Total governmental fund balances (page 19)** \$ 3,397,773

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$13,251,181 and the accumulated depreciation is \$4,154,967. 9,096,214

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 32,951

Long-term liabilities, including urban renewal tax increment revenue bonds, local option sales tax revenue bonds, compensated absences and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (4,936,545)

**Net assets of governmental activities (page 16)** \$ 7,590,393

See notes to financial statements.

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

Year ended June 30, 2011

	General	Mental Health	Special Rural Services
Revenues:			
Property and other county tax	\$ 1,564,344	179,797	715,565
Interest and penalty on property tax	17,243	-	-
Tax increment financing	-	-	-
Local option sales tax	-	-	-
Intergovernmental	517,211	261,133	26,909
Licenses and permits	1,138	-	9,400
Charges for service	332,953	-	1,600
Use of money and property	128,238	-	-
Miscellaneous	21,599	-	250
Total revenues	2,582,726	440,930	753,724
Expenditures:			
Operating:			
Public safety and legal services	888,522	-	10,002
Physical health and social services	248,899	-	25,303
Mental health	-	692,087	-
County environment and education	467,882	-	57,371
Roads and transportation	-	-	-
Governmental services to residents	197,974	-	793
Administration	648,868	-	-
Non-program	13,337	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	2,465,482	692,087	93,469
Excess (deficiency) of revenues over (under) expenditures	117,244	(251,157)	660,255
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	(631,970)
Total other financing sources (uses)	-	-	(631,970)
Net change in fund balances	117,244	(251,157)	28,285
Fund balances beginning of year, as restated	1,552,901	153,049	137,910
Fund balances end of year	\$ 1,670,145	(98,108)	166,195

See notes to financial statements.



Revenue				
Secondary Roads	Local Option Sales Tax	Urban Renewal	Nonmajor	Total
-	-	-	55,134	2,514,840
-	-	-	-	17,243
-	-	448,251	-	448,251
-	261,149	-	-	261,149
2,159,591	25,221	-	12,588	3,002,653
2,953	-	-	-	13,491
50	-	-	889	335,492
1,130	-	5,480	336	135,184
16,482	-	-	1,568	39,899
<u>2,180,206</u>	<u>286,370</u>	<u>453,731</u>	<u>70,515</u>	<u>6,768,202</u>
-	-	-	-	898,524
-	-	-	-	274,202
-	-	-	-	692,087
-	67,925	-	10,394	603,572
2,694,208	-	-	-	2,694,208
-	-	-	3,365	202,132
-	-	-	-	648,868
-	-	-	-	13,337
-	-	366,307	150,580	516,887
-	450	-	-	450
<u>2,694,208</u>	<u>68,375</u>	<u>366,307</u>	<u>164,339</u>	<u>6,544,267</u>
(514,002)	217,995	87,424	(93,824)	223,935
631,970	-	-	92,830	724,800
-	(92,830)	-	-	(724,800)
<u>631,970</u>	<u>(92,830)</u>	<u>-</u>	<u>92,830</u>	<u>-</u>
117,968	125,165	87,424	(994)	223,935
666,409	149,365	309,246	204,958	3,173,838
<u>784,377</u>	<u>274,530</u>	<u>396,670</u>	<u>203,964</u>	<u>3,397,773</u>

Adams County

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement  
of Activities

Year ended June 30, 2011

**Net change in fund balances - Total governmental funds (page 23)** \$ 223,935

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

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

Expenditures for capital assets	\$ 261,117	
Capital assets contributed by the Iowa Department of Transportation	839,489	
Depreciation expense	<u>(587,118)</u>	513,488

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	56	
Other	<u>530</u>	586

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. 242,132

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 the governmental funds, as follows:

Compensated absences	9,769	
Other postemployment benefits	<u>(24,844)</u>	<u>(15,075)</u>

**Change in net assets of governmental activities (page 17 )** \$ 965,066

See notes to financial statements.

Adams County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2011

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 485,988
Other County officials	10,078
Receivables:	
Property tax:	
Delinquent	3,739
Succeeding year	4,594,000
Accounts	130
Accrued interest	313
Due from other governments	210,045
<b>Total assets</b>	<u>5,304,293</u>

**Liabilities**

Accounts payable	2,834
Due to other governments	5,244,945
Trusts payable	3,420
Compensated absences	53,094
<b>Total liabilities</b>	<u>5,304,293</u>

<b>Net assets</b>	<u>\$ -</u>
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See notes to financial statements.

Adams County

Notes to Financial Statements

June 30, 2011

**(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.

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

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Adams County Assessor's Conference Board, Adams County Emergency Management Commission 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, Mental Health Services Coordinator Board and South Iowa Area Detention Service Agency.

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues 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 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 the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used to make payments on the local option sales tax revenue bonds with any remaining revenues used for any lawful purpose determined by the Adams County Board of Supervisors.

The Urban Renewal Fund receives revenues from a tax authorized by ordinance in the urban renewal district for repayment of debt.

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.

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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

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 non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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.

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 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, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure and buildings	\$ 50,000
Land	10,000
Intangibles	50,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and infrastructure	20 - 100
Intangibles	5 - 20
Equipment and vehicles	3 - 30

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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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



Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is paid at 50%, not to exceed 360 hours, upon retirement or death. 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, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General 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 column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amount restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the mental health and county environment and education functions.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2011 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, as amended by Statement No. 40.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	631,970
Aquatic Center Sinking	Local Option Sales Tax	92,830
Total		<u>\$ 724,800</u>

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year (as</u>			<u>of Year</u>
	<u>restated)</u>			
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 50,166	-	-	50,166
Intangibles, road network	215,100	-	-	215,100
Total capital assets not being depreciated	<u>265,266</u>	-	-	<u>265,266</u>
Capital assets being depreciated:				
Buildings	2,909,328	-	-	2,909,328
Equipment and vehicles	3,348,832	279,640	(62,814)	3,565,658
Infrastructure, road network	5,671,440	839,489	-	6,510,929
Total capital assets being depreciated	<u>11,929,600</u>	<u>1,119,129</u>	<u>(62,814)</u>	<u>12,985,915</u>
Less accumulated depreciation for:				
Buildings	1,253,111	72,744	-	1,325,855
Equipment and vehicles	1,721,090	215,746	(44,291)	1,892,545
Infrastructure, road network	637,939	298,628	-	936,567
Total accumulated depreciation	<u>3,612,140</u>	<u>587,118</u>	<u>(44,291)</u>	<u>4,154,967</u>
Total capital assets being depreciated, net	<u>8,317,460</u>	<u>532,011</u>	<u>(18,523)</u>	<u>8,830,948</u>
Governmental activities capital assets, net	<u>\$ 8,582,726</u>	<u>532,011</u>	<u>(18,523)</u>	<u>9,096,214</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 71,991
Physical health and social services	5,972
County environment and education	85,407
Roads and transportation	417,935
Administration	5,813
Total depreciation expense - governmental activities	<u>\$ 587,118</u>

**(5) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 30,173
Special Revenue:		
Mental Health	Services	228,785
Secondary Roads	Services	72,748
		<u>301,533</u>
Total for governmental funds		<u>\$ 331,706</u>
Agency:		
Agricultural Extension Education	Collections	\$ 72,848
County Assessor		416,140
Schools		3,528,256
Community Colleges		191,838
Corporations		564,174
Townships		108,341
Auto License and Use Tax		96,191
All other		267,157
Total for agency funds		<u>\$ 5,244,945</u>

**(6) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	General Obligation Capital Loan Notes	Urban Renewal Tax Increment Revenue Bonds	Local Option Sales Tax Revenue Bonds	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 55,000	3,935,453	920,000	226,993	26,156	5,163,602
Increases	-	-	-	59,001	41,844	100,845
Decreases	55,000	132,132	55,000	68,770	17,000	327,902
Balance end of year	\$ -	3,803,321	865,000	217,224	51,000	4,936,545
Due within one year	\$ -	257,866	60,000	39,401	-	357,267

General Obligation Capital Loan Notes

The County issued general obligation capital loan notes to remodel the courthouse building, including the jail. These notes were paid off during fiscal year 2011.

Urban Renewal Tax Increment Revenue Bonds

The County sold \$2,400,000 and \$1,660,000 of urban renewal tax increment (TIF) revenue bonds dated January 26, 2007 and February 13, 2007, respectively. The bonds bear interest at 6.0% per annum with final maturity on December 1, 2027. On June 1, 2016, June 1, 2021 and June 1, 2026, the interest rate on the bonds shall be adjusted to a rate 130 basis points higher than the five year U.S. Treasury rate as published in the Wall Street Journal. Principal and interest on the bonds shall be payable in semi annual

payments of \$108,268 and \$74,885 on June 1 and December 1, beginning December 1, 2009 and continuing through and including a final payment of all remaining principal and interest on December 1, 2023.

The County reserves the right to call and prepay any principal amount of these bonds at any time upon the County giving notice by registered or certified mail to the purchaser or other registered holder not less than thirty days prior to the date set for prepayment.

The County has covenanted it will call and prepay any principal amounts of these bonds on June 1 of each year in an amount equal to the balance of funds remaining in the Special Revenue, Urban Renewal Fund after the then current June 1 payments of principal and interest have been made.

Formal repayment schedules have been established for the urban renewal tax increment revenue bonds. However, these are subject to change depending on the County's right to prepay these bonds at any time and the adjustable interest rate.

Details of the County's June 30, 2011 urban renewal tax increment revenue bond indebtedness are as follows:

Year Ending June 30,	Series 2006			Series 2007			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2012	2.90%	\$ 105,433	44,338	2.90%	\$ 152,433	64,103	257,866	108,441	366,307
2013	2.90	108,513	41,258	2.90	156,886	59,650	265,399	100,908	366,307
2014	2.90	111,682	38,088	2.90	161,469	55,067	273,151	93,155	366,306
2015	2.90	114,945	34,826	2.90	166,185	50,351	281,130	85,177	366,307
2016	2.90	118,302	31,468	2.90	171,039	45,496	289,341	76,964	366,305
2017-2021	2.90	645,409	103,444	2.90	933,122	149,557	1,578,531	253,001	1,831,532
2022-2024	2.90	350,768	15,162	2.90	507,135	21,921	857,903	37,083	894,986
Total		<u>\$ 1,555,052</u>	<u>308,584</u>		<u>\$ 2,248,269</u>	<u>446,145</u>	<u>3,803,321</u>	<u>754,729</u>	<u>4,558,050</u>

The urban renewal tax increment revenue bonds were issued for the purpose of paying costs of an urban renewal project to improve certain county roads, provide an economic development grant to Pinnacle Ethanol, LLC and Corning Municipal Utilities and pay capitalized interest and costs of issuance of the bonds. The bonds are payable solely from the income and proceeds of the urban renewal project in accordance with Chapter 403.19 of Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the bonds shall be expended only for purposes consistent with the plans of the County's urban renewal area. The total principal and interest remaining on the bonds is \$4,558,050, payable through fiscal year 2024. For the current year, principal and interest paid and tax increment receipts were \$366,307 and \$448,251, respectively. The bonds are not a general obligation of the County, but the debt is subject to the constitutional debt limitation of the County. The resolution providing for the issuance of the bonds includes the following provisions:

- (a) The bonds will only be redeemed from the urban renewal tax increment revenue received by the County. The County accounts for this activity within the Special Revenue, Urban Renewal Fund.
- (b) The first \$1,500,000 of bond proceeds shall be used to fully fund the water grant for the City of Corning. The next \$520,000 of bond proceeds shall be used by the County to pay the costs of highway improvements. Next, sufficient bond proceeds shall be set aside to pay the costs of issuance of the bonds and to make provision for the payment of interest on the bonds through December 1, 2009. Finally, any remaining bond proceeds shall be used to fund an initial installment on the Pinnacle Grant.

During the year ended June 30, 2011, the County was in compliance with the revenue bond provisions.

Local Option Sales Tax Revenue Bonds

The County issued local option sales tax revenue bonds for a joint project with the City of Corning under a 28E agreement. The County has pledged future local option sales tax receipts to repay \$1,025,000 of local option sales tax revenue bonds, Series 2008 issued in July 2008. Proceeds from the bonds provided financing for an Aquatic Center in Corning, Iowa, to be operated by the City of Corning under a 28E Joint Operation Agreement. The bonds are payable solely from the proceeds of the local option sales tax received by the County and \$25,220 per year to be received from the City of Corning in accordance with the 28E Joint Operation Agreement and Chapters 423B.9(3) and 384.83 of the Code of Iowa and are payable through 2023. Total principal and interest remaining to be paid on the bonds is \$1,143,181. For the current year, principal and interest paid and total collections were \$92,830 and \$261,149, respectively.

Under the 28E agreement, the City of Corning agreed to remit \$25,220 to the County on or before May 1, 2009 and on or before May 1 of each year until and including May 1, 2023. The City of Corning acknowledges if the revenues received by the City for its local option sales tax are not sufficient to pay the obligated portion under this agreement in one or more of the years outlined above, the City agrees interest on the unpaid amount shall accrue at the rate of 4.26% per annum until paid and all such shortfalls shall become due on the final maturity date of the County’s local option sales tax revenue bonds.

Details of County’s June 30, 2011 local option sales tax revenue bonds is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	3.45%	\$ 60,000	36,043	96,043
2013	3.55	60,000	33,973	93,973
2014	3.70	60,000	31,843	91,843
2015	3.95	65,000	29,622	94,622
2016	4.10	65,000	29,622	94,622
2017-2021	4.20-4.45	380,000	93,583	473,583
2022-2023	4.50-4.55	175,000	23,495	198,495
Total		\$ 865,000	278,181	1,143,181

The resolution providing for the issuance of the local option sales tax revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future local option sales tax revenue received by the County and the bond holders hold a lien on the future revenues received.
- (b) A local option sales tax revenue bond sinking account shall be established and sufficient monthly deposits shall be made to the sinking account for the purpose of making bond principal and interest payments when due.
- (c) A local option sales tax revenue bond reserve account shall be established and monthly deposits to the reserve account equal to 25% of the amount required to be deposited into the sinking account shall be made until \$96,450 has been accumulated. This account is restricted for the purpose of correcting any deficiencies in the sinking account.

During the year ended June 30, 2011, the County was in compliance with the revenue bond provisions.

**(7) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$155,286, \$142,726 and \$128,614, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 50 active and no retired members in the plan. Retired participants must be age 55 or age 50 with 22 years of service at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 41,000
Interest on net OPEB obligation	1,000
Adjustment to annual required contribution	<u>(156)</u>
Annual OPEB cost	41,844
Contributions made	<u>(17,000)</u>
Increase in net OPEB obligation	24,844
Net OPEB obligation beginning of year	<u>26,156</u>
Net OPEB obligation end of year	<u>\$ 51,000</u>

For the year ended June 30, 2011, the County contributed \$17,000 to the medical plan and there were no contributions from plan members eligible for benefits.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 43,051	39.2%	\$ 26,156
2011	41,000	40.6	51,000

Funded Status and Funding Progress – As of June 30, 2011, the actuarial accrued liability was \$243,350, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$243,350. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,960,000 and the ratio of the UAAL to covered payroll was 12.4%. As of June 30, 2011, there were no trust fund assets.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 valuation date, a simplified version of the unit credit actuarial cost method was used. The assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, projected to 2010 using scale AA. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$965 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

The County is a member of 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 645 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, 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 150 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 contributions to the Pool for the year ended June 30, 2011 were \$117,218.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

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, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, 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.



The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$50,000, respectively. 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.

**(10) Industrial Development Revenue Bonds**

The County has issued a total of \$1,895,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$1,060,000 is outstanding at June 30, 2011. 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.

**(11) Southern Iowa Rural Water Association (SIRWA) Agreement**

On May 23, 2005, the County entered into a 28E agreement with SIRWA and nine other counties to provide joint financing of certain water development facilities at Gooseberry Lake to enable SIRWA to withdraw water sufficient to supply treated water to portions of SIRWA's rural water distribution system. Pursuant to the agreement, SIRWA planned to obtain a loan for \$500,000 to cover the initial costs. Liability for repayment of the loan was to be borne by the respective parties (counties) to the agreement. The County's share of the debt is 12.5%, or \$62,500. Each participant was required to establish a SIRWA Grid Sinking and Reserve Fund, into which there shall be appropriated from the participant's General Fund sufficient funds to pay the principal and interest on the loan. During the year ended June 30, 2010, the County was informed the project would not proceed and the 28E agreement with SIRWA would be dissolved. The County is waiting for the final dissolution of the 28E agreement and formal termination of the project, and will then assign the balance of the funds set aside in the General Fund.

**(12) Loan Guarantee Agreement**

Cooperative corporations identified in the agreement made loans to the Corning Open House Cultural Center, an Iowa non-profit corporation, in aggregate not to exceed \$400,000 to be repayable over five years at 2% interest per annum for use in renovating the historic opera house in Corning, Iowa.

Chapter 15A of the Code of Iowa authorizes counties to provide financial assistance, including guarantees for economic development as may be necessary.

On April 11, 2011, the County agreed to guarantee repayment of \$400,000 of the aggregate Cooperative loan amount.

**(13) Jointly Governed Organization**

Adams County participates in the Mental Health Services Coordinator Board, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's fiduciary statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2011:

Additions:		
Federal grants and entitlements:		
Medicaid case management		\$ 653,504
Contributions from governmental units:		
Adams County	\$ 16,033	
Adair County	28,776	
Clarke County	32,020	
Union County	54,385	
Taylor County	22,731	153,945
Total additions		<u>807,449</u>
Deductions:		
Direct administration:		
Salaries	104,021	
Benefits	35,894	
Case management:		
Salaries	292,572	
Benefits	98,521	
Rent	2,399	
Office supplies	6,084	
Telephone	10,104	
Travel and training	25,834	
Administrative	3,397	
Refund	8,210	
Equipment	13,194	600,230
Net		<u>207,219</u>
Balance beginning of year		<u>53,181</u>
Balance end of year		<u><u>\$ 260,400</u></u>

**(14) Deficit Fund Balance**

The Special Revenue, Mental Health Fund had a deficit fund balance of \$98,108 at June 30, 2011. The deficit balance will be eliminated through the future collection of property tax and state revenues.

**(15) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Balances June 30, 2010, as Previously Reported	Change of Fund Type Classification per Implementation of GASB Statement No. 54	Balances July 1, 2010, as Restated
General	\$ 1,150,217	402,684	1,552,901
Special Revenue:			
Special Law Enforcement	228,959	(228,959)	-
SIRWA Grid System	62,500	(62,500)	-
Decategorization	21,790	(21,790)	-
Conservation Land Acquisition	17,807	(17,807)	-
Drivers License Revenue	71,628	(71,628)	-

**Required Supplementary Information**

Adams 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, 2011

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
<b>Receipts:</b>				
Property and other county tax	\$ 3,225,630	3,095,802	3,235,802	(10,172)
Interest and penalty on property tax	17,190	12,600	12,600	4,590
Intergovernmental	2,973,611	2,843,640	2,887,540	86,071
Licenses and permits	13,491	8,300	8,300	5,191
Charges for service	333,977	301,275	332,875	1,102
Use of money and property	137,474	140,330	198,330	(60,856)
Miscellaneous	52,617	12,323	12,323	40,294
<b>Total receipts</b>	<b>6,753,990</b>	<b>6,414,270</b>	<b>6,687,770</b>	<b>66,220</b>
<b>Disbursements:</b>				
Public safety and legal services	969,419	980,826	999,226	29,807
Physical health and social services	284,369	291,414	326,414	42,045
Mental health	571,678	446,174	460,275	(111,403)
County environment and education	600,903	535,751	568,351	(32,552)
Roads and transportation	2,664,909	2,864,000	2,864,000	199,091
Governmental services to residents	205,041	219,130	221,130	16,089
Administration	615,529	656,208	693,708	78,179
Non-program	18,829	32,266	32,266	13,437
Debt service	516,887	516,887	516,887	-
Capital projects	452	30,000	84,700	84,248
<b>Total disbursements</b>	<b>6,448,016</b>	<b>6,572,656</b>	<b>6,766,957</b>	<b>318,941</b>
Excess (deficiency) of receipts over (under) disbursements	305,974	(158,386)	(79,187)	385,161
Other financing sources, net	78,055	-	-	78,055
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	384,029	(158,386)	(79,187)	463,216
Balance beginning of year	3,132,074	2,781,379	3,134,870	(2,796)
Balance end of year	\$ 3,516,103	2,622,993	3,055,683	460,420

See accompanying independent auditor's report.

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Adams County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 6,753,990	14,212	6,768,202
Expenditures	6,448,016	96,251	6,544,267
Net	305,974	(82,039)	223,935
Other financing sources, net	78,055	(78,055)	-
Beginning fund balances	3,132,074	41,764	3,173,838
Ending fund balances	\$ 3,516,103	(118,330)	3,397,773

See accompanying independent auditor's report.

Adams County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. 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 and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$194,301. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the mental health and county environment and education functions. Also, the budget was not appropriated, by resolution, for the amounts deemed necessary for each of the different county offices and departments for the fiscal year.

Adams County

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 245	245	0.00%	\$ 1,920	12.8%
2011	July 1, 2009	-	243	243	0.00	1,960	12.4

See note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB costs, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.



**Other Supplementary Information**

Adams County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2011

			Special
	County Recorder's Records Management	Resource Enhancement and Protection	Law Enforcement Forfeiture
<b>Assets</b>			
Cash and pooled investments	\$ 4,918	15,550	10,540
Accrued interest receivable	3	9	-
<b>Total assets</b>	<b>\$ 4,921</b>	<b>15,559</b>	<b>10,540</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
None	\$ -	-	-
Fund balances:			
Restricted for:			
Debt service	-	-	-
Other purposes	4,921	15,559	10,540
Total fund balances	4,921	15,559	10,540
<b>Total liabilities and fund balances</b>	<b>\$ 4,921</b>	<b>15,559</b>	<b>10,540</b>

See accompanying independent auditor's report.

Revenue				
County Attorney Forfeiture	Aquatic Center Reserve	Aquatic Center Sinking	Debt Service	Total
1,418	96,450	74,754	322	203,952
-	-	-	-	12
1,418	96,450	74,754	322	203,964
-	-	-	-	-
-	-	-	322	322
1,418	96,450	74,754	-	203,642
1,418	96,450	74,754	322	203,964
1,418	96,450	74,754	322	203,964

Adams County

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

Year ended June 30, 2011

	County Recorder's Records Management	Resource Enhancement and Protection	Special Law Enforcement Forfeiture
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	-	10,600	-
Charges for service	889	-	-
Use of money and property	74	262	-
Miscellaneous	-	-	1,568
Total revenues	<u>963</u>	<u>10,862</u>	<u>1,568</u>
Expenditures:			
Operating:			
County environment and education	-	10,394	-
Governmental services to residents	3,365	-	-
Debt service	-	-	-
Total expenditures	<u>3,365</u>	<u>10,394</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(2,402)	468	1,568
Other financing sources:			
Operating transfers in	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(2,402)	468	1,568
Fund balances beginning of year	7,323	15,091	8,972
Fund balances end of year	<u>\$ 4,921</u>	<u>15,559</u>	<u>10,540</u>

See accompanying independent auditor's report.

Revenue				
County Attorney Forfeiture	Aquatic Center Reserve	Aquatic Center Sinking	Debt Service	Total
-	-	-	55,134	55,134
-	-	-	1,988	12,588
-	-	-	-	889
-	-	-	-	336
-	-	-	-	1,568
-	-	-	57,122	70,515
-	-	-	-	10,394
-	-	-	-	3,365
-	-	92,830	57,750	150,580
-	-	92,830	57,750	164,339
-	-	(92,830)	(628)	(93,824)
-	-	92,830	-	92,830
-	-	-	(628)	(994)
1,418	96,450	74,754	950	204,958
1,418	96,450	74,754	322	203,964

Adams County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	814	265,496	15,508
Other County officials	10,078	-	-	-
Receivables:				
Property tax:				
Delinquent	-	34	74	1,748
Succeeding year	-	72,000	155,000	3,511,000
Accounts	-	-	130	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 10,078</b>	<b>72,848</b>	<b>420,700</b>	<b>3,528,256</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	79	-
Due to other governments	6,658	72,848	416,140	3,528,256
Trusts payable	3,420	-	-	-
Compensated absences	-	-	4,481	-
<b>Total liabilities</b>	<b>\$ 10,078</b>	<b>72,848</b>	<b>420,700</b>	<b>3,528,256</b>

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	Auto License and Use Tax	Other	Total
747	6,382	341	96,191	100,509	485,988
-	-	-	-	-	10,078
91	1,792	-	-	-	3,739
191,000	556,000	108,000	-	1,000	4,594,000
-	-	-	-	-	130
-	-	-	-	313	313
-	-	-	-	210,045	210,045
191,838	564,174	108,341	96,191	311,867	5,304,293
-	-	-	-	2,755	2,834
191,838	564,174	108,341	96,191	260,499	5,244,945
-	-	-	-	-	3,420
-	-	-	-	48,613	53,094
191,838	564,174	108,341	96,191	311,867	5,304,293

Adams County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 4,452	69,646	361,135	3,469,880
Additions:				
Property and other county tax	-	73,306	157,372	3,559,756
State tax credits	-	2,691	6,420	132,795
Office fees and collections	137,585	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	9,573	-
Total additions	137,585	75,997	173,365	3,692,551
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	131,959	72,795	113,800	3,634,175
Total deductions	131,959	72,795	113,800	3,634,175
Balances end of year	\$ 10,078	72,848	420,700	3,528,256

See accompanying independent auditor's report.



Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
163,707	623,317	102,489	87,432	96,161	4,978,219
193,613	529,614	110,960	-	783	4,625,404
6,352	38,755	3,599	-	31	190,643
-	-	-	-	-	137,585
-	-	-	1,309,091	-	1,309,091
-	-	-	-	5,175	5,175
-	-	-	-	67,213	67,213
-	-	-	-	969,502	979,075
199,965	568,369	114,559	1,309,091	1,042,704	7,314,186
-	-	-	48,891	-	48,891
171,834	627,512	108,707	1,251,441	826,998	6,939,221
171,834	627,512	108,707	1,300,332	826,998	6,988,112
191,838	564,174	108,341	96,191	311,867	5,304,293

Adams County

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

For the Last Ten Years

	2011	2010	2009	2008
Revenues:				
Property and other county tax	\$ 2,514,840	2,515,367	2,412,765	2,090,860
Tax increment financing	448,251	461,773	339,266	-
Local option sales tax	261,149	234,602	219,315	191,044
Interest and penalty on property tax	17,243	18,014	16,566	15,775
Intergovernmental	3,002,653	3,247,422	3,073,040	3,091,894
Licenses and permits	13,491	8,935	7,276	7,180
Charges for service	335,492	313,756	278,870	253,996
Use of money and property	135,184	128,962	140,169	153,311
Miscellaneous	39,899	143,101	32,199	81,452
Total	\$ 6,768,202	7,071,932	6,519,466	5,885,512
Expenditures:				
Operating:				
Public safety and legal services	\$ 898,524	949,665	863,689	681,100
Physical health and social services	274,202	247,163	242,874	375,854
Mental health	692,087	504,319	493,423	443,164
County environment and education	603,572	556,799	606,455	662,943
Roads and transportation	2,694,208	2,702,888	2,577,439	2,697,078
Governmental services to residents	202,132	193,933	187,630	173,382
Administration	648,868	699,223	566,751	570,795
Non-program	13,337	14,870	21,918	20,809
Debt service	516,887	521,316	393,155	318,410
Capital projects	450	19,015	1,001,776	282,631
Total	\$ 6,544,267	6,409,191	6,955,110	6,226,166

See accompanying independent auditor's report.

Modified Accrual Basis					
2007	2006	2005	2004	2003	2002
2,062,165	2,053,657	1,909,954	1,771,320	1,723,545	1,648,933
-	-	-	-	-	-
-	-	-	-	-	-
14,384	17,280	15,705	14,441	16,318	17,189
3,191,112	2,612,916	2,968,262	2,547,623	2,965,672	2,642,340
10,908	8,660	5,335	6,635	9,305	7,915
219,145	191,979	209,643	239,886	230,433	179,202
135,439	115,635	103,938	106,158	106,715	102,256
50,305	48,398	64,989	33,959	57,754	74,713
5,683,458	5,048,525	5,277,826	4,720,022	5,109,742	4,672,548
623,560	592,057	588,571	591,164	582,684	522,867
496,977	394,624	351,646	342,341	318,587	289,953
460,376	398,081	425,135	474,493	405,010	456,706
3,495,776	494,101	737,203	413,894	339,075	314,480
2,297,659	2,411,389	2,113,689	1,929,903	1,994,793	1,738,982
183,702	313,379	185,295	144,655	140,097	142,997
552,669	554,420	498,956	466,006	475,246	426,336
16,748	19,117	122,952	15,720	19,287	29,849
152,250	74,902	72,182	74,436	76,667	73,631
858,591	-	172,261	106,889	482,279	340,841
9,138,308	5,252,070	5,267,890	4,559,501	4,833,725	4,336,642

**Adams County**



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

David A. Vaudt, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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

To the Officials of Adams County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adams County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 14, 2012. 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

Management of Adams County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Adams County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Adams County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Adams 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (C) to be a significant deficiency.

Compliance and Other Matters

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

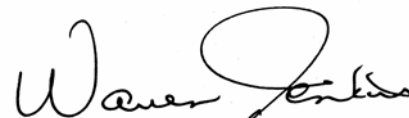
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all 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.

Adams County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Adams 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 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

February 14, 2012

Adams County

Schedule of Findings

Year ended June 30, 2011

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) 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. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- (1) County Treasurer – The duties of opening and listing mail receipts, collecting, depositing, posting, daily reconciling, maintaining the detailed accounts receivable listing and custodian of the change fund and investments are not segregated. The change fund and investments are not periodically verified. Bank accounts are not reconciled monthly by an individual who does not handle cash and the reconciliations are not reviewed periodically by an independent person for propriety. A list of checks received in the mail is not periodically completed and compared with recorded receipts. In addition, there is no independent review of daily balancing, voided receipts and delinquent tax summaries.
- (2) County Recorder – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. Bank accounts are not reconciled monthly by an individual who does not handle cash and the reconciliations are not reviewed periodically by an independent person for propriety. A list of receipts received in the mail is not prepared by the person opening the mail. Also, the person who signs checks is not independent of the person approving disbursements, handling cash, recording cash receipts and preparing checks.
- (3) County Sheriff – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. Bank accounts are not reconciled monthly by an individual who does not handle cash and the reconciliations are not reviewed periodically by an independent person for propriety. Also, the person who signs checks is not independent of the person approving disbursements, handling cash, recording cash receipts and preparing checks.
- (4) Case Management – The duties of collecting, depositing, posting and daily reconciling are not segregated.

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

Adams County

Schedule of Findings

Year ended June 30, 2011

Response – Each official will review office procedures and attempt to maximize the best internal control and, whenever possible, use other personnel to add control measures.

Conclusion – Response accepted.

- (B) Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded and a material reimbursement used to offset expenditures in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

Response - We will work to become compliant.

Conclusion – Response accepted.

- (C) Summary of Receipts and Disbursements – The County Sheriff’s Office does not prepare a summary worksheet of receipts and disbursements to ensure the completeness of financial records.

Recommendation – The County Sheriff’s Office should summarize receipts and disbursements at the end of each month.

Response – We will work to become compliant.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.



Adams County

Schedule of Findings

Year ended June 30, 2011

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the mental health and county environment and education functions at June 30, 2011.

Also, the budget was not appropriated, by resolution, for the amounts deemed necessary for each of the different county offices and departments for the fiscal year as required by Chapter 331.434(6) of the Code of Iowa.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Also, Chapter 331.434(6) of the Code of Iowa requires the Board of Supervisors to appropriate, by resolution, amounts deemed necessary for each of the different county offices and departments for the fiscal year.

Response – We will work to become compliant.

Conclusion – Response accepted.

- (2) Questionable Expenditures – The Emergency Management Commission purchased 20 hot beef sundaes and 20 brownie sundaes from Two Short Ladies and a Spatula for \$150. This expenditure may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefit to be derived has not been clearly documented.

Recommendation – The Commission should determine and document the public purpose served by this expenditure. If this practice is continued, the Emergency Management Commission should establish written policies and procedures, including the requirement for proper documentation of public purpose.

Response – We will work to become compliant and proper documentation will be required in the future.

Conclusion – Response accepted.

- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- (4) 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 Supervisors, Owner of The Print Shop	Conservation supplies	\$ 1,639
Jeffrey Millhollin, County Attorney, Owner of Millhollin Law Office	Secretarial services	9,616

Adams County

Schedule of Findings

Year ended June 30, 2011

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with the Print Shop and Millhollin Law Office may represent conflicts of interest since the total transactions with each exceeded \$1,500 during the fiscal year.

Recommendation – The transactions with The Print Shop and Millhollin Law Office may represent conflicts of interest. The County should consult outside legal counsel to determine the disposition of this matter.

Response – We have discussed this matter with Iowa State Association of Counties legal counsel.

Conclusion – Response acknowledged. If the County Attorney continues to provide secretarial services, the County should consult legal counsel and obtain written documentation of the conclusions reached.

- (5) 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 ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Pooled Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) 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).
- (9) 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, 2011 for the County Extension Office did not exceed the amount budgeted.

- (10) Financial Condition – At June 30, 2011, the Special Revenue, Mental Health Fund had a deficit balance of \$98,108.

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

Response – We will work to become compliant.

Conclusion – Response accepted.

Adams County

Schedule of Findings

Year ended June 30, 2011

- (11) County Emergency Management Commission Budget – The notice of the proposed budget hearing for the County Emergency Management Commission was not published not less than 10 days or more than 20 days prior to the hearing as required by Chapter 24.9 of the Code of Iowa.

Disbursements during the year ended June 30, 2011 for the County Emergency Management Fund exceeded the amount budgeted.

Recommendation - The notice of the proposed budget hearing should be published not less than 10 days or more than 20 days prior to the hearing date.

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

Response – We will work to become compliant.

Conclusion – Response accepted.

- (12) Revenue Bonds – No instances of non-compliance with the urban renewal tax increment and local option sales tax revenue bond provisions were noted.

- (13) Transfer Approval – During the year ended June 30, 2011, two of seven transfers made were not authorized by Board resolution as required by Chapter 331.442 (4) of the Code of Iowa.

Recommendation - The Board should authorize all transfers by resolution as required by Chapter 331.442 (4) of the Code of Iowa.

Response – We will work to become compliant by presenting all transfers for Board approval by resolution.

Conclusion – Response accepted.


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Adams County

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager  
Brian R. Brustkern, CPA, Manager  
Jessica P.V. Green, Staff Auditor  
Mike T. Bunkers, Assistant Auditor  
Matthew S. Nye, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State