



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 6, 2006

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$5,694,000 for the year ended June 30, 2005, which included \$361,851 in tax credits from the state. The County forwarded \$3,667,252 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,026,748 of the local tax revenue to finance County operations, a 7% increase from the prior year. Other revenues included charges for service of \$509,940, operating grants, contributions and restricted interest of \$2,410,769, capital grants, contributions and restricted interest of \$425,200, unrestricted investment earnings of \$40,494 and other general revenues of \$292,194.

Expenses for County operations totaled \$4,967,376, a 9.6% increase over the prior year. Expenses included \$2,079,746 for roads and transportation, \$766,663 for county environment and education and \$609,405 for public safety and legal services.

The significant increase in revenue and expenses is due primarily to a \$410,000 community development block grant for a forgivable loan to a local business.

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

###

ADAMS COUNTY

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

JUNE 30, 2005

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	52-53
Schedule of Expenditures of Federal Awards	6	54-55
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		57-58
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal control over Compliance in Accordance with OMB Circular A-133		59-60
Schedule of Findings and Questioned Costs		61-66
Staff		67

Adams County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
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
(After January 2005)		
Rhonda Milhollin	Board of Supervisors	Jan 2007
Phyllis Mullen	Board of Supervisors	Jan 2007
Kevin Wynn	Board of Supervisors	Jan 2007
Karl McCarty	Board of Supervisors	Jan 2009
Mark Olive	Board of Supervisors	Jan 2009
Donna West	County Auditor	Jan 2009
Nancy Kempton	County Treasurer	Jan 2007
Mary Miller	County Recorder	Jan 2007
Bill Lyddon	County Sheriff	Jan 2009
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, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Adams County's management. Our responsibility is to express opinions on these financial statements based on our audit.

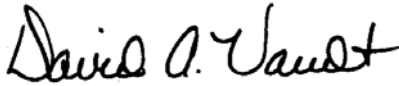
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

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

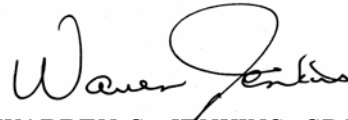
In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2005 on our consideration of Adams County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis 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 required supplementary information. We did not audit the information and express no opinion on it.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 9, 2005

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, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Adams County's governmental activities revenues increased approximately \$658,000 from fiscal year 2004 (FY2004). Property and other county tax increased approximately \$139,000 from FY2004.
- Adams County's governmental program expenses increased approximately \$436,000 from FY2004.
- The County's net assets increased 15.65%, or approximately \$738,000, from June 30, 2004 to June 30, 2005.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of 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 governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Adams County's net assets for FY2005 totaled approximately \$5.5 million, compared to FY2004 of approximately \$4.7 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

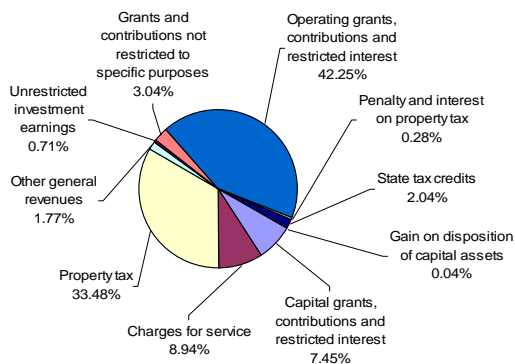
Net Assets of Governmental Activities		
	June 30,	
	2005	2004
Current and other assets	\$ 4,221,949	4,282,302
Capital assets	3,998,598	3,320,929
Total assets	<u>8,220,547</u>	<u>7,603,231</u>
Long-term liabilities	426,094	476,226
Other liabilities	2,342,451	2,412,972
Total liabilities	<u>2,768,545</u>	<u>2,889,198</u>
Net assets:		
Invested in capital assets, net of related debt	3,654,439	2,923,479
Restricted	1,498,474	1,560,066
Unrestricted	299,089	230,488
Total net assets	<u>\$ 5,452,002</u>	<u>\$ 4,714,033</u>

Net assets of Adams County's governmental activities increased by \$737,969 from FY2004. 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 resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$299,089 at June 30, 2005.

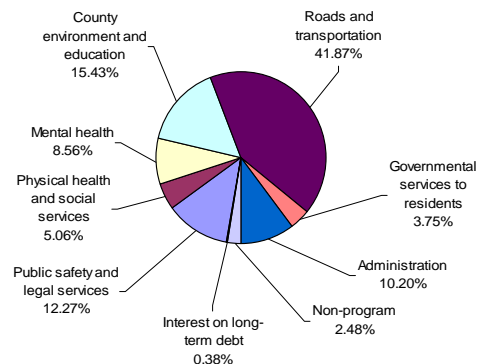
Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2005	2004
Revenues:		
Program revenues:		
Charges for service	\$ 509,940	617,354
Operating grants, contributions and restricted interest	2,410,769	1,897,771
Capital grants, contributions and restricted interest	425,200	327,447
General revenues:		
Property tax	1,910,211	1,771,154
Penalty and interest on property tax	15,705	14,441
State tax credits	116,537	123,073
Grants and contributions not restricted to specific purposes	173,369	175,999
Unrestricted investment earnings	40,494	38,301
Gain on disposition of capital assets	2,065	-
Other general revenues	101,055	81,763
Total revenues	5,705,345	5,047,303
Program expenses:		
Public safety and legal services	609,405	610,228
Physical health and social services	251,595	354,545
Mental health	425,135	474,493
County environment and education	766,663	390,937
Roads and transportation	2,079,746	2,041,283
Governmental services to residents	186,150	145,080
Administration	506,614	477,856
Non-program	122,952	15,720
Interest on long-term debt	19,116	21,514
Total expenses	4,967,376	4,531,656
Increase in net assets	737,969	515,647
Net assets beginning of year	4,714,033	4,198,386
Net assets end of year	\$ 5,452,002	4,714,033

Revenue by Source



Expenses by Program



Adams County increased property tax rates by \$.89 per \$1,000 of property valuation in the countywide levy and \$.13 per \$1,000 of property valuation in the rural tax levy for a total increase of \$1.02 in FY2005. The FY2005 Adams County assessed property tax valuation decreased by \$5,428,088. The General Assembly allows counties to exceed the statutory maximum levy rate of \$3.50 per \$1,000 of property valuation for the general basic tax levy for property taxes when the conditions specified by statute are met. Adams County's general basic tax levy for FY2005 was \$3.95 per \$1,000 of property valuation. The net effect of these changes raised the County's property and other County tax revenue by approximately \$139,000 in FY2005.

INDIVIDUAL MAJOR FUND ANALYSIS

As Adams County completed the year, its governmental funds reported a combined fund balance of \$1,879,089, an increase of \$9,936 above last year's total of \$1,869,153. The increase in the combined fund balance is due primarily to a net effect of increases in the General Fund and the Secondary Roads Fund and decreases in the nonmajor funds. Changes in fund balances of the major funds from the prior year are as follows:

- General Fund revenues increased by \$533,242 and expenditures increased by \$451,097. The General Fund ending balance showed an increase of \$55,078 from the prior year to \$305,137. Revenue increases in the General Fund occurred mainly due to Community Development Block Grant (CDBG) funding of \$410,000 and increased property tax revenue. Expenditure increases were due to the County passing the \$410,000 CDBG funding on to Precision Inc., a local business.
- The County has continued to look for ways to effectively manage the cost of mental health services. Mental Health Fund revenues increased by \$10,629 due to additional funding for MH-DD Community Services Fund Allocation. Expenditures decreased by \$49,358 for the year due to decreased expenditures for persons with mental retardation. The Mental Health Fund balance at year end increased by \$12,342 from the prior year to \$91,150.
- Rural Services Fund revenues decreased by \$10,751. The Rural Services Fund ending balance increased \$35,927 from the prior year to \$132,929. The revenue decrease is due to decreased property tax and other County tax revenues. Transfers to the Secondary Roads Fund decreased by \$26,536.
- Secondary Roads Fund expenditures increased by \$243,588 from the prior year, due mainly to bridge construction project completed in FY2005 and due to the purchase of equipment. Secondary Roads Fund revenues also increased by \$100,649. The increase in revenue is from State and Federal pass-through revenues for bridge replacement due to the completion of the bridge project. The aforementioned changes resulted in an increase in the Secondary Roads Fund ending balance of \$50,412 for FY2005 to \$956,947.

BUDGETARY HIGHLIGHTS

Over the course of the year, Adams County amended its budget one time. The amendment was made May 31, 2005 and resulted in an increase in budgeted disbursements related to additional grant monies received through the CDGB pass through grant (\$410,000), Administration (\$11,500) to cover computer equipment costs and costs associated with the state audit of Adams County and non-program (\$103,527) to repair the Country Haven roof.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, Adams County had approximately \$4 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,	
	2005	2004
Land	\$ 265,266	265,266
Buildings and improvements	1,413,258	1,345,949
Equipment and vehicles	1,595,545	1,526,431
Infrastructure	724,529	183,283
Total	<u>\$ 3,998,598</u>	<u>3,320,929</u>
This year's major additions included:		
2005 Caterpillar 140H motorgrader	\$ 186,882	
Country Haven roof project	113,529	
Two pickups	45,867	
Bridge replacement projects	555,541	
Total	<u>\$ 901,819</u>	

The County had depreciation expense of \$218,247 in FY2005 and total accumulated depreciation of \$2,157,369 at June 30, 2005.

Long-Term Debt

At June 30, 2005, Adams County had \$344,159 in general obligation capital loan notes outstanding compared to \$397,246 at June 30, 2004.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Adams County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$12.3 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Adams County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Adams County's employment (number of persons working) has declined over 10 percent over the past 5 years. Total resident employment in 2000 was 2260 and total resident employment in 2005 was 2030. Unemployment in the County remains at 5.3%, the same as a year ago. This compares with the State's unemployment rate of 4.7% and the national rate of 5.0%.

These indicators were taken into account when adopting the budget for FY2006. Amounts available for appropriation in the FY2006 operating budget are \$5,962,102, an increase of 1.5% over the final FY2005 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 1.5% for FY2006. Expected secondary roads projects along with 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 FY2006 budget.

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of 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, 2005

	Governmental Activities
Assets	
Cash and pooled investments	\$ 1,896,081
Receivables:	
Property tax:	
Delinquent	637
Succeeding year	2,017,000
Accounts	4,392
Accrued interest	164
Due from other governments	229,836
Inventories	73,839
Capital assets (net of accumulated depreciation)	3,998,598
	8,220,547
Liabilities	
Accounts payable	230,091
Accrued interest payable	228
Salaries and benefits payable	8,102
Due to other governments	87,030
Deferred revenue:	
Succeeding year property tax	2,017,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital loan notes	58,259
Compensated absences	34,429
Portion due or payable after one year:	
Capital loan notes	285,900
Compensated absences	47,506
	2,768,545
Net Assets	
Invested in capital assets, net of related debt	3,654,439
Restricted for:	
Supplemental levy purposes	94,337
Mental health purposes	91,224
Secondary roads purposes	925,416
Other purposes	387,497
Unrestricted	299,089
	\$ 5,452,002

See notes to financial statements.

Adams County
Statement of Activities
Year ended June 30, 2005

	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	\$ 609,405	193,675	3,772	-	(411,958)
Physical health and social services	251,595	9,037	213,212	-	(29,346)
Mental health	425,135	21,292	52,940	-	(350,903)
County environment and education	766,663	109,187	465,438	-	(192,038)
Roads and transportation	2,079,746	80,733	1,675,345	425,200	101,532
Governmental services to residents	186,150	85,104	-	-	(101,046)
Administration	506,614	10,912	62	-	(495,640)
Non-program	122,952	-	-	-	(122,952)
Interest on long-term debt	19,116	-	-	-	(19,116)
Total	\$ 4,967,376	509,940	2,410,769	425,200	(1,621,467)
General Revenues:					
Property and other county tax levied for:					
General purposes					1,884,679
Debt service					25,532
Penalty and interest on property tax					15,705
State tax credits					116,537
Grants and contributions not restricted to specific purpose					173,369
Unrestricted investment earnings					40,494
Gain on disposition of capital assets					2,065
Miscellaneous					101,055
Total general revenues					2,359,436
Change in net assets					737,969
Net assets beginning of year					4,714,033
Net assets end of year					\$ 5,452,002

See notes to financial statements.

Adams County
Balance Sheet
Governmental Funds

June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 401,295	180,576	132,407	924,448
Receivables:				
Property tax:				
Delinquent	540	75	11	-
Succeeding year	1,283,000	177,000	529,000	-
Accounts	4,191	-	-	35
Accrued interest	164	-	-	-
Due from other funds	8,291	-	-	-
Due from other governments	39,824	-	1,379	145,895
Advance to other funds	-	-	-	-
Inventories	-	-	-	73,839
Total assets	\$ 1,737,305	357,651	662,797	1,144,217
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 38,438	2,054	432	179,860
Salaries and benefits payable	56	387	297	6,818
Due to other funds	-	7,740	-	-
Due to other governments	6,605	79,245	128	592
Advance from other funds	103,529	-	-	-
Deferred revenue:				
Succeeding year property tax	1,283,000	177,000	529,000	-
Other	540	75	11	-
Total liabilities	1,432,168	266,501	529,868	187,270
Fund balances:				
Reserved for:				
Supplemental levy purposes	99,821	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	205,316	-	-	-
Special revenue funds	-	91,150	132,929	956,947
Total fund balances	305,137	91,150	132,929	956,947
Total liabilities and fund balances	\$ 1,737,305	357,651	662,797	1,144,217

See notes to financial statements.

Nonmajor	Total
257,355	1,896,081
11	637
28,000	2,017,000
166	4,392
-	164
-	8,291
42,738	229,836
103,529	103,529
-	73,839
431,799	4,333,769
9,307	230,091
544	8,102
551	8,291
460	87,030
-	103,529
28,000	2,017,000
11	637
38,873	2,454,680
-	99,821
803	803
-	205,316
392,123	1,573,149
392,926	1,879,089
431,799	4,333,769

Adams County

Adams County

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

June 30, 2005

Total governmental fund balances (page 19) \$ 1,879,089

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 \$6,155,967 and the accumulated depreciation is \$2,157,369. 3,998,598

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 637

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. (426,322)

Net assets of governmental activities (page 16) \$ 5,452,002

See notes to financial statements.

Adams County

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

Year ended June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 1,132,580	179,604	572,243	-
Interest and penalty on property tax	15,705	-	-	-
Intergovernmental	673,938	257,873	35,573	1,737,915
Licenses and permits	250	-	4,850	235
Charges for service	181,878	-	311	77
Use of money and property	103,282	-	-	-
Miscellaneous	11,201	-	-	53,788
Total revenues	2,118,834	437,477	612,977	1,792,015
Expenditures:				
Operating:				
Public safety and legal services	494,150	-	15,489	-
Physical health and social services	196,312	-	12,488	-
Mental health	-	425,135	-	-
County environment and education	684,021	-	33,790	-
Roads and transportation	-	-	-	2,113,689
Governmental services to residents	145,748	-	744	-
Administration	498,956	-	-	-
Non-program	122,952	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	142,453
Total expenditures	2,142,139	425,135	62,511	2,256,142
Excess (deficiency) of revenues over (under) expenditures	(23,305)	12,342	550,466	(464,127)
Other financing sources (uses):				
Operating transfers in	78,383	-	-	514,539
Operating transfers out	-	-	(514,539)	-
Total other financing sources (uses)	78,383	-	(514,539)	514,539
Net change in fund balances	55,078	12,342	35,927	50,412
Fund balances beginning of year	250,059	78,808	97,002	906,535
Fund balances end of year	\$ 305,137	91,150	132,929	956,947

See notes to financial statements.

Nonmajor	Total
25,527	1,909,954
-	15,705
262,963	2,968,262
-	5,335
27,377	209,643
656	103,938
-	64,989
<u>316,523</u>	<u>5,277,826</u>
78,932	588,571
142,846	351,646
-	425,135
19,392	737,203
-	2,113,689
38,803	185,295
-	498,956
-	122,952
72,182	72,182
29,808	172,261
<u>381,963</u>	<u>5,267,890</u>
(65,440)	9,936
45,000	637,922
(123,383)	(637,922)
<u>(78,383)</u>	-
(143,823)	9,936
536,749	1,869,153
<u>392,926</u>	<u>1,879,089</u>

Adams County

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

Year ended June 30, 2005

Net change in fund balances - Total governmental funds (page 19) \$ 9,936

**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	\$ 468,651	
Capital assets contributed by the Iowa Department of Transportation	425,200	
Depreciation expense	<u>(218,247)</u>	675,604

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 2,065

Because some property tax revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds. 256

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. 53,087

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	(2,955)	
Interest on long-term debt	<u>(24)</u>	<u>(2,979)</u>

Change in net assets of governmental activities (page 17) \$ 737,969

See notes to financial statements.

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

Assets

Cash and pooled investments:	
County Treasurer	\$ 316,192
Other County officials	2,010
Receivables:	
Accounts	2,765
Property tax:	
Delinquent	2,746
Succeeding year	3,602,000
Due from other governments	107,325
Total assets	4,033,038

Liabilities

Excess of outstanding checks over bank balance	56,178
Accounts payable	1,221
Salaries and benefits payable	1,152
Due to other governments	3,951,362
Trusts payable	243
Compensated absences	22,882
Total liabilities	4,033,038

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

See notes to financial statements.

Adams County

Notes to Financial Statements

June 30, 2005

(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, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

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-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Infrastructure and buildings	\$ 50,000
Land	10,000
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 who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General 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, 2005, disbursements exceeded the amounts budgeted in the administration and capital projects functions. Also, disbursements in certain departments exceeded the amounts appropriated at June 30, 2005. Although the Board of Supervisors acted to increase appropriations to certain departments, the amendment changes were made after disbursements had exceeded the appropriations.

(2) Cash and Pooled Investments

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

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

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Mental Health	\$ 7,740
	Decategorization	551
Total		<u>\$ 8,291</u>

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.

Advance to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Special Revenue: Special Law Enforcement	General	\$ 103,529

The advance to/from other funds resulted from a capital project in the General Fund to repair the care facility roof. The advance will be repaid over several years.

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue: Special Law Enforcement	\$ 78,383
Special Revenue: Secondary Roads	Special Revenue: Rural Services	514,539
Debt Service	Special Revenue: Special Law Enforcement	45,000
Total		\$ 637,922

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, 2005 was as follows:

	Balance Beginning of Year	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	548,296	(731,579)	-
Total capital assets not being depreciated	448,549	548,296	(731,579)	265,266
Capital assets being depreciated:				
Buildings	1,972,190	113,529	-	2,085,719
Equipment and vehicles	3,000,012	280,026	(206,635)	3,073,403
Infrastructure, road network	-	731,579	-	731,579
Total capital assets being depreciated	4,972,202	1,125,134	(206,635)	5,890,701
Less accumulated depreciation for:				
Buildings	626,241	46,220	-	672,461
Equipment and vehicles	1,473,581	164,977	(160,700)	1,477,858
Infrastructure, road network	-	7,050	-	7,050
Total accumulated depreciation	2,099,822	218,247	(160,700)	2,157,369
Total capital assets being depreciated, net	2,872,380	906,887	(45,935)	3,733,332
Governmental activities capital assets, net	\$ 3,320,929	1,455,183	(777,514)	3,998,598

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 38,480
Physical health and social services		12,392
County environment and education		29,715
Roads and transportation		131,847
Administration		5,813
		<u> </u>
Total depreciation expense - governmental activities		<u><u>\$ 218,247</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	\$ 6,605
Special Revenue:		
Mental Health	Services	79,245
Rural Services	Services	128
Secondary Roads	Services	592
Decategorization	Services	460
		<u>80,425</u>
		<u> </u>
Total for governmental funds		<u><u>\$ 87,030</u></u>
Agency:		
Agricultural Extension Education	Collections	\$ 57,537
County Assessor		244,761
Schools		2,751,314
Community Colleges		123,231
Corporations		546,126
Townships		82,224
Auto License and Use Tax		68,847
All other		77,322
		<u>77,322</u>
Total for agency funds		<u><u>\$ 3,951,362</u></u>

(7) Changes in Long-Term Liabilities

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

	General		Total
	Obligation Capital Loan Notes	Compensated Absences	
Balance beginning of year	\$ 397,246	78,980	476,226
Increases	-	89,900	89,900
Decreases	53,087	86,945	140,032
Balance end of year	\$ 344,159	81,935	426,094
Due within one year	\$ 58,259	34,429	92,688

The County issued notes to remodel the courthouse building, including the jail. Details of the County's June 30, 2005 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
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		\$140,000	13,163	153,163		\$190,000	43,200	233,200

Year ending June 30,	Capital Loan Notes						
	No. 1042-001				Total		
	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
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		\$ 14,159	1,797	15,956	344,159	58,160	402,319

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the county contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$97,705, \$86,068 and \$90,364, 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 509 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, 2005 were \$101,892.

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 \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

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, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, 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 \$3,160,000 is outstanding at June 30, 2005. 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) Community Development Block Grant (CDBG)

Adams County entered into a forgivable loan agreement dated January 27, 2004 with the Iowa Department of Economic Development for \$400,000. The proceeds were received during the year ended June 30, 2005 and loaned to a local business on October 29, 2004 to assist with economic development. The local business agreed during the contract period of January 27, 2003 to January 31, 2006 to retain 80 full time equivalent (FTE) positions and create 5 FTE positions within two years of loan disbursement. Also, of the FTE positions created or retained as a result of this project, the local business agreed at least 51%, or 44, of the FTE positions created or retained will be held by persons from low and moderate income households.

The local business agreed in the event the total job creation/retention requirement is not met, funds will be returned to the County in the same ratio as the job shortfall is to the total job requirement. Accordingly, \$4,706 is required to be returned for each FTE position short of the required number of created/retained positions of 44 FTE's.

The County's liability for repayment of this loan is limited to the amount the County receives as repayment from the local business. Because the loan is to be paid from other than County resources, the loan does not constitute a liability of the County and is not reported in the financial statements.

Adams County

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, 2005

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 1,909,954	1,918,573	1,918,573	(8,619)
Interest and penalty on property tax	15,705	-	-	15,705
Intergovernmental	2,986,537	2,784,734	3,184,734	(198,197)
Licenses and permits	5,345	8,250	8,250	(2,905)
Charges for service	209,471	196,075	196,075	13,396
Use of money and property	103,782	106,856	106,856	(3,074)
Miscellaneous	54,660	25,971	25,971	28,689
Total receipts	5,285,454	5,040,459	5,440,459	(155,005)
Disbursements:				
Public safety and legal services	586,059	719,290	719,290	133,231
Physical health and social services	355,487	426,829	426,829	71,342
Mental health	453,343	475,944	475,944	22,601
County environment and education	780,488	350,424	800,424	19,936
Roads and transportation	2,096,808	2,310,000	2,310,000	213,192
Governmental services to residents	148,824	216,648	216,648	67,824
Administration	536,512	513,709	525,209	(11,303)
Non-program	123,321	20,916	124,443	1,122
Debt service	72,182	72,182	72,182	-
Capital projects	243,197	202,000	202,000	(41,197)
Total disbursements	5,396,221	5,307,942	5,872,969	476,748
Excess (deficiency) of receipts over (under) disbursements	(110,767)	(267,483)	(432,510)	321,743
Balance beginning of year	2,006,848	1,780,494	1,780,494	226,354
Balance end of year	\$ 1,896,081	1,513,011	1,347,984	548,097

See accompanying independent auditor's report.

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

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,285,454	(7,628)	5,277,826
Expenditures	5,396,221	(128,331)	5,267,890
Net	(110,767)	120,703	9,936
Beginning fund balances	2,006,848	(137,695)	1,869,153
Ending fund balances	\$ 1,896,081	(16,992)	1,879,089

See accompanying independent auditor's report.

Adams County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$565,027. 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, 2005, disbursements exceeded the amounts budgeted in the administration and capital projects functions. Also, disbursements in certain departments exceeded the amounts appropriated at June 30, 2005. Although the Board of Supervisors acted to increase appropriations to certain departments, the amendment changes were made after disbursements had exceeded the appropriations.

Other Supplementary Information

Adams County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Special Law Enforcement	Special Law Enforcement Forfeiture
Assets					
Cash and pooled investments	\$ 9,649	927	8,922	178,673	11,494
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	-	-	-	166	-
Due from other governments	-	-	-	6,875	-
Advance to other funds	-	-	-	103,529	-
Total assets	\$ 9,649	927	8,922	289,243	11,494
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	-	-	-	-
Salaries and benefits payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Deferred revenue:					
Succeeding year property tax	-	-	-	-	-
Other	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund equity:					
Fund balances:					
Reserved for debt service	-	-	-	-	-
Unreserved	9,649	927	8,922	289,243	11,494
Total fund equity	9,649	927	8,922	289,243	11,494
Total liabilities and fund equity	\$ 9,649	927	8,922	289,243	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	1,181	-	44,287	803	257,355	
-	-	-	-	11	11	
-	-	-	-	28,000	28,000	
-	-	-	-	-	166	
-	-	35,863	-	-	42,738	
-	-	-	-	-	103,529	
1,419	1,181	35,863	44,287	28,814	431,799	
-	-	9,307	-	-	9,307	
-	-	544	-	-	544	
-	-	551	-	-	551	
-	-	460	-	-	460	
-	-	-	-	28,000	28,000	
-	-	-	-	11	11	
-	-	10,862	-	28,011	38,873	
-	-	-	-	803	803	
1,419	1,181	25,001	44,287	-	392,123	
1,419	1,181	25,001	44,287	803	392,926	
1,419	1,181	35,863	44,287	28,814	431,799	

Adams County

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

Year ended June 30, 2005

	County Recorder's Records Managemen	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Special Law Enforcement
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	-	14,537	98,049
Charges for service	1,006	14,196	-	100
Use of money and property	128	397	131	-
Total revenues	1,134	14,593	14,668	98,149
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	78,932
Physical health and social services	-	-	-	-
County environment and education	-	-	17,904	-
Governmental services to residents	-	36,496	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	29,808
Total expenditures	-	36,496	17,904	108,740
Excess (deficiency) of revenues over (under) expenditures	1,134	(21,903)	(3,236)	(10,591)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	(123,383)
Total other financing sources (uses)	-	-	-	(123,383)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,134	(21,903)	(3,236)	(133,974)
Fund balances beginning of year	8,515	22,830	12,158	423,217
Fund balances end of year	\$ 9,649	927	8,922	289,243

See accompanying independent auditor's report.

Revenue							
Law Enforcement Forfeiture	County Attorney Forfeiture	Conservation Land Acquisition	Decate- g- orization	Drivers License Revenue	Debt Service		Total
-	-	-	-	-	25,527		25,527
-	-	-	148,772	-	1,605		262,963
-	-	-	-	12,075	-		27,377
-	-	-	-	-	-		656
-	-	-	148,772	12,075	27,132		316,523
-	-	-	-	-	-		78,932
-	-	-	142,846	-	-		142,846
-	-	1,488	-	-	-		19,392
-	-	-	-	2,307	-		38,803
-	-	-	-	-	72,182		72,182
-	-	-	-	-	-		29,808
-	-	1,488	142,846	2,307	72,182		381,963
-	-	(1,488)	5,926	9,768	(45,050)		(65,440)
-	-	-	-	-	45,000		45,000
-	-	-	-	-	-		(123,383)
-	-	-	-	-	45,000		(78,383)
-	-	(1,488)	5,926	9,768	(50)		(143,823)
11,494	1,419	2,669	19,075	34,519	853		536,749
11,494	1,419	1,181	25,001	44,287	803		392,926

Adams County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,513	135,706	49,409
Other County officials	2,010	-	-	-
Receivables:				
Property tax:				
Delinquent	-	24	47	905
Succeeding year	-	56,000	111,000	2,701,000
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 2,010	57,537	246,753	2,751,314
Liabilities				
Excess of outstanding checks over bank balance	\$ -	-	-	-
Accounts payable	-	-	323	-
Salaries and benefits payable	-	-	-	-
Due to other governments	1,767	57,537	244,761	2,751,314
Trusts payable	243	-	-	-
Compensated absences	-	-	1,669	-
Total liabilities	\$ 2,010	57,537	246,753	2,751,314

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
2,180	13,410	1,221	68,847	43,906	316,192
-	-	-	-	-	2,010
51	1,716	3	-	-	2,746
121,000	531,000	81,000	-	1,000	3,602,000
-	-	-	-	2,765	2,765
-	-	-	-	107,325	107,325
123,231	546,126	82,224	68,847	154,996	4,033,038
-	-	-	-	56,178	56,178
-	-	-	-	898	1,221
-	-	-	-	1,152	1,152
123,231	546,126	82,224	68,847	75,555	3,951,362
-	-	-	-	-	243
-	-	-	-	21,213	22,882
123,231	546,126	82,224	68,847	154,996	4,033,038

Adams County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 4,237	60,470	233,410	2,898,029
Additions:				
Property and other county tax	-	53,788	106,646	2,591,037
State tax credits	-	3,581	6,976	173,246
Office fees and collections	117,757	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	612	-
Total additions	117,757	57,369	114,234	2,764,283
Deductions:				
Agency remittances:				
To other funds	47,306	-	-	-
To other governments	43,646	60,302	100,891	2,910,998
Trusts paid out	29,032	-	-	-
Total deductions	119,984	60,302	100,891	2,910,998
Balances end of year	\$ 2,010	57,537	246,753	2,751,314

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
129,090	556,034	81,257	77,941	121,348	4,161,816
116,035	474,570	79,107	-	755	3,421,938
7,695	49,358	4,411	-	47	245,314
-	-	-	-	-	117,757
-	-	-	-	126	126
-	-	-	1,020,099	-	1,020,099
-	-	-	-	2,340	2,340
-	-	-	-	44,655	44,655
-	-	-	-	376,600	377,212
123,730	523,928	83,518	1,020,099	424,523	5,229,441
-	-	-	44,142	-	91,448
129,589	533,836	82,551	985,051	447,053	5,293,917
-	-	-	-	-	29,032
129,589	533,836	82,551	1,029,193	447,053	5,414,397
123,231	546,126	82,224	68,847	98,818	3,976,860

Adams County

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

For the Last Five Years

	Modified Accrual		
	2005	2004	2003
Revenues:			
Property and other county tax	\$ 1,909,954	1,771,320	1,723,545
Interest and penalty on property tax	15,705	14,441	16,318
Intergovernmental	2,968,262	2,547,623	2,965,672
Licenses and permits	5,335	6,635	9,305
Charges for service	209,643	239,886	230,433
Use of money and property	103,938	106,158	106,715
Miscellaneous	64,989	33,959	57,754
Total	\$ 5,277,826	4,720,022	5,109,742
Expenditures:			
Operating:			
Public safety and legal services	\$ 588,571	591,164	582,684
Physical health and social services	351,646	342,341	318,587
Mental health	425,135	474,493	405,010
County environment and education	737,203	413,894	339,075
Roads and transportation	2,113,689	1,929,903	1,994,793
Governmental services to residents	185,295	144,655	140,097
Administration	498,956	466,006	475,246
Non-program	122,952	15,720	19,287
Debt service	72,182	74,436	76,667
Capital projects	172,261	106,889	482,279
Total	\$ 5,267,890	4,559,501	4,833,725

See accompanying independent auditor's report.

Basis	
2002	2001
1,648,933	1,665,429
17,189	14,697
2,642,340	3,014,696
7,915	6,470
179,202	147,070
102,256	132,133
74,713	44,044
<u>4,672,548</u>	<u>5,024,539</u>
522,867	454,643
289,953	298,875
456,706	434,150
314,480	939,736
1,738,982	2,298,731
142,997	125,280
426,336	434,680
29,849	17,874
73,631	75,552
340,841	51,903
<u>4,336,642</u>	<u>5,131,424</u>

Schedule 6

Adams County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
Natural Resources Conservation Services Wildlife Habitat Incentive Program	10.914		\$ 6,676
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		2,368
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228		410,000
U.S. Department of Justice			
Iowa Department of Public Health			
Juvenile Accountability Incentive Block Grants	16.523	01-JD03-F504	6,309
Juvenile Justice and Delinquency Prevention- Allocation to States	16.540	01-JD03-F504	4,741
Enforcing Underage Drinking Laws Program	16.727	01-JD03-F504	3,842
			<u>14,892</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205 BROS-C002(42)--8J-02		104,273
Highway Planning and Construction	20.205 STP-ES--02(23)--81-02		19,653
			<u>123,926</u>
U.S. General Services Administration:			
Iowa Secretary of State:			
Election Reform Payments	39.011	05-HAVA-02-01	2,035
U.S. Department of Education:			
Iowa Department of Public Health			
Safe and drug-free schools and communities - state grants	84.186B	5885DV03	55,250

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

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	93.104	BPDS-05-051	5,127
Promoting Safe and Stable Families	93.556		<u>4,101</u>
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		<u>3,165</u>
Refugee and Entrant Assistance - State Administered Programs	93.566		<u>4</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>618</u>
Foster Care - Title IV-E	93.658		<u>1,654</u>
Adoption Assistance	93.659		<u>386</u>
Medical Assistance Program	93.778		<u>3,402</u>
Social Services Block Grant	93.667		<u>2,064</u>
Social Services Block Grant	93.667		<u>21,292</u>
			<u>23,356</u>
Total			<u>\$ 656,960</u>

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

See accompanying independent auditor's report.

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

To the Officials of Adams County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Adams County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated December 9, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

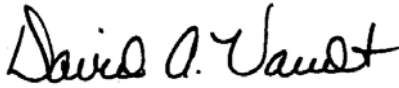
Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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, 2005



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

To the Officials of Adams County:

Compliance

We have audited the compliance of Adams County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2005. Adams County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Adams County's management. Our responsibility is to express an opinion on Adams County's compliance based on our audit.

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

In our opinion, Adams County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

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

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 9, 2005

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

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements. That reportable condition was not considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Adams County did not qualify as a low-risk auditee.

Adams County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

II-A-05 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 – An accounting procedures manual for the Auditor is now complete.

County Recorder – The Deputy has been added to the checking account. With just two persons in the office, we both perform all duties and review the work of the other.

Conclusion – Responses accepted.

Adams County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

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

Adams County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-05 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the administration and capital projects functions. Also, disbursements in certain departments exceeded the amounts appropriated at June 30, 2005. Although the Board of Supervisors acted to increase appropriations to certain departments, the amendment changes were made after disbursements had exceeded the appropriations.

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

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

Response – The budget and appropriations will be amended in the future prior to making disbursements that would exceed budgeted amounts.

Conclusion – Response accepted.

IV-C-05 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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

IV-E-05 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kim Lundquist, Deputy Assessor, spouse owns Lundquist AC Service	Air conditioner repair	\$ 2,495
Mark Olive, Board of Supervisor Member, owns The Print Shop	Conservation supplies	731

In accordance with Chapter 331.342(10) of the Code of Iowa, the conservation supplies purchased from The Print Shop do not appear to represent a conflict of interest since total cumulative transactions were less than \$1,500 during the fiscal year. The transactions for air conditioner repair may represent a conflict of interest.

Adams County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

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

Response – There were multiple transactions all under the sum of \$1,500. I cannot see a particular problem with the way it was handled.

Conclusion – Response acknowledged. However, the County should obtain bids/quotes for work performed to avoid the appearance of a conflict of interest.

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

IV-G-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

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

IV-I-05 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-J-05 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

IV-K-05 Deficit Fund Balance – The Special Revenue, Decategorization Fund and the Debt Service Fund had deficit fund balances during the year ended June 30, 2005. 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.

Response – Revenues into the Decategorization Fund are from pass-through grants. Reimbursements are not always received timely. In the future, claims will not be approved for payment unless there is an adequate fund balance to cover the amount of the claim.

Conclusion – Response accepted.

Adams County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

IV-L-05 Special Appraiser's Levy – Chapter 441.50 of the Code of Iowa states:

“The conference board shall have power to employ appraisers or other technical or expert help to assist in the valuation of property, the cost thereof to be paid in the same manner as other expenses of the assessor’s office. The conference board may certify for levy annually an amount not to exceed forty and one-half cents per thousand dollars for the purpose of establishing a special appraiser’s fund, to be used only for such purposes. From time to time the conference board may direct the transfer of any unexpended balance in the special appraiser’s fund to the assessment expense fund.”

Pursuant to an Attorney General’s letter of memorandum dated January 4, 2006, the “... salary, benefits, and other costs associated with employing appraisers and other personnel with a county assessor’s office may be paid from the special appraiser’s fund, as long as the employees provide “technical or expert help to assist in the valuation of property.”

The County Assessor Conference Board levies annually for the special appraiser’s levy and transfers the amount received to the Assessment Expense Fund to supplement operations. Pursuant to an Attorney General’s letter of memorandum dated January 4, 2006, “Given that the special appraiser’s fund is a limited fund, I do not believe this is a reasonable interpretation of section 441.50. Nor would I advise the State Appeal Board approve special appraiser fund levy which was not based upon a good faith estimate of anticipated costs which could legitimately be paid for with this fund.

Recommendation – The Conference Board should discontinue budgeting and levying special appraiser’s levy to supplement the Assessment Expense Fund.

The County Assessor and Conference board should consult the County Attorney to determine the proper disposition of the amounts levied for the Special Appraiser’s Fund fiscal 2006 and prior years.

Response – We will follow the Code of Iowa, Chapter 441.50, and State Auditor’s recommendations to the best of our abilities. We will only budget in the Special Appraiser’s Fund to provide for professional appraisers expense and salaries.

Conclusion – Response accepted.

IV-M-05 Maximum Secondary Roads Fund Transfer – Chapter 331.429 of the Code of Iowa establishes a maximum amount that can be transferred from the General and Rural Services Funds to the Secondary Roads Fund. For the year ended June 30, 2005, the maximum allowable transfer from the Rural Services Fund was exceeded by \$1,899.

Recommendation – The County should transfer \$1,899 from the Secondary Roads Fund to the Rural Services Fund.

Response – The County will transfer \$1,899 from Secondary Roads Fund to Rural Services Fund to correct the error.

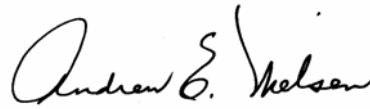
Conclusion – Response accepted.

Adams County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Tammy A. Wolterman, Senior Auditor
Ryan J. Johnson, CPA, Staff Auditor
Jennifer L. Wall, 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