



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE February 21, 2007

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 \$6,169,518 for the year ended June 30, 2006, which included \$377,876 in tax credits from the state. The County forwarded \$3,986,863 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,182,655 of the local tax revenue to finance County operations, an 8% increase over the prior year. Other revenues included charges for service of \$424,124, operating grants, contributions and restricted interest of \$2,019,415, capital grants, contributions and restricted interest of \$1,163,041, unrestricted investment earnings of \$42,698 and other general revenues of \$317,041.

Expenses for County operations totaled \$5,187,494, a 4% increase over the prior year. Expenses included \$2,457,647 for roads and transportation, \$598,102 for public safety and legal services and \$524,361 for county environment and education.

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>.

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ADAMS COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2006

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Adams County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rhonda Millhollin	Board of Supervisors	(Resigned)
Linda England (Appointed)	Board of Supervisors	Nov 2006
Phyllis Mullen	Board of Supervisors	Jan 2007
Kevin Wynn	Board of Supervisors	Jan 2007
Mark Olive	Board of Supervisors	Jan 2009
Karl McCarty	Board of Supervisors	Jan 2009
Donna West	County Auditor	(Resigned)
Nicole Tucker (Appointed)	County Auditor	Nov 2008
Nancy Kempton	County Treasurer	Jan 2007
Mary Miller	County Recorder	Jan 2007
Bill Lyddon	County Sheriff	Jan 2009
Jeff Millhollin	County Attorney	Jan 2007
Carolyn Burroughs	County Assessor	Jan 2010

Adams County



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Independent Auditor's Report

To the Officials of Adams County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adams County, Iowa, as of and for the year ended June 30, 2006, 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.

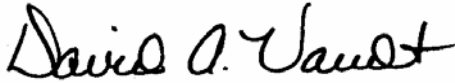
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2006, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

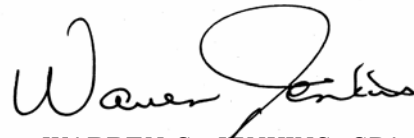
In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2006 on our consideration of Adams County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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 38 through 40 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 five years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 8, 2006

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, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Adams County's governmental activities revenues increased approximately \$444,000 from fiscal year 2005 (FY2005). Property and other county tax increased approximately \$144,000 from FY2005.
- Adams County's governmental program expenses increased approximately \$220,000 from FY2005.
- The County's net assets increased 17.64%, or approximately \$961,000, from June 30, 2005 to June 30, 2006.

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.

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 FY2006 totaled approximately \$6.4 million, compared to FY2005 of approximately \$5.5 million. The analysis that follows focuses on the net assets of governmental activities.

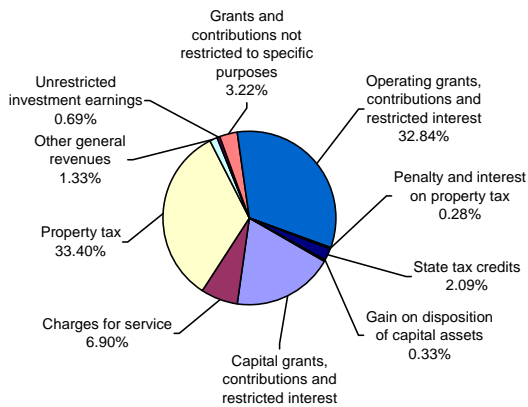
Net Assets of Governmental Activities		
	June 30,	
	2006	2005
Current and other assets	\$ 4,048,630	4,221,949
Capital assets	5,137,514	3,998,598
Total assets	<u>9,186,144</u>	<u>8,220,547</u>
Long-term liabilities	400,399	426,094
Other liabilities	2,372,263	2,342,451
Total liabilities	<u>2,772,662</u>	<u>2,768,545</u>
Net assets:		
Invested in capital assets, net of related debt	4,851,614	3,654,439
Restricted	1,321,878	1,498,474
Unrestricted	239,990	299,089
Total net assets	<u>\$ 6,413,482</u>	<u>5,452,002</u>

Net assets of Adams County's governmental activities increased by \$961,480 from FY2005. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$239,990 at June 30, 2006.

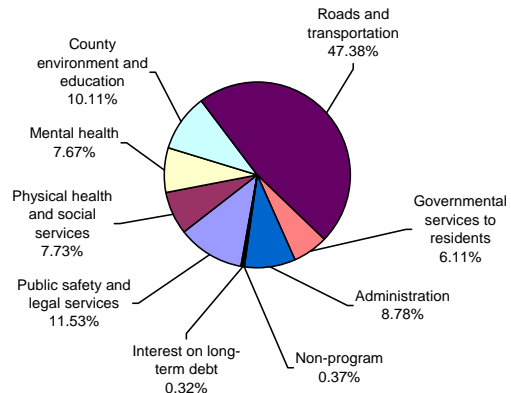
Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2006	2005
Revenues:		
Program revenues:		
Charges for service	\$ 424,124	509,940
Operating grants, contributions and restricted interest	2,019,415	2,410,769
Capital grants, contributions and restricted interest	1,163,041	425,200
General revenues:		
Property tax	2,053,841	1,910,211
Penalty and interest on property tax	17,280	15,705
State tax credits	128,814	116,537
Grants and contributions not restricted to specific purposes	198,073	173,369
Unrestricted investment earnings	42,698	40,494
Gain on disposition of capital assets	20,000	2,065
Other general revenues	81,688	101,055
Total revenues	6,148,974	5,705,345
Program expenses:		
Public safety and legal services	598,102	609,405
Physical health and social services	401,100	251,595
Mental health	398,081	425,135
County environment and education	524,361	766,663
Roads and transportation	2,457,647	2,079,746
Governmental services to residents	317,036	186,150
Administration	455,635	506,614
Non-program	19,117	122,952
Interest on long-term debt	16,415	19,116
Total expenses	5,187,494	4,967,376
Increase in net assets	961,480	737,969
Net assets beginning of year	5,452,002	4,714,033
Net assets end of year	\$ 6,413,482	5,452,002

Revenue by Source



Expenses by Program



Adams County increased property tax rates by \$.90 per \$1,000 of taxable valuation in the countywide levy and decreased property tax rates by \$.17 per \$1,000 of taxable valuation in the rural tax levy, for a net increase of \$.73 in FY2006. The FY2006 Adams County taxable property valuation decreased by \$364,829. 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 FY2006 was \$4.56 per \$1,000 of taxable valuation. The net effect of these changes raised the County's property and other county tax revenue by approximately \$144,000 in FY2006.

INDIVIDUAL MAJOR FUND ANALYSIS

As Adams County completed the year, its governmental funds reported a combined fund balance of \$1,675,544, a decrease of \$203,545 from last year's total of \$1,879,089. The decrease in the combined fund balance is due primarily to a decrease in the Secondary Roads Fund, the Rural Services 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 decreased by \$155,839 and expenditures decreased by \$212,735. The General Fund ending balance increased \$35,763 over the prior year to \$340,900. Revenue decreases in the General Fund occurred mainly due to a Community Development Block Grant (CDBG) of \$410,000 received in FY2005. No CDBG funding was received in FY2006. Also, there was an increase in property tax revenue. Expenditure decreases were due to the \$410,000 CDBG loaned to a local business in FY2005. No similar large expenditures were made in FY2006. Also there was a decrease in non-program expenditures due to a decrease in care facility operations of \$103,835.
- The County has continued to look for ways to effectively manage the cost of mental health services. Mental Health Fund revenues increased by \$23,488 due to additional funding for the MH-DD allowed growth factor adjustment. Expenditures decreased by \$27,054 for the year due to a reduction in expenditures for persons with mental retardation. The Mental Health Fund balance at year end increased by \$62,884 over the prior year to \$154,034.
- Rural Services Fund revenues decreased by \$28,279. The Rural Services Fund ending balance decreased \$6,267 from the prior year to \$126,662. The revenue decrease is due to decreased property tax and other county tax revenues. Transfers to the Secondary Roads Fund decreased by \$1,318.
- Secondary Roads Fund expenditures increased by \$155,247 over the prior year, due mainly to engineering costs and roadway maintenance increases. Secondary Roads Fund revenues decreased by \$142,922. The decrease in revenue is due to the County receiving State and Federal pass-through revenues for bridge replacement due to the completion of the bridge project in FY2005 and not in FY2006. The aforementioned changes resulted in a decrease in the Secondary Roads Fund ending balance of \$249,075 for FY2006 to \$707,872.

BUDGETARY HIGHLIGHTS

Over the course of the year, Adams County amended its budget twice. The first amendment was made May 30, 2006 and resulted in an increase in budgeted disbursements related to increased policy and administration fees for family insurance policies and other administration for the purchase of a new computer system of \$47,440, public safety emergency services of \$5,495, County Conservation increased spending by \$35,500 due to the Harkin wellness grant and REAP expenditures. There were also expenditures for the DECAT program for a new administrator of \$45,000. A second amendment included increased disbursements due to WHSF Grant of \$91,305, a pass through grant and a \$21,000 increase in legal service fees due to family health policy and autopsy fees.

The County’s actual receipts were \$402,155 less than budgeted, a variance of 7.3%. The variance resulted from the County receiving less intergovernmental receipts from a grant than anticipated.

Total actual disbursements were \$960,228 less than the amended budget, a variance of 15.4%. Actual disbursements for the roads and transportation and capital projects functions were \$242,743 and \$290,000, respectively, less than budgeted. In the Secondary Roads Fund, a bridge, road construction and maintenance were not completed as budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, Adams County had approximately \$5.1 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,	
	2006	2005
Land	\$ 265,266	265,266
Buildings and improvements	1,367,038	1,413,258
Equipment and vehicles	1,759,165	1,595,545
Infrastructure	1,746,045	724,529
Total	<u>\$ 5,137,514</u>	<u>3,998,598</u>
This year's major additions included:		
Road network infrastructure	\$ 1,080,263	
CAT 320 Backhoe 2005	164,500	
AccuVote machines and equipment	109,761	
Two pickups	43,127	
AS 400 Mainframe I Series	26,220	
Total	<u>\$ 1,423,871</u>	

The County had depreciation expense of \$284,955 in FY2006 and total accumulated depreciation of \$2,234,739 at June 30, 2006. More detailed information about the County’s capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2006, Adams County had \$285,900 in general obligation capital loan notes outstanding, compared to \$344,159 at June 30, 2005.

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 \$12.4 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 BUDGET AND RATES

Adams County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 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 2006 was 2,040 and total resident employment in 2005 was 2,040. Unemployment in the County declined from 5.3% in 2005 to 4.8% in 2006. This compares with the State's unemployment rate of 3.7% and the national rate of 4.4%.

These indicators were taken into account when adopting the budget for FY2007. Amounts available for appropriation in the FY2007 operating budget are \$6,737,023, an increase of 7.9% over the final FY2006 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 7.9% for FY2007. Expected secondary roads projects, 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 also increased its Emergency Management Funding which will contribute to a rise in budget needs for FY2007.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of 2007.

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, 2006

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 1,710,613
Receivables:	
Property tax:	
Delinquent	823
Succeeding year	2,042,000
Accounts	10,148
Due from other governments	205,324
Inventories	79,722
Capital assets (net of accumulated depreciation)	<u>5,137,514</u>
Total assets	<u>9,186,144</u>
Liabilities	
Accounts payable	242,640
Salaries and benefits payable	10,273
Due to other governments	77,350
Deferred revenue:	
Succeeding year property tax	2,042,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital loan notes	58,439
Compensated absences	78,624
Portion due or payable after one year:	
Capital loan notes	227,461
Compensated absences	<u>35,875</u>
Total liabilities	<u>2,772,662</u>
Net Assets	
Invested in capital assets, net of related debt	4,851,614
Restricted for:	
Supplemental levy purposes	113,896
Mental health purposes	154,034
Secondary roads purposes	707,872
Debt service	832
Other purposes	345,244
Unrestricted	<u>239,990</u>
Total net assets	<u>\$ 6,413,482</u>

See notes to financial statements.

Adams County
 Statement of Activities
 Year ended June 30, 2006

	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	\$ 598,102	157,147	2,274	-	(438,681)
Physical health and social services	401,100	9,380	259,353	-	(132,367)
Mental health	398,081	-	76,791	-	(321,290)
County environment and education	524,361	97,695	42,058	-	(384,608)
Roads and transportation	2,457,647	65,856	1,638,939	1,080,263	327,411
Governmental services to residents	317,036	73,896	-	82,778	(160,362)
Administration	455,635	20,150	-	-	(435,485)
Non-program	19,117	-	-	-	(19,117)
Interest on long-term debt	16,415	-	-	-	(16,415)
Total	\$ 5,187,494	424,124	2,019,415	1,163,041	(1,580,914)
General Revenues:					
Property and other county tax levied for:					
General purposes					2,025,715
Debt service					28,126
Penalty and interest on property tax					17,280
State tax credits					128,814
Grants and contributions not restricted to specific purpose					198,073
Unrestricted investment earnings					42,698
Gain on disposition of capital assets					20,000
Miscellaneous					81,688
Total general revenues					2,542,394
Change in net assets					961,480
Net assets beginning of year					5,452,002
Net assets end of year					\$ 6,413,482

See notes to financial statements.

Adams County
Balance Sheet
Governmental Funds

June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 432,814	241,222	129,034	662,301
Receivables:				
Property tax:				
Delinquent	724	75	11	-
Succeeding year	1,368,000	141,000	507,000	-
Accounts	10,148	-	-	-
Due from other funds	21,867	-	-	-
Due from other governments	19,480	364	-	126,134
Advance to other funds	-	-	-	-
Inventories	-	-	-	79,722
Total assets	\$ 1,853,033	382,661	636,045	868,157
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 59,218	9,959	1,867	152,128
Salaries and benefits payable	1,368	243	505	8,157
Due to other funds	-	-	-	-
Due to other governments	-	77,350	-	-
Advance from other funds	82,823	-	-	-
Deferred revenue:				
Succeeding year property tax	1,368,000	141,000	507,000	-
Other	724	75	11	-
Total liabilities	1,512,133	228,627	509,383	160,285
Fund balances:				
Reserved for:				
Supplemental levy purposes	113,896	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	227,004	-	-	-
Special revenue funds	-	154,034	126,662	707,872
Total fund balances	340,900	154,034	126,662	707,872
Total liabilities and fund balances	\$ 1,853,033	382,661	636,045	868,157

See notes to financial statements.

Nonmajor	Total
245,242	1,710,613
13	823
26,000	2,042,000
-	10,148
-	21,867
59,346	205,324
82,823	82,823
-	79,722
<u>413,424</u>	<u>4,153,320</u>
19,468	242,640
-	10,273
21,867	21,867
-	77,350
-	82,823
26,000	2,042,000
13	823
<u>67,348</u>	<u>2,477,776</u>
-	113,896
832	832
-	227,004
345,244	1,333,812
<u>346,076</u>	<u>1,675,544</u>
<u>413,424</u>	<u>4,153,320</u>

Adams County

Adams County

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

June 30, 2006

Total governmental fund balances (page 19) \$ 1,675,544

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 \$7,372,253 and the accumulated depreciation is \$2,234,739. 5,137,514

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 823

Long-term liabilities, including capital loan notes payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (400,399)

Net assets of governmental activities (page 16) \$ 6,413,482

See notes to financial statements.

Adams County

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

Year ended June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 1,302,105	179,908	543,518	-
Interest and penalty on property tax	17,280	-	-	-
Intergovernmental	333,850	281,057	32,396	1,634,464
Licenses and permits	200	-	8,190	270
Charges for service	180,760	-	460	15
Use of money and property	114,321	-	-	950
Miscellaneous	14,479	-	134	13,394
Total revenues	<u>1,962,995</u>	<u>460,965</u>	<u>584,698</u>	<u>1,649,093</u>
Expenditures:				
Operating:				
Public safety and legal services	514,067	-	15,000	-
Physical health and social services	189,914	-	14,661	-
Mental health	-	398,081	-	-
County environment and education	359,911	-	47,219	-
Roads and transportation	-	-	-	2,411,389
Governmental services to residents	291,975	-	864	-
Administration	554,420	-	-	-
Non-program	19,117	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>1,929,404</u>	<u>398,081</u>	<u>77,744</u>	<u>2,411,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>33,591</u>	<u>62,884</u>	<u>506,954</u>	<u>(762,296)</u>
Other financing sources (uses):				
Operating transfers in	8,172	-	-	513,221
Operating transfers out	(6,000)	-	(513,221)	-
Total other financing sources (uses)	<u>2,172</u>	<u>-</u>	<u>(513,221)</u>	<u>513,221</u>
Net change in fund balances	35,763	62,884	(6,267)	(249,075)
Fund balances beginning of year	305,137	91,150	132,929	956,947
Fund balances end of year	<u>\$ 340,900</u>	<u>154,034</u>	<u>126,662</u>	<u>707,872</u>

See notes to financial statements.

Nonmajor	Total
28,126	2,053,657
-	17,280
331,149	2,612,916
-	8,660
10,744	191,979
364	115,635
20,391	48,398
<u>390,774</u>	<u>5,048,525</u>
62,990	592,057
190,049	394,624
-	398,081
86,971	494,101
-	2,411,389
20,540	313,379
-	554,420
-	19,117
74,902	74,902
<u>435,452</u>	<u>5,252,070</u>
<u>(44,678)</u>	<u>(203,545)</u>
51,000	572,393
<u>(53,172)</u>	<u>(572,393)</u>
<u>(2,172)</u>	-
(46,850)	(203,545)
<u>392,926</u>	<u>1,879,089</u>
<u>346,076</u>	<u>1,675,544</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, 2006

Net change in fund balances - Total governmental funds (page 23) \$ (203,545)**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	\$ 323,608	
Capital assets contributed by the Iowa Department of Transportation	1,080,263	
Depreciation expense	<u>(284,955)</u>	1,118,916

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.

20,000

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.

186

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.

58,259

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	(32,564)	
Interest on long-term debt	<u>228</u>	<u>(32,336)</u>

Change in net assets of governmental activities (page 17) \$ 961,480

See notes to financial statements.

Adams County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

Assets

Cash and pooled investments:	
County Treasurer	\$ 343,180
Other County officials	248
Receivables:	
Property tax:	
Delinquent	3,764
Succeeding year	3,719,000
Due from other governments	70,543
Total assets	4,136,735

Liabilities

Excess of outstanding checks over bank balance	39,630
Accounts payable	1,375
Salaries and benefits payable	1,381
Due to other governments	4,077,800
Trusts payable	155
Compensated absences	16,394
Total liabilities	4,136,735

Net assets	\$ -
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See notes to financial statements.

Adams County

Notes to Financial Statements

June 30, 2006

(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 financial statements:

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

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, 2006, 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 County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure and buildings	\$ 50,000
Land	10,000
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, 2006. 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, 2006, disbursements exceeded the amount budgeted for the county environment and education function prior to a budget amendment by the Board of Supervisors. Also, disbursements in one department exceeded the amount appropriated at June 30, 2006. Although the Board of Supervisors acted to increase appropriations to certain departments, the appropriation changes were made after disbursements had exceeded the appropriation.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 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, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Decategorization	<u>\$ 21,867</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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Special Law Enforcement	General	<u>\$ 82,823</u>

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, 2006 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Decategorization	\$ 8,172
Special Revenue: Secondary Roads	Special Revenue: Rural Services	513,221
Special Revenue: Conservation Land Acquisition	General	6,000
Debt Service	Special Revenue: Special Law Enforcement	45,000
Total		<u>\$ 572,393</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2006 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
Total capital assets not being depreciated	<u>265,266</u>	-	-	<u>265,266</u>
Capital assets being depreciated:				
Buildings	2,085,719	-	-	2,085,719
Equipment and vehicles	3,073,403	343,608	(207,585)	3,209,426
Infrastructure, road network	731,579	1,080,263	-	1,811,842
Total capital assets being depreciated	<u>5,890,701</u>	<u>1,423,871</u>	<u>(207,585)</u>	<u>7,106,987</u>
Less accumulated depreciation for:				
Buildings	672,461	46,220	-	718,681
Equipment and vehicles	1,477,858	179,988	(207,585)	1,450,261
Infrastructure, road network	7,050	58,747	-	65,797
Total accumulated depreciation	<u>2,157,369</u>	<u>284,955</u>	<u>(207,585)</u>	<u>2,234,739</u>
Total capital assets being depreciated, net	<u>3,733,332</u>	<u>1,138,916</u>	-	<u>4,872,248</u>
Governmental activities capital assets, net	<u>\$ 3,998,598</u>	<u>1,138,916</u>	-	<u>5,137,514</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 37,947
Physical health and social services		12,392
County environment and education		29,715
Roads and transportation		171,892
Administration		33,009
		<u>33,009</u>
Total depreciation expense - governmental activities		<u>\$ 284,955</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
Special Revenue:		
Mental Health	Services	<u>\$ 77,350</u>
Agency:		
Agricultural Extension Education	Collections	\$ 59,678
County Assessor		251,465
Schools		2,874,204
Community Colleges		128,544
Corporations		514,409
Townships		85,704
Auto License and Use Tax		91,826
All other		71,970
		<u>71,970</u>
Total for agency funds		<u>\$ 4,077,800</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	General		Total
	Obligation Capital Loan Notes	Compen- sated Absences	
Balance beginning of year	\$ 344,159	81,935	426,094
Increases	-	127,511	127,511
Decreases	58,259	94,947	153,206
	<u>\$ 285,900</u>	<u>114,499</u>	<u>400,399</u>
Balance end of year	\$ 285,900	114,499	400,399
	<u>\$ 58,439</u>	<u>78,624</u>	<u>137,063</u>
Due within one year	\$ 58,439	78,624	137,063

The County issued general obligation capital loan notes to remodel the courthouse building, including the jail. Details of the County's June 30, 2006 general obligation capital loan note indebtedness are as follows:

Year ending June 30,	Series 1998				Series 1998B			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
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		\$ 95,000	6,720	101,720		\$ 180,000	33,730	213,730

Year ending June 30,	No. 1042-001				Total		
	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
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		\$ 10,900	1,067	11,967	285,900	41,517	327,417

(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, 2006, 2005 and 2004 were \$102,179, \$97,705 and \$86,068, 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 whose 531 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 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, 2006 were \$103,528.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in 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, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, 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 \$3,010,000 is outstanding at June 30, 2006. 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 85 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.

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, 2006

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 2,053,657	2,074,193	2,074,193	(20,536)
Interest and penalty on property tax	17,280	12,600	12,600	4,680
Intergovernmental	2,674,876	2,898,069	3,095,932	(421,056)
Licenses and permits	8,660	8,900	8,900	(240)
Charges for service	169,818	152,390	152,390	17,428
Use of money and property	116,098	97,246	97,246	18,852
Miscellaneous	55,497	56,780	56,780	(1,283)
Total receipts	<u>5,095,886</u>	<u>5,300,178</u>	<u>5,498,041</u>	<u>(402,155)</u>
Disbursements:				
Public safety and legal services	595,699	747,028	752,523	156,824
Physical health and social services	390,790	464,039	509,039	118,249
Mental health	399,955	485,162	485,162	85,207
County environment and education	468,251	326,758	488,303	20,052
Roads and transportation	2,444,257	2,687,000	2,687,000	242,743
Governmental services to residents	306,540	315,863	335,863	29,323
Administration	561,163	527,707	575,147	13,984
Non-program	39,797	43,622	43,622	3,825
Debt service	74,902	74,923	74,923	21
Capital projects	-	290,000	290,000	290,000
Total disbursements	<u>5,281,354</u>	<u>5,962,102</u>	<u>6,241,582</u>	<u>960,228</u>
Excess (deficiency) of receipts over (under) disbursements	(185,468)	(661,924)	(743,541)	558,073
Balance beginning of year	<u>1,896,081</u>	<u>1,656,169</u>	<u>1,907,697</u>	<u>(11,616)</u>
Balance end of year	<u>\$ 1,710,613</u>	<u>994,245</u>	<u>1,164,156</u>	<u>546,457</u>

See accompanying independent auditor's report.

Adams County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,095,886	(47,361)	5,048,525
Expenditures	5,281,354	(29,284)	5,252,070
Net	(185,468)	(18,077)	(203,545)
Beginning fund balances	1,896,081	(16,992)	1,879,089
Ending fund balances	\$ 1,710,613	(35,069)	1,675,544

See accompanying independent auditor's report.

Adams County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. 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, two budget amendments increased budgeted disbursements by \$279,480. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the county environment and education function prior to a budget amendment by the Board of Supervisors. Also, disbursements in one department exceeded the amount appropriated at June 30, 2006. Although the Board of Supervisors acted to increase appropriations to certain departments, the appropriation changes were made after disbursements had exceeded the appropriation.

Other Supplementary Information

Adams County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Special Law Enforcement
Assets				
Cash and pooled investments	\$ 5,765	570	7,864	170,377
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Due from other governments	296	-	-	-
Advance to other funds	-	-	-	82,823
Total assets	\$ 6,061	570	7,864	253,200
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	921	-
Due to other funds	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	-	-	921	-
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved	6,061	570	6,943	253,200
Total fund equity	6,061	570	6,943	253,200
Total liabilities and fund equity	\$ 6,061	570	7,864	253,200

See accompanying independent auditor's report.

Special Revenue							
Law Enforcement Forfeiture	County Attorney Forfeiture	Conservation Land Acquisition	Decategorization	Drivers License Revenue	Debt Service		Total
11,846	1,419	7,567	-	39,002	832		245,242
-	-	-	-	-	13		13
-	-	-	-	-	26,000		26,000
-	-	-	59,050	-	-		59,346
-	-	-	-	-	-		82,823
11,846	1,419	7,567	59,050	39,002	26,845		413,424
-	-	-	18,108	439	-		19,468
-	-	-	21,867	-	-		21,867
-	-	-	-	-	26,000		26,000
-	-	-	-	-	13		13
-	-	-	39,975	439	26,013		67,348
-	-	-	-	-	832		832
11,846	1,419	7,567	19,075	38,563	-		345,244
11,846	1,419	7,567	19,075	38,563	832		346,076
11,846	1,419	7,567	59,050	39,002	26,845		413,424

Adams County

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

Year ended June 30, 2006

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Special Special Law Enforcement
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	-	3,875	71,833
Charges for service	974	-	-	75
Use of money and property	170	32	162	-
Miscellaneous	-	-	-	-
Total revenues	1,144	32	4,037	71,908
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	62,951
Physical health and social services	-	-	-	-
County environment and education	-	-	6,016	-
Governmental services to residents	4,732	389	-	-
Debt service	-	-	-	-
Total expenditures	4,732	389	6,016	62,951
Excess (deficiency) of revenues over (under) expenditures	(3,588)	(357)	(1,979)	8,957
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	(45,000)
Total other financing sources (uses)	-	-	-	(45,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(3,588)	(357)	(1,979)	(36,043)
Fund balances beginning of year	9,649	927	8,922	289,243
Fund balances end of year	\$ 6,061	570	6,943	253,200

See accompanying independent auditor's report.

Revenue							
Law Enforcement Forfeiture	County Attorney Forfeiture	Conservation Land Acquisition	Decategorization	Drivers License Revenue	Debt Service		Total
-	-	-	-	-	28,126		28,126
-	-	61,341	192,295	-	1,805		331,149
-	-	-	-	9,695	-		10,744
-	-	-	-	-	-		364
391	-	20,000	-	-	-		20,391
<u>391</u>	<u>-</u>	<u>81,341</u>	<u>192,295</u>	<u>9,695</u>	<u>29,931</u>		<u>390,774</u>
39	-	-	-	-	-		62,990
-	-	-	190,049	-	-		190,049
-	-	80,955	-	-	-		86,971
-	-	-	-	15,419	-		20,540
-	-	-	-	-	74,902		74,902
<u>39</u>	<u>-</u>	<u>80,955</u>	<u>190,049</u>	<u>15,419</u>	<u>74,902</u>		<u>435,452</u>
352	-	386	2,246	(5,724)	(44,971)		(44,678)
-	-	6,000	-	-	45,000		51,000
-	-	-	(8,172)	-	-		(53,172)
-	-	6,000	(8,172)	-	45,000		(2,172)
352	-	6,386	(5,926)	(5,724)	29		(46,850)
11,494	1,419	1,181	25,001	44,287	803		392,926
<u>11,846</u>	<u>1,419</u>	<u>7,567</u>	<u>19,075</u>	<u>38,563</u>	<u>832</u>		<u>346,076</u>

Adams County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,647	120,733	56,024
Other County officials	248	-	-	-
Receivables:				
Property tax:				
Delinquent	-	31	28	1,180
Succeeding year	-	58,000	132,000	2,817,000
Due from other governments	-	-	-	-
Total assets	\$ 248	59,678	252,761	2,874,204
Liabilities				
Excess of outstanding checks over bank balance	\$ -	-	-	-
Accounts payable	-	-	28	-
Salaries and benefits payable	-	-	-	-
Due to other governments	93	59,678	251,465	2,874,204
Trusts payable	155	-	-	-
Compensated absences	-	-	1,268	-
Total liabilities	\$ 248	59,678	252,761	2,874,204

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
2,477	10,996	1,701	91,826	57,776	343,180
-	-	-	-	-	248
67	2,413	3	-	42	3,764
126,000	501,000	84,000	-	1,000	3,719,000
-	-	-	-	70,543	70,543
<u>128,544</u>	<u>514,409</u>	<u>85,704</u>	<u>91,826</u>	<u>129,361</u>	<u>4,136,735</u>
-	-	-	-	39,630	39,630
-	-	-	-	1,347	1,375
-	-	-	-	1,381	1,381
128,544	514,409	85,704	91,826	71,877	4,077,800
-	-	-	-	-	155
-	-	-	-	15,126	16,394
<u>128,544</u>	<u>514,409</u>	<u>85,704</u>	<u>91,826</u>	<u>129,361</u>	<u>4,136,735</u>

Adams County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 2,010	57,537	246,753	2,751,314
Additions:				
Property and other county tax	-	58,897	133,709	2,855,684
State tax credits	-	3,652	7,237	176,560
Office fees and collections	114,317	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	878	-
Total additions	114,317	62,549	141,824	3,032,244
Deductions:				
Agency remittances:				
To other funds	54,400	-	-	-
To other governments	61,679	60,408	135,816	2,909,354
Total deductions	116,079	60,408	135,816	2,909,354
Balances end of year	\$ 248	59,678	252,761	2,874,204

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
123,231	546,126	82,224	68,847	98,818	3,976,860
127,695	474,234	86,781	-	801	3,737,801
7,876	48,754	4,934	-	49	249,062
-	-	-	-	-	114,317
-	-	-	1,028,841	-	1,028,841
-	-	-	-	5,427	5,427
-	-	-	-	45,011	45,011
-	-	-	-	481,375	482,253
135,571	522,988	91,715	1,028,841	532,663	5,662,712
-	-	-	42,116	-	96,516
130,258	554,705	88,235	963,746	541,750	5,445,951
130,258	554,705	88,235	1,005,862	541,750	5,542,467
128,544	514,409	85,704	91,826	89,731	4,097,105

Adams County

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

For the Last Six Years

	Modified Accrual		
	2006	2005	2004
Revenues:			
Property and other county tax	\$ 2,053,657	1,909,954	1,771,320
Interest and penalty on property tax	17,280	15,705	14,441
Intergovernmental	2,612,916	2,968,262	2,547,623
Licenses and permits	8,660	5,335	6,635
Charges for service	191,979	209,643	239,886
Use of money and property	115,635	103,938	106,158
Miscellaneous	48,398	64,989	33,959
Total	\$ 5,048,525	5,277,826	4,720,022
Expenditures:			
Operating:			
Public safety and legal services	\$ 592,057	588,571	591,164
Physical health and social services	394,624	351,646	342,341
Mental health	398,081	425,135	474,493
County environment and education	494,101	737,203	413,894
Roads and transportation	2,411,389	2,113,689	1,929,903
Governmental services to residents	313,379	185,295	144,655
Administration	554,420	498,956	466,006
Non-program	19,117	122,952	15,720
Debt service	74,902	72,182	74,436
Capital projects	-	172,261	106,889
Total	\$ 5,252,070	5,267,890	4,559,501

See accompanying independent auditor's report.

Basis		
2003	2002	2001
1,723,545	1,648,933	1,665,429
16,318	17,189	14,697
2,965,672	2,642,340	3,014,696
9,305	7,915	6,470
230,433	179,202	147,070
106,715	102,256	132,133
57,754	74,713	44,044
5,109,742	4,672,548	5,024,539
582,684	522,867	454,643
318,587	289,953	298,875
405,010	456,706	434,150
339,075	314,480	939,736
1,994,793	1,738,982	2,298,731
140,097	142,997	125,280
475,246	426,336	434,680
19,287	29,849	17,874
76,667	73,631	75,552
482,279	340,841	51,903
4,833,725	4,336,642	5,131,424

Adams County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Adams County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adams County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated December 8, 2006. 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 conditions are described in the accompanying Schedule of Findings.

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 conditions described above are material weaknesses.

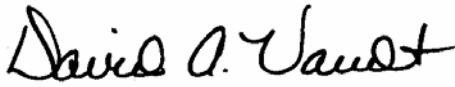
Compliance and Other Matters

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 the accompanying Schedule of Findings.

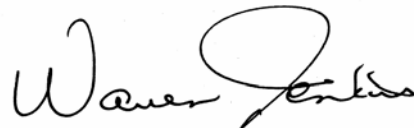
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all 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. 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 8, 2006

Adams County
 Schedule of Findings
 Year ended June 30, 2006

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

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

	Applicable Offices
(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 – Accounting procedures manual will be approved in January 2007.

County Recorder – With just two people in the recorder's office, they both perform all duties and review each other's work.

Conclusion – Response accepted.

- (B) Credit Cards – The County has credit cards for use by various employees while on County business. The County has not adopted a policy to regulate the use of the credit cards.

Recommendation – The County should adopt a written policy regulating the use of County credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Response – The County will adopt a policy in January 2007.

Conclusion – Response accepted.

Adams County

Schedule of Findings

Year ended June 30, 2006

- (C) County Sheriff – Bank reconciliations, including outstanding check listings, were not properly prepared during the year ended June 30, 2006. Variances between book and bank balances existed which were not investigated and resolved.

Recommendation – The bank reconciliations, including outstanding check listings and other reconciling items, should be prepared at the end of each month and reconciled to book balances. All variances between book and bank balances should be investigated and resolved in a timely manner.

Response – The County Sheriff Office started to perform bank reconciliations after we were made aware of the requirement to do so.

Conclusion – Response accepted.

- (D) Information Systems – The following weaknesses in the County’s computer based systems were noted:

The County does not have written policies for:

- password privacy and confidentiality.
- requiring password changes because software does not require the user to change log-ins/passwords periodically.
- usage of the internet.

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over computer based systems.

Response – The County will adopt a policy in January 2007.

Conclusion – Response accepted.

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

Adams County
 Schedule of Findings
 Year ended June 30, 2006

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements exceeded the amount budgeted in the county environment and education function prior to a budget amendment by the Board of Supervisors.

Disbursements in one department exceeded the amount appropriated at June 30, 2006. Although the Board of Supervisors acted to increase appropriations to certain departments, the appropriation changes were made after disbursements had exceeded the appropriation.

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.

- (2) 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.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kim Lundquist, Deputy Assessor, spouse owns Lundquist AC Service	Air conditioner repair	\$ 1,568
Mark Olive, Board of Supervisors Member, owns The Print Shop	Conservation supplies	525

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.

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

Adams County

Schedule of Findings

Year ended June 30, 2006

Response – In the future, the County will look for competitors of Lundquist AC in the Adams County area for bids, if feasible. The County sees no problem with the way the \$525 expenditure was handled to the Print Shop.

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (6) Board Minutes – Except for the following, no transactions were found that we believe should have been approved in the Board minutes but were not:

Certain interfund transfers did not appear to have been approved by the Board of Supervisors by resolutions as required by Chapter 331.432 of the Code of Iowa.

Recommendation – The County should ensure all transfers are approved by resolution as required by Chapter 331.432 of the Code of Iowa.

Response – In the future, the Board of Supervisors will approve transfers by resolution before the transfer is made.

Conclusion – Response accepted.

- (7) 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.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted.

- (10) Deficit Fund Balance – The Special Revenue, Decategorization Fund had a deficit fund balance during the year ended June 30, 2006 and at June 30, 2006. This appears to violate Chapter 331.476 of the Code of Iowa.

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

Adams County

Schedule of Findings

Year ended June 30, 2006

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

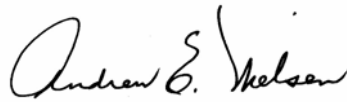
Conclusion – Response accepted.

Adams County

Staff

This audit was performed by:

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