



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE March 4, 2005

Contact: Andy Nielsen
515/281-5834

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

The County has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$5,943,907 for the year ended June 30, 2004, which included \$392,929 in tax credits from the state. The County forwarded \$4,049,681 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$1,894,226 of the local tax revenue to finance County operations. Other revenues included charges for service of \$617,354, operating grants, contributions and restricted interest of \$1,897,771, capital grants, contributions and restricted interest of \$327,447, unrestricted investment earnings of \$38,301 and other general revenues of \$272,204.

Expenses for County operations totaled \$4,531,656. Expenses included \$2,041,283 for roads and transportation, \$610,228 for public safety and legal services and \$477,856 for administration.

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

###

ADAMS COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2004

Table of Contents

		Page
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		26-38
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		40
Budget to GAAP Reconciliation		41
Notes to Required Supplementary Information – Budgetary Reporting		42
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	44-45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	46-47
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	48-49
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	50-51
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	52
Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting		53-54
Schedule of Findings		55-58
Staff		59

Adams County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Olive	Board of Supervisors	Jan 2005
Verlyn Rice	Board of Supervisors	Jan 2005
Rhonda Milhollin	Board of Supervisors	Jan 2007
Phyllis Mullen	Board of Supervisors	Jan 2007
Kevin Wynn	Board of Supervisors	Jan 2007
Donna West	County Auditor	Jan 2005
Nancy Kempton	County Treasurer	Jan 2007
Mary Miller	County Recorder	Jan 2007
Merlin Dixon	County Sheriff	Jan 2005
Jeff Milhollin	County Attorney	Jan 2007
Carolyn Burroughs	County Assessor	Jan 2010

Adams County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

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, 2004, 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

The County did not determine the amount of materials and supplies inventories pertaining to the Secondary Roads Fund, a major governmental fund, at July 1, 2003, although required by U.S. generally accepted accounting principles. As a result, the net assets of the governmental activities and the fund balance of the Secondary Roads Fund are understated at the beginning of the year, and the expenses of the governmental activities and the expenditures of the Secondary Roads Fund are understated for the year ended June 30, 2004 by the same amount. These amounts are not reasonably determinable.

In our opinion, except for the effects of the omission of the materials and supplies inventories for the Secondary Roads Fund at July 1, 2003 on the governmental activities and the Secondary Roads Fund, as described above, the financial statements referred to the above present fairly, in all material respects, the changes in financial position of the governmental activities and the Secondary Roads Fund of Adams County for the year ended June 30, 2004, in conformity with U.S. generally accepted accounting principles.

In addition, 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, 2004, and the respective changes in financial position of the General Fund, Mental Health Fund, Rural Services Fund, Special Law Enforcement Fund and the aggregate remaining fund information thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12 to the financial statements, during the year ended June 30, 2004, Adams County adopted Governmental Accounting Standards Board Statements No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2004 on our consideration of Adams County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise 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 three years ended June 30, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements for the omission of the general fixed assets account group and materials and supplies inventory, pertaining primarily to the Special Revenue Funds. The 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

December 9, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because Adams County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the County's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Adams County's governmental fund revenues decreased \$389,720 from fiscal 2003 (FY03). Property tax and other county tax increased approximately \$47,800 from FY03.
- Adams County's governmental fund expenditures decreased approximately \$274,000 from FY03.
- The County's net assets increased 12.3%, or approximately \$516,000, from June 30, 2003 to June 30, 2004.

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 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.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue 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 drainage districts, emergency management services and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

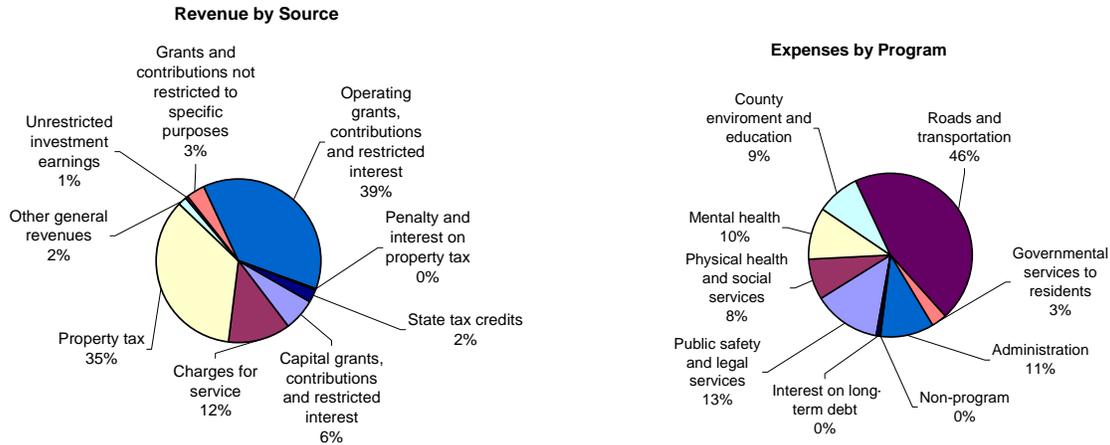
As noted earlier, net assets may serve over time as a useful indicator of financial position. Adams County's net assets for FY 04 totaled approximately \$4.7 million. This compares to FY03 at \$4.2 million. The analysis that follows focuses on the changes of the net assets for our governmental activities.

Net Assets of Governmental Activities	
	June 30, 2004
Current and other assets	\$ 4,282,302
Capital assets	3,320,929
Total assets	<u>7,603,231</u>
Long-term liabilities	476,226
Other liabilities	2,412,972
Total liabilities	<u>2,889,198</u>
Net assets:	
Invested in capital assets, net of related debt	2,923,479
Restricted	1,560,066
Unrestricted	<u>230,488</u>
Total net assets	<u>\$ 4,714,033</u>

Net assets of Adams County's governmental activities increased by \$515,647 from FY03. The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$230,488 at June 30, 2004.

Changes in Net Assets of Governmental Activities

	Year ended June 30, 2004
Revenues:	
Program revenues:	
Charges for service	\$ 617,354
Operating grants, contributions and restricted interest	1,897,771
Capital grants, contributions and restricted interest	327,447
General revenues:	
Property tax	1,771,153
Penalty and interest on property tax	14,441
State tax credits	123,073
Grants and contributions not restricted to specific purposes	175,999
Unrestricted investment earnings	38,301
Other general revenues	81,764
Total revenues	5,047,303
Program expenses:	
Public safety and legal services	610,228
Physical health and social services	354,545
Mental health	474,493
County environment and education	390,937
Roads and transportation	2,041,283
Governmental services to residents	145,080
Administration	477,856
Non-program	15,720
Interest on long-term debt	21,514
Total expenses	4,531,656
Increase in net assets	515,647
Net assets beginning of year, as restated	4,198,386
Net assets end of year	\$ 4,714,033



Adams County increased property tax rates by \$.14 per \$1,000 of property valuation in the countywide levy and \$.03 per \$1,000 of property valuation in the rural levy for a total increase of \$.17 in FY04. The FY04 Adams County assessed property tax valuation increased by approximately \$1,304,527. The General Assembly allows counties to exceed the statutory maximum levy rate of \$3.50 per \$1,000 of valuation for the general basic levy for property taxes when the conditions specified by statute are met. Adams County's general basic levy for FY05 is \$3.95 per \$1,000 of valuation. Taxes levied for FY06 may decline due to the maximum levy rate of \$3.50 per \$1,000 of valuation currently allowed. The net effect of these changes raised the County's property and other County tax revenue by \$47,800 in FY04.

INDIVIDUAL MAJOR FUND ANALYSIS

As Adams County completed the year, its governmental funds reported a combined fund balance of \$1,869,153, an increase of \$160,521 above last year's total of \$1,708,632. The General Fund reported a decrease in fund balance. The increase in the combined fund balance is due primarily to the Secondary Roads Fund and Special Law Enforcement Fund. Changes in fund balances of the major funds from the prior year are as follows:

- General Fund revenues declined by \$78,817 and expenditures increased by \$20,750. The General Fund ending balance showed a decline of \$78,450 from the prior year to \$250,059. Revenue declines in the General Fund occurred mainly due to the loss of revenues for Chapter 405A.4 allocation of \$23,101, a one time pass through Watershed and Protection grant for \$36,866, the DHS Administration grant was decreased by nearly \$9,000 and Contract Law Enforcement revenues decreased by nearly \$9,000. Increased costs to provide health care coverage account for increased department expenditures.
- The County has continued to look for ways to effectively manage the cost of mental health services. Mental Health Fund expenditures increased by \$69,483 due to increased expenditures for persons with mental retardation. The Mental Health Fund balance at year end decreased by \$47,645 from the prior year to \$78,808.
- Rural Services Fund revenues increased by \$10,864 and expenditures increased by \$26,696. The Rural Services Fund ending balance increased \$16,348 from the prior year to \$97,002. The revenue increase is due to increased property tax and other County tax revenues. Expenditures in the Rural Services Fund increased due to \$2,250 contributed to public safety-ambulance services, a \$5,000 pass-through grant expended, Natural Resources Conservation expenditures of \$7,295 and Environmental Protection Department expenditures moved from the General Fund to the Rural Services Fund.

- Secondary Roads Fund expenditures decreased by \$441,150 from the prior year, due mainly to a bridge construction project completed in FY 03. Secondary Roads Fund revenues also decreased by \$358,712. Road use tax revenues decreased by \$43,762 in FY04 and State and Federal pass-through revenues for bridge replacement decreased by \$328,198 due to the completion of the bridge project. The aforementioned changes resulted in an increase in the Secondary Roads Fund ending balance of \$219,887 for FY04 to \$906,535.
- The Special Law Enforcement Fund was established to offset maintenance and operations of the Adams County Sheriff's Department. Revenues for FY04 decreased \$26,148, attributed to less revenue received for care of out-of-county prisoners in the Adams County jail. Expenditures for FY04 increased by \$8,482 due to payment for custodial work in the jail performed by the current Courthouse custodian.

BUDGETARY HIGHLIGHTS

Over the course of the year, Adams County amended its budget one time. The amendment was made May 25, 2004 and resulted in an increase in budgeted disbursements related to additional grant monies received through the DECAT pass through grant (\$10,000), conservation (\$29,500) to repair a lift station, other policy and administration (\$5,487) to cover an increase in costs associated with the audit of Adams County, mental health expenditures to cover an increase in mental health costs (\$3,250) and risk management (\$588) to cover unemployment costs.

With this amendment, the County did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amounts appropriated at June 30, 2004.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, Adams County had approximately \$3.3 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

Capital Assets of Governmental Activities at Year End	
	June 30, 2004
Land	\$ 265,266
Buildings and improvements	1,345,949
Equipment and vehicles	1,526,431
Infrastructure	183,283
Total	<u>\$ 3,320,929</u>
This year's major additions included:	
Capital assets contributed by the Iowa Department of Transportation	\$ 327,447
Replacement of two Lift Stations	55,006
Racom Repeater System	18,793
Ford 250 W211 Truck	20,266
Bridge Replacement Project	70,937
Total	<u>\$ 492,449</u>

The County had depreciation expense of \$200,660 in FY04 and total accumulated depreciation of \$2,099,822 at June 30, 2004.

Long-Term Debt

At June 30, 2004, Adams County had \$397,246 in general obligation capital loan notes outstanding compared to \$450,173 at June 30, 2003.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Adams County's outstanding general obligation debt is significantly below its constitutional debt limit of nearly \$10.3 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Adams County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and the fees that will be charged for various County activities. One of those factors is the economy. Adams County's employment (number of persons working) has declined over 13 percent over the past 5 years. Total resident employment in 1999 was 2,250 and total resident employment in 2004 was 1,980. Unemployment in the County now stands at 4.9 percent versus 5.2 percent a year ago. This compares with the State's unemployment rate of 4.4 percent and the national rate of 5.4 percent.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the FY05 operating budget are \$5,307,942, an increase of 4.2 percent over the final 2004 budget. Adams County will use the increases in receipts to finance programs currently offered and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to rise by approximately 4% for FY 2004-05. Increased wage and cost-of-living adjustments, and an increase in the cost of health care benefits, are expected to represent the largest increases. The County has added no major new programs or initiatives to the 2005 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of 2005.

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 9th Street, Corning, Iowa, 50841.

Adams County

Basic Financial Statements

Adams County
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 2,006,848
Receivables:	
Property tax:	
Delinquent	381
Succeeding year	1,978,000
Accounts	5,129
Accrued interest	156
Due from other governments	244,324
Inventories	47,464
Capital assets (net of accumulated depreciation)	<u>3,320,929</u>
Total assets	<u>7,603,231</u>
Liabilities	
Accounts payable	246,375
Accrued interest payable	204
Salaries and benefits payable	7,306
Due to other governments	181,087
Deferred revenue:	
Succeeding year property tax	1,978,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital loan notes	53,087
Compensated absences	37,135
Portion due or payable after one year:	
Capital loan notes	344,159
Compensated absences	<u>41,845</u>
Total liabilities	<u>2,889,198</u>
Net Assets	
Invested in capital assets, net of related debt	2,923,479
Restricted for:	
Supplemental levy purposes	66,215
Mental health purposes	78,857
Secondary roads purposes	882,606
Special law enforcement purposes	423,217
Other purposes	109,171
Unrestricted	<u>230,488</u>
Total net assets	<u>\$ 4,714,033</u>

See notes to financial statements.

Adams County
Statement of Activities
Year ended June 30, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions / Programs:					
Governmental activities:					
Public safety and legal services	\$ 610,228	270,717	2,302	-	(337,209)
Physical health and social services	354,545	8,830	176,056	-	(169,659)
Mental health	474,493	22,417	40,642	-	(411,434)
County environment and education	390,937	136,590	63,147	-	(191,200)
Roads and transportation	2,041,283	62,136	1,615,583	327,447	(36,117)
Governmental services to residents	145,080	94,038	-	-	(51,042)
Administration	477,856	22,626	41	-	(455,189)
Non-program	15,720	-	-	-	(15,720)
Interest on long-term debt	21,514	-	-	-	(21,514)
Total	\$ 4,531,656	617,354	1,897,771	327,447	(1,689,084)
General Revenues:					
Property and other county tax levied for:					
General purposes					1,743,655
Debt service					27,498
Penalty and interest on property tax					14,441
State tax credits					123,073
Grants and contributions not restricted to specific purpose					175,999
Unrestricted investment earnings					38,301
Miscellaneous					81,764
Total general revenues					2,204,731
Change in net assets					515,647
Net assets beginning of year, as restated					4,198,386
Net assets end of year					\$ 4,714,033

See notes to financial statements.

Adams County
Balance Sheet
Governmental Funds

June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 306,431	196,443	100,424	893,187
Receivables:				
Property tax:				
Delinquent	312	49	13	-
Succeeding year	1,177,000	187,000	587,000	-
Accounts	3,636	-	-	10
Accrued interest	156	-	-	-
Due from other funds	150	-	-	-
Due from other governments	23,234	-	-	180,825
Inventories	-	-	-	47,464
Total assets	\$ 1,510,919	383,492	687,437	1,121,486
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 23,305	1,826	3,302	207,569
Salaries and benefits payable	1,409	235	-	5,220
Due to other funds	-	150	-	-
Due to other governments	58,834	115,424	120	2,162
Deferred revenue:				
Succeeding year property tax	1,177,000	187,000	587,000	-
Other	312	49	13	-
Total liabilities	1,260,860	304,684	590,435	214,951
Fund balances:				
Reserved for:				
Supplemental levy purposes	72,151	-	-	-
Debt service	-	-	-	-
Inventories	-	-	-	47,464
Unreserved, reported in:				
General fund	177,908	-	-	-
Special revenue funds	-	78,808	97,002	859,071
Total fund balances	250,059	78,808	97,002	906,535
Total liabilities and fund balances	\$ 1,510,919	383,492	687,437	1,121,486

See notes to financial statements.

Special Law Enforcement	Nonmajor Governmental	Total
413,295	97,068	2,006,848
-	7	381
-	27,000	1,978,000
377	1,106	5,129
-	-	156
-	-	150
9,545	30,720	244,324
-	-	47,464
<u>423,217</u>	<u>155,901</u>	<u>4,282,452</u>
-	10,373	246,375
-	442	7,306
-	-	150
-	4,547	181,087
-	27,000	1,978,000
-	7	381
-	<u>42,369</u>	<u>2,413,299</u>
-	-	72,151
-	853	853
-	-	47,464
-	-	177,908
<u>423,217</u>	<u>112,679</u>	<u>1,570,777</u>
<u>423,217</u>	<u>113,532</u>	<u>1,869,153</u>
<u>423,217</u>	<u>155,901</u>	<u>4,282,452</u>

Adams County

Adams County

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

June 30, 2004

Total governmental fund balances (page 19) \$ 1,869,153

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$5,420,751 and the accumulated depreciation is \$2,099,822. 3,320,929

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 381

Long-term liabilities, including capital loan notes payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (476,430)

Net assets of governmental activities (page 16) \$ 4,714,033

See notes to financial statements.

Adams County

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

Year ended June 30, 2004

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 987,354	178,663	577,802	-
Interest and penalty on property tax	14,441	-	-	-
Intergovernmental	261,790	248,185	39,346	1,668,556
Licenses and permits	250	-	6,000	385
Charges for service	204,767	-	340	-
Use of money and property	105,301	-	240	245
Miscellaneous	11,689	-	-	22,180
Total revenues	<u>1,585,592</u>	<u>426,848</u>	<u>623,728</u>	<u>1,691,366</u>
Expenditures:				
Operating:				
Public safety and legal services	496,691	-	16,134	-
Physical health and social services	206,550	-	12,775	-
Mental health	-	474,493	-	-
County environment and education	363,854	-	36,580	-
Roads and transportation	-	-	-	1,929,903
Governmental services to residents	142,221	-	816	-
Administration	466,006	-	-	-
Non-program	15,720	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	82,651
Total expenditures	<u>1,691,042</u>	<u>474,493</u>	<u>66,305</u>	<u>2,012,554</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(105,450)</u>	<u>(47,645)</u>	<u>557,423</u>	<u>(321,188)</u>
Other financing sources (uses):				
Operating transfers in	27,000	-	-	541,075
Operating transfers out	-	-	(541,075)	-
Total other financing sources (uses)	<u>27,000</u>	<u>-</u>	<u>(541,075)</u>	<u>541,075</u>
Net change in fund balances	(78,450)	(47,645)	16,348	219,887
Fund balances beginning of year	328,509	126,453	80,654	686,648
Fund balances end of year	<u>\$ 250,059</u>	<u>78,808</u>	<u>97,002</u>	<u>906,535</u>

See notes to financial statements.

Special Law Enforcement	Nonmajor Governmental	Total
-	27,501	1,771,320
-	-	14,441
193,918	135,828	2,547,623
-	-	6,635
325	34,454	239,886
-	372	106,158
-	90	33,959
194,243	198,245	4,720,022
78,339	-	591,164
-	123,016	342,341
-	-	474,493
-	13,460	413,894
-	-	1,929,903
-	1,618	144,655
-	-	466,006
-	-	15,720
-	74,436	74,436
24,238	-	106,889
102,577	212,530	4,559,501
91,666	(14,285)	160,521
-	45,000	613,075
(72,000)	-	(613,075)
(72,000)	45,000	-
19,666	30,715	160,521
403,551	82,817	1,708,632
423,217	113,532	1,869,153

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, 2004

Net change in fund balances - Total governmental funds (page 23) \$ 160,521

***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	\$ 182,751	
Capital assets contributed by the Iowa Department of Transportation	327,447	
Depreciation expense	(200,660)	309,538
	<hr/>	

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		(168)
--------------	--	-------

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.

52,927

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

Compensated absences	(7,168)	
Interest on long-term debt	(3)	(7,171)
	<hr/>	<hr/>

Change in net assets of governmental activities (page 17) \$ 515,647

See notes to financial statements.

Adams County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2004

Assets

Cash and pooled investments:	
County Treasurer	\$ 294,999
Other County officials	4,237
Receivables:	
Property tax:	
Delinquent	1,819
Succeeding year	3,780,000
Accrued interest	91
Due from other governments	80,670
Total assets	4,161,816

Liabilities

Accounts payable	3,991
Salaries and benefits payable	1,576
Due to other governments	4,137,053
Trusts payable	2,368
Compensated absences	16,828
Total liabilities	4,161,816

Net assets	\$ -
-------------------	-------------

See notes to financial statements.

Adams County

Notes to Financial Statements

June 30, 2004

(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 and the South Central Iowa Regional E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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

B. 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 and its component units. 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, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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 and contributions 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 designated to be used to fund mental health, mental retardation and developmental disabilities services.

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

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

The Special Law Enforcement Fund is used to account for payment of part of the expenses incurred for the operation and maintenance of the Adams County Sheriff's Office.

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated 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
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
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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is paid at 50%, 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 that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. 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, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amounts appropriated at June 30, 2004. Although the Board of Supervisors acted to increase appropriations to certain departments, the amendment changes were made after the disbursements had exceeded the appropriations.

(2) Cash and Pooled Investments

The County’s deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Mental Health	\$ 150
		\$ 150

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 541,075
General	Special Revenue: Special Law Enforcement	27,000
Debt Service	Special Revenue: Special Law Enforcement	45,000
Total		<u>\$ 613,075</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year (as restated, note 12)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 50,166	-	-	50,166
Land, road network	-	215,100	-	215,100
Construction in progress	-	183,283	-	183,283
Total capital assets not being depreciated	<u>50,166</u>	<u>398,383</u>	<u>-</u>	<u>448,549</u>
Capital assets being depreciated:				
Buildings	1,972,190	-	-	1,972,190
Equipment and vehicles	2,888,197	111,815	-	3,000,012
Total capital assets being depreciated	<u>4,860,387</u>	<u>111,815</u>	<u>-</u>	<u>4,972,202</u>
Less accumulated depreciation for:				
Buildings	584,562	41,679	-	626,241
Equipment and vehicles	1,314,600	158,981	-	1,473,581
Total accumulated depreciation	<u>1,899,162</u>	<u>200,660</u>	<u>-</u>	<u>2,099,822</u>
Total capital assets being depreciated, net	<u>2,961,225</u>	<u>(88,845)</u>	<u>-</u>	<u>2,872,380</u>
Governmental activities capital assets, net	<u>\$ 3,011,391</u>	<u>309,538</u>	<u>-</u>	<u>3,320,929</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 38,048
Physical health and social services		7,851
County environment and education		30,109
Roads and transportation		113,505
Administration		<u>11,147</u>
Total depreciation expense - governmental activities		<u><u>\$ 200,660</u></u>

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	<u>\$ 58,834</u>
Special Revenue:		
Mental Health	Services	115,424
Rural Services	Services	120
Secondary Roads	Services	2,162
Decategorization	Services	<u>4,547</u>
		<u>122,253</u>
Total for governmental funds		<u><u>\$ 181,087</u></u>
Agency:		
Agricultural Extension Education	Collections	\$ 60,470
County Assessor		228,175
Schools		2,898,029
Community Colleges		129,090
Corporations		556,034
Townships		81,257
Auto License and Use Tax		77,941
All other		<u>106,057</u>
Total for agency funds		<u><u>\$ 4,137,053</u></u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	General Obligation Capital Loan Notes	Compen- sated Absences	Total
Balance beginning of year, as restated	\$ 450,173	71,812	521,985
Increases	-	86,503	86,503
Decreases	52,927	79,335	132,262
Balance end of year	\$ 397,246	78,980	476,226
Due within one year	\$ 53,087	37,135	90,222

The County issued notes to remodel the courthouse building, including the jail. Details of the County's June 30, 2004 general obligation capital loan note indebtedness are as follows:

Year ending June 30,	Capital Loan Notes							
	Series 1998				Series 1998B			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2005	4.50%	\$ 40,000	8,242	48,242	4.80%	\$ 10,000	9,950	19,950
2006	4.55	45,000	6,443	51,443	4.85	10,000	9,470	19,470
2007	4.60	45,000	4,395	49,395	4.90	10,000	8,985	18,985
2008	4.65	50,000	2,325	52,325	4.95	10,000	8,495	18,495
2009	-	-	-	-	5.00	50,000	8,000	58,000
2010	-	-	-	-	5.00	55,000	5,500	60,500
2011	-	-	-	-	5.00	55,000	2,750	57,750
Total		\$ 180,000	21,405	201,405		\$ 200,000	53,150	253,150

Year ending June 30,	Capital Loan Notes						
	No. 1042-001				Total of all Issues		
	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
2005	5.47%	\$ 3,087	902	3,989	\$ 53,087	19,094	72,181
2006	5.47	3,259	730	3,989	58,259	16,643	74,902
2007	5.47	3,439	550	3,989	58,439	13,930	72,369
2008	5.47	3,630	359	3,989	63,630	11,179	74,809
2009	5.47	3,831	158	3,989	53,831	8,158	61,989
2010	-	-	-	-	55,000	5,500	60,500
2011	-	-	-	-	55,000	2,750	57,750
Total		\$ 17,246	2,699	19,945	\$ 397,246	77,254	474,500

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$86,068, \$90,364 and \$85,167, respectively, equal to the required contributions for each year.

(9) Risk Management

Adams County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2004 were \$92,031.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, 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 \$500,000 and \$100,000, 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 \$3,935,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$3,300,000 is outstanding at June 30, 2004. 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) Health Insurance

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

County employees (excluding the Secondary Roads Department)

	Deductible	
	Single	Family
Employee	\$ 500	1,000
County	2,000	4,000
	Out-of-Pocket	
	Single	Family
Employee	\$ 500	1,000
County	2,000	4,000
Secondary Roads Department employees		
	Deductible	
	Single	Family
Employee	\$ 100	200
County	2,400	4,800
	Out-of-Pocket	
	Single	Family
Employee	\$ 100	200
County	2,400	4,800

(12) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements report the County’s governmental activities. Beginning net assets for governmental activities has been restated to include capital assets and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>Amount</u>
Net assets June 30, 2003, as previously reported	\$ 1,693,521
GASB Interpretation 6 adjustments	<u>15,111</u>
Net assets July 1, 2003, as restated for governmental funds	1,708,632
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$1,899,162	3,011,391
Long-term liabilities	(522,186)
Deferral of long-term assets	<u>549</u>
Net assets July 1, 2003, as restated	<u>\$ 4,198,386</u>

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, 2004

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 1,785,790	1,772,874	1,772,874	12,916
Intergovernmental	2,502,623	2,320,199	2,320,199	182,424
Licenses and permits	6,625	8,675	8,675	(2,050)
Charges for service	258,367	212,986	212,986	45,381
Use of money and property	105,980	118,205	118,205	(12,225)
Miscellaneous	42,225	17,950	17,950	24,275
Total receipts	4,701,610	4,450,889	4,450,889	250,721
Disbursements:				
Public safety and legal services	591,698	659,760	659,760	68,062
Physical health and social services	329,739	350,492	363,742	34,003
Mental health	407,112	444,924	444,924	37,812
County environment and education	356,520	328,471	357,971	1,451
Roads and transportation	1,998,785	2,437,000	2,437,000	438,215
Governmental services to residents	144,853	175,185	175,185	30,332
Administration	462,708	501,717	507,792	45,084
Non-program	15,129	20,916	20,916	5,787
Debt service	74,437	74,438	74,438	1
Capital projects	40,682	54,000	54,000	13,318
Total disbursements	4,421,663	5,046,903	5,095,728	674,065
Excess (deficiency) of receipts over (under) disbursements	279,947	(596,014)	(644,839)	924,786
Balance beginning of year	1,726,901	1,485,025	1,780,494	(53,593)
Balance end of year	\$ 2,006,848	889,011	1,135,655	871,193

See accompanying independent auditor's report.

Adams County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 4,701,610	18,412	4,720,022
Expenditures	4,421,663	137,838	4,559,501
Net	279,947	(119,426)	160,521
Other financing sources, net	-	-	-
Beginning fund balances, as restated	1,726,901	(18,269)	1,708,632
Ending fund balances	\$ 2,006,848	(137,695)	1,869,153

See accompanying independent auditor's report.

Adams County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds and 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 \$48,825. 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 and for the County Assessor by the County Conference Board.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amounts appropriated at June 30, 2004. Although the Board of Supervisors acted to increase appropriations to certain departments, the amendment changes were made after the disbursements had exceeded the appropriations.

Other Supplementary Information

Adams County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Special Law Enforcement Forfeiture
Assets				
Cash and pooled investments	\$ 8,515	22,830	12,158	11,494
Receivables:				
Property Tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 8,515	22,830	12,158	11,494
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	-	-	-	-
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved	8,515	22,830	12,158	11,494
Total fund equity	8,515	22,830	12,158	11,494
Total liabilities and fund equity	\$ 8,515	22,830	12,158	11,494

See accompanying independent auditor's report.

Revenue						
County Attorney Forfeiture	Conservation Land Acquisition	Decateg- orization	Drivers License Revenue	Debt Service	Total	
1,419	2,669	2,611	34,519	853	97,068	
-	-	-	-	7	7	
-	-	-	-	27,000	27,000	
-	-	1,106	-	-	1,106	
-	-	30,720	-	-	30,720	
1,419	2,669	34,437	34,519	27,860	155,901	
-	-	10,373	-	-	10,373	
-	-	442	-	-	442	
-	-	4,547	-	-	4,547	
-	-	-	-	27,000	27,000	
-	-	-	-	7	7	
-	-	15,362	-	27,007	42,369	
-	-	-	-	853	853	
1,419	2,669	19,075	34,519	-	112,679	
1,419	2,669	19,075	34,519	853	113,532	
1,419	2,669	34,437	34,519	27,860	155,901	

Adams County

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

Year ended June 30, 2004

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Special Law Enforcement Forfeiture
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	-	8,147	-
Charges for service	1,070	22,689	-	-
Use of money and property	113	141	118	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,183</u>	<u>22,830</u>	<u>8,265</u>	<u>-</u>
Expenditures:				
Operating:				
Physical health and social services	-	-	-	-
County environment and education	-	-	5,175	-
Governmental services to residents	-	-	-	-
Debt Service	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>5,175</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	1,183	22,830	3,090	-
Other financing sources:				
Operating transfers in	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	1,183	22,830	3,090	-
Fund balances beginning of year	<u>7,332</u>	<u>-</u>	<u>9,068</u>	<u>11,494</u>
Fund balances end of year	<u>\$ 8,515</u>	<u>22,830</u>	<u>12,158</u>	<u>11,494</u>

See accompanying independent auditor's report.

Revenue					
County Attorney Forfeiture	Conservation Land Acquisition	Decateg- orization	Drivers License Revenue	Debt Service	Total
-	-	-	-	27,501	27,501
-	-	125,715	-	1,966	135,828
-	-	-	10,695	-	34,454
-	-	-	-	-	372
-	-	90	-	-	90
-	-	125,805	10,695	29,467	198,245
-	-	123,016	-	-	123,016
-	8,285	-	-	-	13,460
-	-	-	1,618	-	1,618
-	-	-	-	74,436	74,436
-	8,285	123,016	1,618	74,436	212,530
-	(8,285)	2,789	9,077	(44,969)	(14,285)
-	-	-	-	45,000	45,000
-	(8,285)	2,789	9,077	31	30,715
1,419	10,954	16,286	25,442	822	82,817
1,419	2,669	19,075	34,519	853	113,532

Adams County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,454	118,380	43,408
Other County officials	4,237	-	-	-
Receivables:				
Property tax:				
Delinquent	-	16	30	621
Succeeding year	-	59,000	115,000	2,854,000
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 4,237	60,470	233,410	2,898,029
Liabilities				
Accounts payable	\$ -	-	960	-
Salaries and benefits payable	-	-	-	-
Due to other governments	1,869	60,470	228,175	2,898,029
Trusts payable	2,368	-	-	-
Compensated absences	-	-	4,275	-
Total liabilities	\$ 4,237	60,470	233,410	2,898,029

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
2,056	10,918	1,255	77,941	39,587	294,999
-	-	-	-	-	4,237
34	1,116	2	-	-	1,819
127,000	544,000	80,000	-	1,000	3,780,000
-	-	-	-	91	91
-	-	-	-	80,670	80,670
129,090	556,034	81,257	77,941	121,348	4,161,816
-	-	-	-	3,031	3,991
-	-	-	-	1,576	1,576
129,090	556,034	81,257	77,941	104,188	4,137,053
-	-	-	-	-	2,368
-	-	-	-	12,553	16,828
129,090	556,034	81,257	77,941	121,348	4,161,816

Adams County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 11,960	59,462	211,558	2,704,320
Additions:				
Property and other county tax	-	59,207	115,731	2,865,928
State tax credits	-	4,174	7,583	188,557
Office fees and collections	107,714	-	-	-
Electronic transaction fee	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	531	-
Total additions	107,714	63,381	123,845	3,054,485
Deductions:				
Agency remittances:				
To other funds	57,807	-	-	-
To other governments	39,809	62,373	101,993	2,860,776
Trusts paid out	17,821	-	-	-
Total deductions	115,437	62,373	101,993	2,860,776
Balances end of year	\$ 4,237	60,470	233,410	2,898,029

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
126,544	509,022	81,723	71,520	121,393	3,897,502
127,830	529,511	80,847	-	771	3,779,825
8,952	55,356	5,179	-	55	269,856
-	-	-	-	-	107,714
-	-	-	-	5,376	5,376
-	-	-	975,387	-	975,387
-	-	-	-	561	561
-	-	-	-	35,794	35,794
-	-	-	-	403,355	403,886
136,782	584,867	86,026	975,387	445,912	5,578,399
-	-	-	-	-	57,807
134,236	537,855	86,492	968,966	445,956	5,238,456
-	-	-	-	1	17,822
134,236	537,855	86,492	968,966	445,957	5,314,085
129,090	556,034	81,257	77,941	121,348	4,161,816

Schedule 5

Adams County

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other county tax	\$ 1,771,320	1,723,545	1,648,933	1,665,429
Interest and penalty on property tax	14,441	16,318	17,189	14,697
Intergovernmental	2,547,623	2,965,672	2,642,340	3,014,696
Licenses and permits	6,635	9,305	7,915	6,470
Charges for service	239,886	230,433	179,202	147,070
Use of money and property	106,158	106,715	102,256	132,133
Miscellaneous	33,959	57,754	74,713	44,044
Total	\$ 4,720,022	5,109,742	4,672,548	5,024,539
Expenditures:				
Operating:				
Public safety and legal services	\$ 591,164	582,684	522,867	454,643
Physical health and social services	342,341	318,587	289,953	298,875
Mental health	474,493	405,010	456,706	434,150
County environment and education	413,894	339,075	314,480	939,736
Roads and transportation	1,929,903	1,994,793	1,738,982	2,298,731
Governmental services to residents	144,655	140,097	142,997	125,280
Administration	466,006	475,246	426,336	434,680
Non-program	15,720	19,287	29,849	17,874
Debt service	74,436	76,667	73,631	75,552
Capital projects	106,889	482,279	340,841	51,903
Total	\$ 4,559,501	4,833,725	4,336,642	5,131,424

See accompanying independent auditor's report.



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Officials of Adams County:

We have audited the financial statements of Adams County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 9, 2004. A qualified opinion was issued on the changes in financial position of the governmental activities and the Secondary Roads Fund, a major governmental fund, due to the omission of materials and supplies inventories pertaining to the Secondary Roads Fund at July, 1, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items (2), (5) and (11).

Internal Control Over Financial Reporting

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

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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 9, 2004

Adams County
Schedule of Findings
Year ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

- (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:

	<u>Applicable Offices</u>
(1) Receipts – opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	Recorder
(2) Disbursements – check writing, check signing, posting, reconciling and final approval.	Recorder
(3) No accounting procedures manual	Auditor

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

Responses –

County Auditor – I will attempt to work toward developing an accounting procedures manual.

County Recorder – The County Recorder has reviewed the operating procedures of the office and has obtained the maximum internal control possible with just two persons in the office.

Conclusion – Responses accepted.

Adams County

Schedule of Findings

Year ended June 30, 2004

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amount budgeted. However, disbursements in certain departments exceeded the amounts appropriated at June 30, 2004.

Although the Board of Supervisors acted to increase appropriations to certain departments, the amendment changes were made after the disbursements had exceeded the appropriations.

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

Response – We will approve a resolution to increase or decrease department appropriations before department budgeted amounts are exceeded.

Conclusion – Response accepted.

- (3) Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mark Olive, Board of Supervisor Member, owns The Print Shop	Conservation brochures	\$ 1,744
Rhonda Mothershed, Sheriff's Office employee, owns T & R Communications	Radio repairs	755
Kim Lundquist, Deputy Assessor, spouse owns Lundquist AC Service	Air conditioner repair	516

Adams County

Schedule of Findings

Year ended June 30, 2004

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

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

Response – No one Department had a job that exceeded \$1,500. The fees charged were fair and the County was pleased with his work. Henceforth, they shall ask for an estimate and bids if it appears the job will exceed \$1,500.

Conclusion – Response accepted.

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Pooled Investments – No instances of non-compliance with the deposit and pooled investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policies were noted.
- (9) 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).
- (10) 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, 2004 for the County Extension Office did not exceed the amount budgeted.

- (11) Deficit Fund Balance – The Special Revenue, Decategorization Fund had deficit fund balances during the year ended June 30, 2004. This appears to violate Chapter 331.476 of the Code of Iowa.

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

Adams County

Schedule of Findings

Year ended June 30, 2004

Response – The only revenues into the DECAT Funds are from pass-through grants. Reimbursements are not always received in a timely manner. The County will comply with Chapter 331.476 of the Code of Iowa and will make a loan to the DECAT Fund from another County Fund.

Conclusion – Response accepted.

- (12) County Assessor – Certain minutes of the Conference Board and Board of Review were not signed.

Recommendation – All minutes should be signed to authenticate action taken.

Response – I will make every effort to see that the minutes are signed timely.

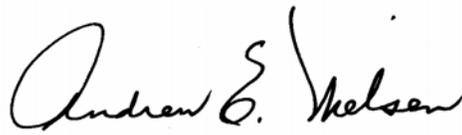
Conclusion – Response accepted.

Adams County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Tammy A. Wolterman, Staff Auditor
Natalie J. Storm, CPA, Staff Auditor
Corinne M. Johnson, Assistant Auditor
Bobbie J. Zediker, 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