



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE January 17, 2008

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

The County had local tax revenue of \$6,242,318 for the year ended June 30, 2007, which included \$388,262 in tax credits from the state. The County forwarded \$4,050,863 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,191,455 of the local tax revenue to finance County operations, a less than 1% increase over the prior year. Other revenues included charges for service of \$466,090, operating grants, contributions and restricted interest of \$2,637,982, unrestricted investment earnings of \$69,946 and other general revenues of \$320,796.

Expenses for County operations totaled \$8,573,422, a 65% increase over the prior year. Expenses included \$3,528,599 for county environment and education, \$2,502,316 for roads and transportation and \$665,907 for public safety and legal services. The significant increase in expenses was due to the County providing assistance for the construction of the ethanol plant.

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, 2007

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Adams County

Officials

(Before January 2007)

<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	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

(After January 2007)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Karl McCarty	Board of Supervisors	Jan 2009
Mark Olive	Board of Supervisors	Jan 2009
Linda England	Board of Supervisors	Jan 2011
Phyllis Mullen	Board of Supervisors	Jan 2011
Kevin Wynn	Board of Supervisors	Jan 2011
Nicole Tucker	County Auditor	Jan 2009
Nancy Kempton	County Treasurer	Jan 2011
Mary Miller	County Recorder	Jan 2011
Bill Lyddon	County Sheriff	Jan 2009
Jeff Millhollin	County Attorney	Jan 2011
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, 2007, 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.

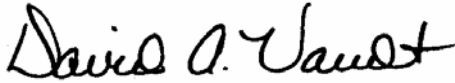
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

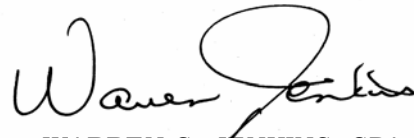
In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2007 on our consideration of Adams County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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 six years ended June 30, 2006 (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 18, 2007

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, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Adams County's governmental activities revenues decreased approximately \$463,000 from fiscal year 2006 (FY2006). Capital grants decreased approximately \$1,163,000 and operating grants increased approximately \$619,000 from FY2006.
- Adams County's governmental program expenses increased approximately \$3,386,000 from FY2006. County environment and education increased approximately \$3,004,000.
- The County's net assets decreased 45%, or approximately \$2,887,000, from June 30, 2006 to June 30, 2007.

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, 3) the Capital Projects Fund and 4) 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 at the end of FY2007 totaled approximately \$3.5 million, compared to approximately \$6.4 million at the end of FY2006. The analysis that follows focuses on the net assets of governmental activities.

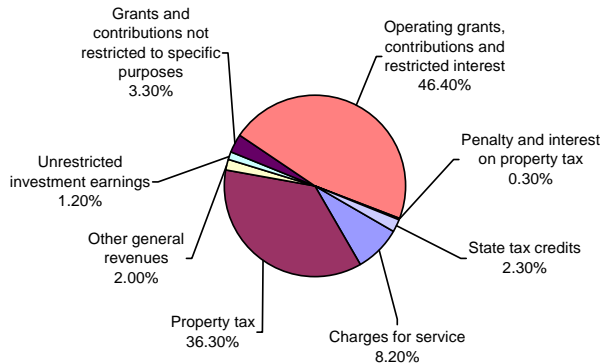
Net Assets of Governmental Activities		
	June 30,	
	2007	2006
Current and other assets	\$ 4,797,102	4,048,630
Capital assets	5,702,909	5,137,514
Total assets	<u>10,500,011</u>	<u>9,186,144</u>
Long-term liabilities	4,458,572	400,399
Other liabilities	2,515,110	2,372,263
Total liabilities	<u>6,973,682</u>	<u>2,772,662</u>
Net assets:		
Invested in capital assets, net of related debt	4,955,448	4,851,614
Restricted	1,614,619	1,321,878
Unrestricted	<u>(3,043,738)</u>	<u>239,990</u>
Total net assets	<u>\$ 3,526,329</u>	<u>6,413,482</u>

Net assets of Adams County's governmental activities decreased \$2,887,153 from FY2006. 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—decreased \$3.3 million due to the issuance of urban renewal tax increment revenue bonds of \$4.1 million for a \$3,075,000 economic grant to Pinnacle Ethanol and Corning Municipal Utilities. The negative unrestricted net asset balance is primarily attributed to the County's issuance of debt for which the related offsetting assets are not the County's.

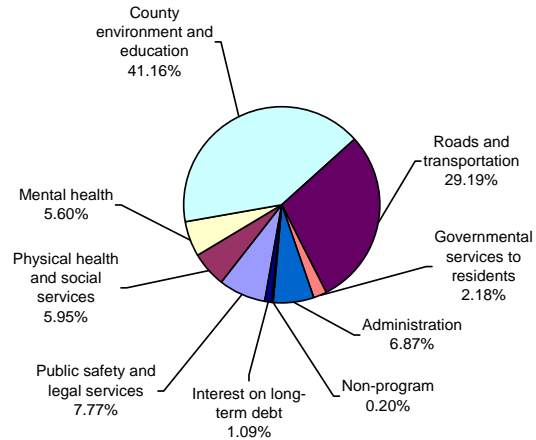
Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for service	\$ 466,090	424,124
Operating grants, contributions and restricted interest	2,637,982	2,019,415
Capital grants, contributions and restricted interest	-	1,163,041
General revenues:		
Property tax	2,062,636	2,053,841
Penalty and interest on property tax	14,384	17,280
State tax credits	128,819	128,814
Grants and contributions not restricted to specific purposes	188,790	198,073
Unrestricted investment earnings	69,946	42,698
Gain on disposition of capital assets	2,340	20,000
Other general revenues	115,282	81,688
Total revenues	5,686,269	6,148,974
Program expenses:		
Public safety and legal services	665,907	598,102
Physical health and social services	510,232	401,100
Mental health	479,968	398,081
County environment and education	3,528,599	524,361
Roads and transportation	2,502,316	2,457,647
Governmental services to residents	187,129	317,036
Administration	588,712	455,635
Non-program	16,748	19,117
Interest on long-term debt	93,811	16,415
Total expenses	8,573,422	5,187,494
Increase in net assets	(2,887,153)	961,480
Net assets beginning of year	6,413,482	5,452,002
Net assets end of year	\$ 3,526,329	6,413,482

Revenue by Source



Expenses by Program



Adams County decreased property tax rates by \$.09 per \$1,000 of taxable valuation in the countywide levy and by \$.37 per \$1,000 of taxable valuation in the rural tax levy, for a net decrease of \$.46 for FY2007. The FY2007 Adams County taxable property valuation increased by \$7,247,700. 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 FY2007 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 \$8,800 in FY2007.

INDIVIDUAL MAJOR FUND ANALYSIS

As Adams County completed the year, its governmental funds reported a combined fund balance of \$2,280,694, an increase of \$605,150 over last year's total of \$1,675,544. The increase in the combined fund balance is due primarily to an increase in the General Fund and the addition of a new Capital Projects Fund. Changes in fund balances of the major funds from the prior year are as follows:

- General Fund revenues increased \$74,566 and expenditures decreased \$81,458. The General Fund ending balance increased \$190,392 over the prior year to \$531,292. Revenue increases in the General Fund occurred mainly due to an increase in the property tax revenue in the General Fund. Property and other county tax revenue increased \$76,013. Expenditures decreased \$117,672 in governmental services to residents, primarily due to updated voting equipment purchased in FY2006. No similar large expenditures were made in FY2007.
- The County has continued to look for ways to effectively manage the cost of mental health services. Mental Health Fund revenues decreased \$97,743 due to a decrease in funding for the MH-DD allowable growth factor adjustment. Also, taxes collected for the Mental Health Fund decreased due to a decrease in the tax allocation for the Mental Health Fund. Expenditures increased \$62,295 for the year due to an increase in expenditures for persons with mental retardation. The Mental Health Fund balance at year end decreased \$97,154 from the prior year to \$56,880.
- Rural Services Fund revenues decreased \$27,977. The Rural Services Fund ending balance decreased \$66,803 from the prior year to \$59,859. Revenues decreased primarily due to property tax and other County tax revenues. Transfers to the Secondary Roads Fund increased \$32,680.
- Secondary Roads Fund expenditures increased \$744,861 over the prior year, due primarily to a road construction project relating to the ethanol plant, engineering costs and roadway maintenance increases. Secondary Roads Fund revenues increased \$620,988. The increase in revenue is due to the County receiving State and Federal pass-through revenues for the ethanol plant road and two other projects started during FY2007. The aforementioned changes resulted in an increase in the Secondary Roads Fund ending balance of \$179,732 from FY2006 to \$887,604.
- A new Capital Projects Fund was established in FY2007 due to the new ethanol plant and new urban renewal tax district. Expenditures for the year were \$3,178,679, which were due to the County providing assistance for the construction of the ethanol plant. Urban renewal tax increment revenue bonds were issued to pay for the project.

BUDGETARY HIGHLIGHTS

Over the course of the year, Adams County amended its budget twice. The first amendment was made January 16, 2007 and resulted in an increase in budgeted disbursements related to an increase in capital projects due to payments for the ethanol plant project totaling \$3,557,000. A second amendment on May 29, 2007 included increased disbursements of \$503,000 relating to the ethanol plant project, disbursements in the county environment and education function of \$75,500 relating to flow-through grants for the Harkin Wellness Grant and the Lake Icaria Grant, public safety and legal services disbursements of \$25,000 relating to the new emergency management full-time position and disbursements of \$8,000 relating to audit fees.

The County’s actual receipts were \$604,125 less than the amended budget, a variance of 9.8%. The variance resulted from the County receiving less intergovernmental receipts from a grant than anticipated.

Total actual disbursements were \$1,894,000 less than the amended budget, a variance of 17.4%. Actual disbursements for the roads and transportation and capital projects functions were under the amended budget by \$587,177 and \$994,804, respectively. In the roads and transportation function, a bridge, road construction and maintenance were not completed as budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, Adams County had approximately \$5.7 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,	
	2007	2006
Land	\$ 265,266	265,266
Construction in progress, infrastructure	846,377	-
Buildings and improvements	1,320,818	1,367,038
Equipment and vehicles	1,607,679	1,759,165
Infrastructure	1,662,769	1,746,045
Total	\$ 5,702,909	5,137,514
This year's major additions included:		
Construction in progress, infrastructure	\$ 846,377	
Two pickups	46,804	
Total	\$ 893,181	

The County had depreciation expense of \$315,626 in FY2007 and total accumulated depreciation of \$2,514,039 at June 30, 2007. More detailed information about the County’s capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2007, Adams County had \$227,461 in general obligation capital loan notes outstanding, compared to \$285,900 at June 30, 2006. During FY2007, Adams County issued urban renewal tax increment revenue bonds of \$4,060,000.

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 \$12.5 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 2008 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 2007 was 2,220 and total resident employment in 2006 was 2,040. Unemployment in the County declined from 4.8% in 2006 to 4.0% in 2007. This compares with the State's unemployment rate of 3.7% and the national rate of 4.7%.

These indicators were taken into account when adopting the budget for FY2008. Amounts available for appropriation in the FY2008 operating budget are \$6,384,642, a decrease of 41% from the final FY2007 budget. Decreases are primarily due to disbursements of bond proceeds for the ethanol plant project in FY2007.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of 2008.

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

Exhibit A

Adams County
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 2,315,014
Receivables:	
Property tax:	
Delinquent	1,308
Succeeding year	2,073,000
Accounts	8,713
Due from other governments	311,940
Inventories	87,127
Capital assets (net of accumulated depreciation)	<u>5,702,909</u>
Total assets	<u>10,500,011</u>
Liabilities	
Accounts payable	268,051
Salaries and benefits payable	11,425
Due to other governments	162,634
Deferred revenue:	
Succeeding year property tax	2,073,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital loan notes	63,630
Compensated absences	137,716
Portion due or payable after one year:	
Capital loan notes	163,831
Urban renewal tax increment revenue bonds	4,060,000
Compensated absences	<u>33,395</u>
Total liabilities	<u>6,973,682</u>
Net Assets	
Invested in capital assets, net of related debt	4,955,448
Restricted for:	
Supplemental levy purposes	355
Mental health purposes	37,396
Secondary roads purposes	833,130
Debt service	880
Capital projects	361,321
Other purposes	381,537
Unrestricted	<u>(3,043,738)</u>
Total net assets	<u>\$ 3,526,329</u>

See notes to financial statements.

Adams County
Statement of Activities
Year ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 665,907	177,464	3,417	(485,026)
Physical health and social services	510,232	12,392	402,209	(95,631)
Mental health	479,968	-	-	(479,968)
County environment and education	3,528,599	123,260	34,480	(3,370,859)
Roads and transportation	2,502,316	67,868	2,197,704	(236,744)
Governmental services to residents	187,129	75,819	172	(111,138)
Administration	588,712	9,287	-	(579,425)
Non-program	16,748	-	-	(16,748)
Interest on long-term debt	93,811	-	-	(93,811)
Total	\$ 8,573,422	466,090	2,637,982	(5,469,350)
General Revenues:				
Property and other county tax levied for:				
General purposes				2,038,216
Debt service				24,420
Penalty and interest on property tax				14,384
State tax credits				128,819
Grants and contributions not restricted to specific purpose				188,790
Unrestricted investment earnings				69,946
Gain on disposition of capital assets				2,340
Miscellaneous				115,282
Total general revenues				2,582,197
Change in net assets				(2,887,153)
Net assets beginning of year				6,413,482
Net assets end of year				\$ 3,526,329

See notes to financial statements.

Adams County
Balance Sheet
Governmental Funds

June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 536,803	190,142	60,872	412,559
Receivables:				
Property tax:				
Delinquent	1,176	110	6	-
Succeeding year	1,376,000	161,000	513,000	-
Accounts	8,713	-	-	-
Due from other funds	56,518	-	-	460,000
Due from other governments	28,673	624	-	132,516
Advance to other funds	-	-	-	-
Inventories	-	-	-	87,127
Total assets	\$ 2,007,883	351,876	573,878	1,092,202
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 33,177	14,059	360	195,623
Salaries and benefits payable	902	892	656	8,975
Due to other funds	-	-	-	-
Due to other governments	3,225	118,936	-	-
Advance from other funds	62,117	-	-	-
Deferred revenue:				
Succeeding year property tax	1,376,000	161,000	513,000	-
Other	1,170	109	3	-
Total liabilities	1,476,591	294,996	514,019	204,598
Fund balances:				
Reserved for:				
Supplemental levy purposes	166,942	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	364,350	-	-	-
Special revenue funds	-	56,880	59,859	887,604
Capital projects fund	-	-	-	-
Total fund balances	531,292	56,880	59,859	887,604
Total liabilities and fund balances	\$ 2,007,883	351,876	573,878	1,092,202

See notes to financial statements.

Capital Projects	Nonmajor	Total
821,321	293,317	2,315,014
-	16	1,308
-	23,000	2,073,000
-	-	8,713
-	-	516,518
-	150,127	311,940
-	62,117	62,117
-	-	87,127
821,321	528,577	5,375,737
-	24,832	268,051
-	-	11,425
460,000	56,518	516,518
-	40,473	162,634
-	-	62,117
-	23,000	2,073,000
-	16	1,298
460,000	144,839	3,095,043
-	-	166,942
-	864	864
-	-	364,350
-	382,874	1,387,217
361,321	-	361,321
361,321	383,738	2,280,694
821,321	528,577	5,375,737

Adams County

Adams County

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

June 30, 2007

Total governmental fund balances (page 19) \$ 2,280,694

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 \$8,216,948 and the accumulated depreciation is \$2,514,039. 5,702,909

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 1,298

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. (4,458,572)

Net assets of governmental activities (page 16) \$ 3,526,329

See notes to financial statements.

Adams County

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

Year ended June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 1,378,118	142,337	515,957	-
Interest and penalty on property tax	14,384	-	-	-
Intergovernmental	291,913	220,885	31,324	2,228,446
Licenses and permits	1,413	-	9,005	490
Charges for service	208,570	-	435	-
Use of money and property	134,288	-	-	750
Miscellaneous	8,875	-	-	40,395
Total revenues	2,037,561	363,222	556,721	2,270,081
Expenditures:				
Operating:				
Public safety and legal services	553,598	-	15,000	-
Physical health and social services	203,520	-	19,242	-
Mental health	-	460,376	-	-
County environment and education	347,109	-	42,677	-
Roads and transportation	-	-	-	2,297,659
Governmental services to residents	174,303	-	704	-
Administration	552,669	-	-	-
Non-program	16,747	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	858,591
Total expenditures	1,847,946	460,376	77,623	3,156,250
Excess (deficiency) of revenues over (under) expenditures	189,615	(97,154)	479,098	(886,169)
Other financing sources (uses):				
Operating transfers in	777	-	-	1,065,901
Operating transfers out	-	-	(545,901)	-
Urban renewal tax increment revenue bonds issued	-	-	-	-
Total other financing sources (uses)	777	-	(545,901)	1,065,901
Net change in fund balances	190,392	(97,154)	(66,803)	179,732
Fund balances beginning of year	340,900	154,034	126,662	707,872
Fund balances end of year	\$ 531,292	56,880	59,859	887,604

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	25,753	2,062,165
-	-	14,384
-	418,544	3,191,112
-	-	10,908
-	10,140	219,145
-	401	135,439
-	1,035	50,305
-	455,873	5,683,458
-	54,962	623,560
-	274,215	496,977
-	-	460,376
3,098,799	7,191	3,495,776
-	-	2,297,659
-	8,695	183,702
-	-	552,669
-	1	16,748
79,880	72,370	152,250
-	-	858,591
3,178,679	417,434	9,138,308
(3,178,679)	38,439	(3,454,850)
-	45,000	1,111,678
(520,000)	(45,777)	(1,111,678)
4,060,000	-	4,060,000
3,540,000	(777)	4,060,000
361,321	37,662	605,150
-	346,076	1,675,544
361,321	383,738	2,280,694

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, 2007

Net change in fund balances - Total governmental funds (page 23) \$ 605,150

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 exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 878,681	
Depreciation expense	<u>(315,626)</u>	563,055

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 2,340

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. 475

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. 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. Current year issues exceeded repayments, as follows:

Issued	(4,060,000)	
Repaid	<u>58,439</u>	(4,001,561)

Compensated absences expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (56,612)

Change in net assets of governmental activities (page 17) \$ (2,887,153)

See notes to financial statements.

Adams County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

Assets

Cash and pooled investments:	
County Treasurer	\$ 360,305
Other County officials	8,486
Receivables:	
Property tax:	
Delinquent	4,834
Succeeding year	3,801,000
Accrued interest	194
Due from other governments	140,398
Total assets	4,315,217

Liabilities

Excess of outstanding checks over bank balance	70,898
Accounts payable	462
Salaries and benefits payable	2,353
Due to other governments	4,213,774
Trusts payable	1,341
Compensated absences	26,389
Total liabilities	4,315,217

Net assets	\$ -
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See notes to financial statements.

Adams County

Notes to Financial Statements

June 30, 2007

(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. 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.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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, 2007, 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 acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure and buildings	\$ 50,000
Land	10,000
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, 2007. 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, 2007, disbursements did not exceed amounts budgeted. However, the budget was not appropriated, by resolution, for the amounts deemed necessary for each of the different county offices and departments for the fiscal year.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 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, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Decategorization	\$ 56,518
Special Revenue: Secondary Roads	Capital Projects	460,000
Total		<u>\$ 516,518</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>\$ 62,117</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, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Decategorization	\$ 777
Special Revenue: Secondary Roads	Special Revenue: Rural Services Capital Projects	545,901 520,000
Debt Service	Special Revenue: Special Law Enforcement	45,000
Total		<u>\$ 1,111,678</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, 2007 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 50,166	-	-	50,166
Land, road network	215,100	-	-	215,100
Construction in progress, infrastructure	-	846,377	-	846,377
Total capital assets not being depreciated	<u>265,266</u>	<u>846,377</u>	<u>-</u>	<u>1,111,643</u>
Capital assets being depreciated:				
Buildings	2,085,719	-	-	2,085,719
Equipment and vehicles	3,209,426	46,804	48,486	3,207,744
Infrastructure, road network	1,811,842	-	-	1,811,842
Total capital assets being depreciated	<u>7,106,987</u>	<u>46,804</u>	<u>48,486</u>	<u>7,105,305</u>
Less accumulated depreciation for:				
Buildings	718,681	46,220	-	764,901
Equipment and vehicles	1,450,261	186,130	36,326	1,600,065
Infrastructure, road network	65,797	83,276	-	149,073
Total accumulated depreciation	<u>2,234,739</u>	<u>315,626</u>	<u>36,326</u>	<u>2,514,039</u>
Total capital assets being depreciated, net	<u>4,872,248</u>	<u>(268,822)</u>	<u>12,160</u>	<u>4,591,266</u>
Governmental activities capital assets, net	<u>\$ 5,137,514</u>	<u>577,555</u>	<u>12,160</u>	<u>5,702,909</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 42,436
Physical health and social services	12,392
County environment and education	39,420
Roads and transportation	188,369
Administration	33,009
	<u>33,009</u>
Total depreciation expense - governmental activities	<u>\$ 315,626</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	\$ 3,225
Special Revenue:		
Mental Health	Services	118,936
Decategorization	Services	40,473
		<u>159,409</u>
Total for governmental funds		<u>\$ 162,634</u>
Agency:		
Agricultural Extension Education	Collections	\$ 60,640
County Assessor		263,653
Schools		2,942,417
Community Colleges		130,466
Corporations		511,013
Townships		84,617
Auto License and Use Tax		89,224
All other		131,744
Total for agency funds		<u>\$ 4,213,774</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	General Obligation Capital Loan Notes	Urban Renewal Tax Increment Revenue Bonds	Compen- sated Absences	Total
Balance beginning of year	\$ 285,900	-	114,499	400,399
Increases	-	4,060,000	169,414	4,229,414
Decreases	58,439	-	112,802	171,241
Balance end of year	<u>\$ 227,461</u>	4,060,000	171,111	<u>4,458,572</u>
Due within one year	<u>\$ 63,630</u>	-	137,716	<u>201,346</u>

General Obligation Capital Loan Notes

The County issued general obligation capital loan notes to remodel the courthouse building, including the jail. Details of the County's June 30, 2007 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
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		\$ 50,000	2,325	52,325		\$ 170,000	24,745	194,745

Year ending June 30,	No. 1042-001				Total		
	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
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		\$ 7,461	517	7,978	227,461	27,587	255,048

Urban Renewal Tax Increment Revenue Bonds Series 2006 and 2007 (Pinnacle Ethanol Project)

The County sold \$2,400,000 and \$1,660,000 of urban renewal tax increment revenue bonds dated January 26, 2007 and February 13, 2007, respectively, for an urban renewal project to improve certain county roads, provide an economic development grant to Pinnacle Ethanol, LLC and Corning Municipal Utilities and pay capitalized interest and costs of issuance of these bonds. The bonds are payable solely from the income and proceeds of the urban renewal tax revenue fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa.

The bonds bear interest at 6.0% per annum with final maturity on December 1, 2027. On June 1, 2021 and on June 1, 2026, the interest rate on the bonds shall be adjusted to a rate 130 basis points higher than the five year U.S. Treasury rate as published in the Wall Street Journal. Principal and interest on the bonds shall be payable in semi annual payments of \$108,268 and \$74,885 on June 1 and December 1, beginning December 1, 2009 and continuing through and including June 1, 2027, with a final payment of all remaining principal and interest on December 1, 2027.

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

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

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

Details of the County's June 30, 2007 urban renewal tax increment revenue bond indebtedness is as follows:

Year ending June 30,	Series 2006				Series 2007				Total		
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
2008	6.00%	\$ -	144,000	144,000	6.00%	\$ -	99,600	99,600	-	243,600	243,600
2009	6.00	-	144,000	144,000	6.00	-	99,600	99,600	-	243,600	243,600
2010	6.00	73,624	142,912	216,536	6.00	50,923	98,847	149,770	124,547	241,759	366,306
2011	6.00	78,108	138,428	216,536	6.00	54,024	95,746	149,770	132,132	234,174	366,306
2012	6.00	82,864	133,672	216,536	6.00	57,314	92,456	149,770	140,178	226,128	366,306
2013-2017	6.00	496,452	586,227	1,082,679	6.00	343,380	405,474	748,854	839,832	991,701	1,831,533
2018-2022	6.00	667,190	415,489	1,082,679	6.00	461,473	287,380	748,853	1,128,663	702,869	1,831,532
2023-2027	6.00	896,648	186,031	1,082,679	6.00	620,182	128,672	748,854	1,516,830	314,703	1,831,533
2028	6.00	105,114	3,153	108,267	6.00	72,704	2,181	74,885	177,818	5,334	183,152
Total		\$ 2,400,000	1,943,912	4,293,912		\$ 1,660,000	1,309,956	2,969,956	4,060,000	3,203,868	7,263,868

(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, 2007, 2006 and 2005 were \$106,238, \$102,179 and \$97,705, 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 556 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, 2007 were \$103,204.

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 \$3,000,000 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, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, 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 \$2,850,000 is outstanding at June 30, 2007. 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.

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, 2007

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 2,062,152	2,082,314	2,082,314	(20,162)
Interest and penalty on property tax	16,032	12,600	12,600	3,432
Intergovernmental	3,120,787	3,600,090	3,720,535	(599,748)
Licenses and permits	10,290	9,950	9,950	340
Charges for service	171,792	200,975	200,975	(29,183)
Use of money and property	131,527	106,786	106,786	24,741
Miscellaneous	42,385	25,930	25,930	16,455
Total receipts	5,554,965	6,038,645	6,159,090	(604,125)
Disbursements:				
Public safety and legal services	622,740	723,132	747,228	124,488
Physical health and social services	448,362	553,600	553,600	105,238
Mental health	414,041	414,688	414,688	647
County environment and education	424,452	379,265	454,710	30,258
Roads and transportation	2,222,823	2,810,000	2,810,000	587,177
Governmental services to residents	185,176	197,979	197,979	12,803
Administration	553,206	576,368	584,368	31,162
Non-program	36,199	43,622	43,622	7,423
Debt service	72,369	72,369	72,369	-
Capital projects	4,031,196	966,000	5,026,000	994,804
Total disbursements	9,010,564	6,737,023	10,904,564	1,894,000
Excess (deficiency) of receipts over (under) disbursements	(3,455,599)	(698,378)	(4,745,474)	1,289,875
Other financing sources, net	4,060,000	-	4,060,000	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	604,401	(698,378)	(685,474)	1,289,875
Balance beginning of year	1,710,613	1,622,788	1,622,788	87,825
Balance end of year	\$ 2,315,014	924,410	937,314	1,377,700

See accompanying independent auditor's report.

Adams County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,554,965	128,493	5,683,458
Expenditures	9,010,564	127,744	9,138,308
Net	(3,455,599)	749	(3,454,850)
Other financing sources, net	4,060,000	-	4,060,000
Beginning fund balances	1,710,613	(35,069)	1,675,544
Ending fund balances	\$ 2,315,014	(34,320)	2,280,694

See accompanying independent auditor's report.

Adams County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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, the Capital Projects Fund 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 \$4,167,541. 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, 2007, disbursements did not exceed the amounts budgeted. However, the budget was not appropriated, by resolution, for the amounts deemed necessary for each of the different county offices and departments for the fiscal year.

Other Supplementary Information

Adams County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Special Law Enforcement
Assets				
Cash and pooled investments	\$ 3,908	1	14,408	170,052
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Due from other governments	284	-	-	-
Advance to other funds	-	-	-	62,117
Total assets	\$ 4,192	1	14,408	232,169
Liabilities and Fund Equity				
Liabilities:				
Accounts 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	4,192	1	14,408	232,169
Total fund equity	4,192	1	14,408	232,169
Total liabilities and fund equity	\$ 4,192	1	14,408	232,169

See accompanying independent auditor's report.

Revenue							
Law Enforcement Forfeiture	County Attorney Forfeiture	Conservation Land Acquisition	Decategorization	Drivers License Revenue	Debt Service		Total
12,880	1,418	48,047	-	41,739	864		293,317
-	-	-	-	-	16		16
-	-	-	-	-	23,000		23,000
-	-	-	149,164	679	-		150,127
-	-	-	-	-	-		62,117
12,880	1,418	48,047	149,164	42,418	23,880		528,577
-	-	-	24,832	-	-		24,832
-	-	-	56,518	-	-		56,518
-	-	-	40,473	-	-		40,473
-	-	-	-	-	23,000		23,000
-	-	-	-	-	16		16
-	-	-	121,823	-	23,016		144,839
-	-	-	-	-	864		864
12,880	1,418	48,047	27,341	42,418	-		382,874
12,880	1,418	48,047	27,341	42,418	864		383,738
12,880	1,418	48,047	149,164	42,418	23,880		528,577

Adams County

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

Year ended June 30, 2007

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Special Law Enforcement
Revenues:				Special
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	-	9,907	78,730
Charges for service	1,057	-	-	200
Use of money and property	163	9	229	-
Miscellaneous	-	-	-	-
Total revenues	1,220	9	10,136	78,930
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	54,960
Physical health and social services	-	-	-	-
County environment and education	-	-	2,671	-
Governmental services to residents	3,089	578	-	-
Non-program	-	-	-	1
Debt service	-	-	-	-
Total expenditures	3,089	578	2,671	54,961
Excess (deficiency) of revenues over (under) expenditures	(1,869)	(569)	7,465	23,969
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	(1,869)	(569)	7,465	(21,031)
Fund balances beginning of year	6,061	570	6,943	253,200
Fund balances end of year	\$ 4,192	1	14,408	232,169

See accompanying independent auditor's report.

Revenue							
Law Enforcement Forfeiture	County Attorney Forfeiture	Conservation Land Acquisition	Decategorization	Drivers License Revenue	Debt Service	Total	
-	-	-	-	-	25,753	25,753	
-	-	45,000	283,258	-	1,649	418,544	
-	-	-	-	8,883	-	10,140	
-	-	-	-	-	-	401	
1,035	-	-	-	-	-	1,035	
1,035	-	45,000	283,258	8,883	27,402	455,873	
1	1	-	-	-	-	54,962	
-	-	-	274,215	-	-	274,215	
-	-	4,520	-	-	-	7,191	
-	-	-	-	5,028	-	8,695	
-	-	-	-	-	-	1	
-	-	-	-	-	72,370	72,370	
1	1	4,520	274,215	5,028	72,370	417,434	
1,034	(1)	40,480	9,043	3,855	(44,968)	38,439	
-	-	-	-	-	45,000	45,000	
-	-	-	(777)	-	-	(45,777)	
-	-	-	(777)	-	45,000	(777)	
1,034	(1)	40,480	8,266	3,855	32	37,662	
11,846	1,419	7,567	19,075	38,563	832	346,076	
12,880	1,418	48,047	27,341	42,418	864	383,738	

Adams County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,600	127,623	53,799	2,379
Other County officials	8,486	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	40	42	1,618	87
Succeeding year	-	59,000	144,000	2,887,000	128,000
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 8,486	60,640	271,665	2,942,417	130,466
Liabilities					
Excess of outstanding checks over bank balance	\$ -	-	-	-	-
Accounts payable	-	-	-	-	-
Salaries and benefits payable	-	-	-	-	-
Due to other governments	7,145	60,640	263,653	2,942,417	130,466
Trusts payable	1,341	-	-	-	-
Compensated absences	-	-	8,012	-	-
Total liabilities	\$ 8,486	60,640	271,665	2,942,417	130,466

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Other	Total
8,967	1,616	88,545	75,776	360,305
-	-	-	-	8,486
3,046	1	-	-	4,834
499,000	83,000	-	1,000	3,801,000
-	-	-	194	194
-	-	679	139,719	140,398
511,013	84,617	89,224	216,689	4,315,217
-	-	-	70,898	70,898
-	-	-	462	462
-	-	-	2,353	2,353
511,013	84,617	89,224	124,599	4,213,774
-	-	-	-	1,341
-	-	-	18,377	26,389
511,013	84,617	89,224	216,689	4,315,217

Adams County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 248	59,678	252,761	2,874,204	128,544
Additions:					
Property and other county tax	-	59,901	144,520	2,904,705	129,163
State tax credits	-	3,777	8,499	183,238	8,155
Office fees and collections	149,430	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	8,569	-	-
Total additions	149,430	63,678	161,588	3,087,943	137,318
Deductions:					
Agency remittances:					
To other funds	-	-	-	-	-
To other governments	141,192	62,716	142,684	3,019,730	135,396
Trusts paid out	-	-	-	-	-
Total deductions	141,192	62,716	142,684	3,019,730	135,396
Balances end of year	\$ 8,486	60,640	271,665	2,942,417	130,466

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Other	Total
514,409	85,704	91,826	89,731	4,097,105
467,994	84,397	-	740	3,791,420
50,767	4,957	-	50	259,443
-	-	-	-	149,430
-	-	1,069,391	-	1,069,391
-	-	-	5,311	5,311
-	-	-	48,442	48,442
-	-	679	647,457	656,705
518,761	89,354	1,070,070	702,000	5,980,142
-	-	33,588	-	33,588
522,157	90,441	1,039,084	645,939	5,799,339
-	-	-	1	1
522,157	90,441	1,072,672	645,940	5,832,928
511,013	84,617	89,224	145,791	4,244,319

Adams County

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

For the Last Seven Years

	Modified Accrual Basis			
	2007	2006	2005	2004
Revenues:				
Property and other county tax	\$ 2,062,165	2,053,657	1,909,954	1,771,320
Interest and penalty on property tax	14,384	17,280	15,705	14,441
Intergovernmental	3,191,112	2,612,916	2,968,262	2,547,623
Licenses and permits	10,908	8,660	5,335	6,635
Charges for service	219,145	191,979	209,643	239,886
Use of money and property	135,439	115,635	103,938	106,158
Miscellaneous	50,305	48,398	64,989	33,959
Total	\$ 5,683,458	5,048,525	5,277,826	4,720,022
Expenditures:				
Operating:				
Public safety and legal services	\$ 623,560	592,057	588,571	591,164
Physical health and social services	496,977	394,624	351,646	342,341
Mental health	460,376	398,081	425,135	474,493
County environment and education	3,495,776	494,101	737,203	413,894
Roads and transportation	2,297,659	2,411,389	2,113,689	1,929,903
Governmental services to residents	183,702	313,379	185,295	144,655
Administration	552,669	554,420	498,956	466,006
Non-program	16,748	19,117	122,952	15,720
Debt service	152,250	74,902	72,182	74,436
Capital projects	858,591	-	172,261	106,889
Total	\$ 9,138,308	5,252,070	5,267,890	4,559,501

See accompanying independent auditor's report.

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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Auditor of State

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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, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated December 18, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Adams County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Adams County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Adams County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Adams County's financial statements that is more than inconsequential will not be prevented or detected by Adams County's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Adams County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (E) is a material weakness.

Compliance and Other Matters

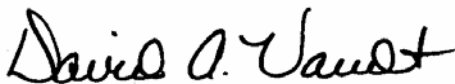
As part of obtaining reasonable assurance about whether Adams County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

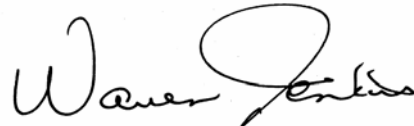
Adams County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the county's responses, we did not audit Adams County's responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 18, 2007

Adams County

Schedule of Findings

Year ended June 30, 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

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

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

County Auditor – The County adopted an accounting procedures manual in August 2007.

Conclusion – Responses 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 credit card policy within a year.

Conclusion – Response accepted.

Adams County

Schedule of Findings

Year ended June 30, 2007

- (C) County Sheriff – Bank reconciliations, including outstanding check listings, were not properly prepared during the year ended June 30, 2007. Variances between book and bank balances existed which were not investigated and resolved.

The County Sheriff's office does not prepare a year-to-date spreadsheet of receipts and disbursements reconciled to the beginning and ending book balances.

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.

The County Sheriff's Office should prepare a year-to-date spreadsheet of receipts and disbursements which should reconcile to the beginning and ending book balances

Response – Civil Clerk will follow the recommendation.

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 these policies within the next year.

Conclusion – Response accepted.

- (E) Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

Responses –

County Auditor – The County Auditor will work with the secondary roads department to ensure a date delivered will be entered for accounts receivable and accounts payable.

Secondary Roads Department – Procedures will be implemented to include all receivables and payables in the County's financial statements.

Conclusion – Responses accepted.

Adams County

Schedule of Findings

Year ended June 30, 2007

- (F) Accounts Receivable Reconciliation – The Central Point Coordinator does not calculate a month end accounts receivable balance. Also, monthly billings, collections and unpaid accounts were not reconciled throughout the year.

Recommendation – The Central Point Coordinator should calculate a month end accounts receivable balance. Also, monthly billings, collections and unpaid accounts should be reconciled for each billing period.

Response - Case Management will begin keeping an accounts billed for and accounts received each month beginning July 1, 2007. We will maintain records monthly for amounts billed, amounts received and the outstanding balance.

Conclusion – Response accepted.

INSTANCE OF NON-COMPLIANCE:

No matters were reported.

Adams County

Schedule of Findings

Year ended June 30, 2007

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted. However, the budget was not appropriated, by resolution, for the amounts deemed necessary for each of the different county offices and departments for the fiscal year.

Recommendation – Chapter 331.434(6) of the Code of Iowa requires the Board of Supervisors to appropriate, by resolution, amounts deemed necessary for each of the different county offices and departments for the fiscal year.

Response – The County has now appropriated 100 percent and will do so in the future.

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:

<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	\$ 1,743
Mark Olive, Board of Supervisors, owns The Print Shop	Conservation supplies	1,160
Linda Schafroth, County Engineer Secretary, spouses owns Sign Graphics	Computer software	40

In accordance with Chapter 331.342(10) of the Code of Iowa, the conservation supplies and computer software purchases 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.

Response – The County will perform cost comparisons in the future and will keep documentation of such.

Conclusion – Response acknowledged. The County should consult legal counsel to determine the disposition of this matter.

Adams County

Schedule of Findings

Year ended June 30, 2007

- (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:

Minutes of one meeting were not properly signed by the County Auditor. Minutes were not published timely as required by the Code of Iowa. The reason for each claim was not listed within the Board minutes as required. The specific exemption under Chapter 21.5 of the Code of Iowa was not identified when the Board of Supervisors entered into closed session.

Recommendation – The County should ensure all minutes are properly signed by the County Auditor. Minutes should be published in accordance with Chapter 21.4 of the Code of Iowa. Board minutes should list the reason for claims as required by Chapter 349.18 of the Code of Iowa. The Board of Supervisors should ensure all closed meetings comply with Chapter 21 of the Code of Iowa.

Response – All minutes will be signed in the future. Minutes will be published timely. A description will be entered in the future and the specific exemption will be listed for closed session.

Conclusion – Response accepted.

- (7) Deposits and Pooled Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2007 for the County Extension Office did not exceed the amount budgeted.

- (10) Deficit Cash Balance – The Special Revenue, Decategorization Fund had a deficit cash balance during the year ended June 30, 2007 and at June 30, 2007. 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, 2007

Response – In the future, the County will assure that DECAT has a positive cash balance.

Conclusion – Response accepted.

- (11) County Assessor – Certain minutes of meetings of the County Assessor Conference Board were not signed.

Recommendation – The minutes should be signed to authenticate the record as required.

Response – In the future, the County Assessor will make sure all the minutes get signed. The County Assessor does send copies to the members to review she just needs to obtain signatures.

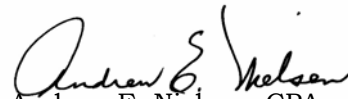
Conclusion – Response accepted.

Adams County

Staff

This audit was performed by:

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