



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE March 11, 2009

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$6,140,233 for the year ended June 30, 2008, which included \$343,759 in tax credits from the state. The County forwarded \$3,932,180 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,208,053 of the local tax revenue to finance County operations, a less than one percent increase over the prior year. Other revenues included charges for service of \$514,725, operating grants, contributions and restricted interest of \$2,603,812, unrestricted investment earnings of \$81,954, local option sales tax of \$191,044 and other general revenues of \$313,967.

Expenses for County operations totaled \$6,092,113, a 29% decrease from the prior year. Expenses included \$736,033 for county environment and education, \$2,804,349 for roads and transportation and \$685,700 for public safety and legal services. The significant decrease in expenses was due to the County providing assistance for the construction of an ethanol plant in the prior year.

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, 2008**

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**Adams County**

**Officials**

<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

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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, 2008, 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, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2009 on our consideration of Adams County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adams County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 6, 2009

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

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Adams County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- Adams County's governmental activities revenues increased 4%, or approximately \$227,000, from fiscal year 2007 to fiscal year 2008. Operating grants decreased approximately \$34,000 from FY2007 and charges for service increased approximately \$49,000 over FY2007. During fiscal year 2008, the County began collection of local option sales tax.
- Adams County's governmental activities program expenses decreased approximately \$2,481,000 from FY2007. County environment and education decreased approximately \$2,793,000.
- The County's net assets decreased 4.4%, or approximately \$179,000, from June 30, 2007 to June 30, 2008.

### **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 described in Note 11 on page 37, beginning governmental net assets increased \$560,054 to correct prior year capital assets and related accumulated depreciation. To enhance comparability, all amounts presented for fiscal year 2007 in this discussion and analysis were restated, where applicable, to reflect these changes as if the changes had been made in the prior year.

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 FY2008 totaled approximately \$3.9 million, compared to approximately \$4.1 million at the end of FY2007. The analysis that follows focuses on the net assets of governmental activities.

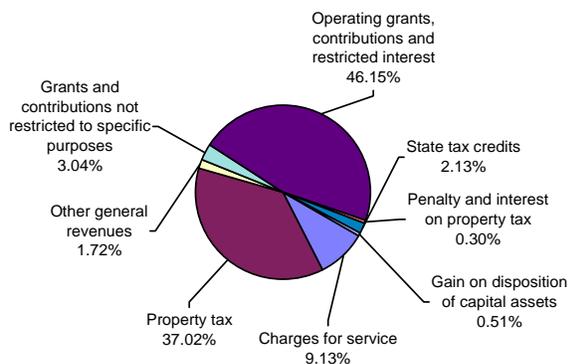
Net Assets of Governmental Activities		
	June 30,	
	2008	Restated 2007
Current and other assets	\$ 4,571,669	4,797,102
Capital assets	6,351,536	6,262,963
Total assets	<u>10,923,205</u>	<u>11,060,065</u>
Long-term liabilities	4,384,260	4,458,572
Other liabilities	2,631,120	2,515,110
Total liabilities	<u>7,015,380</u>	<u>6,973,682</u>
Net assets:		
Invested in capital assets, net of related debt	6,187,705	5,515,502
Restricted	1,317,035	1,614,619
Unrestricted	<u>(3,596,915)</u>	<u>(3,043,738)</u>
Total net assets	<u>\$ 3,907,825</u>	<u>4,086,383</u>

Net assets of Adams County's governmental activities decreased \$178,558 from FY2007. 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—is a deficit of \$3,592,915, due primarily to urban renewal tax increment revenue bonds of \$4.1 million for a \$3,075,000 economic development grant to Pinnacle Ethanol and Corning Municipal Utilities.

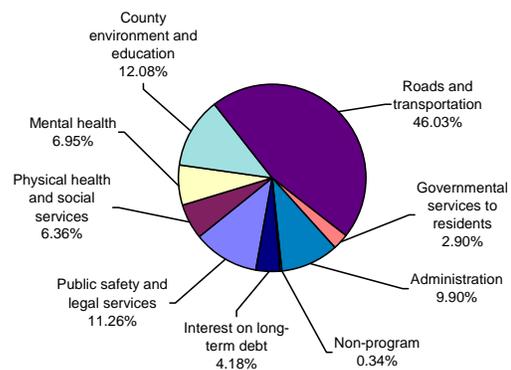
**Changes in Net Assets of Governmental Activities**

	Year ended June 30,	
	2008	Restated 2007
Revenues:		
Program revenues:		
Charges for service	\$ 514,725	466,090
Operating grants, contributions and restricted interest	2,603,812	2,637,982
General revenues:		
Property tax	2,090,071	2,062,636
Penalty and interest on property tax	15,775	14,384
State tax credits	117,982	128,819
Local option sales tax	191,044	-
Grants and contributions not restricted to specific purposes	173,714	188,790
Unrestricted investment earnings	81,954	69,946
Gain on disposition of capital assets	28,832	2,340
Other general revenues	95,646	115,282
<b>Total revenues</b>	<b>5,913,555</b>	<b>5,686,269</b>
Program expenses:		
Public safety and legal services	685,700	665,907
Physical health and social services	387,383	510,232
Mental health	423,572	479,968
County environment and education	736,033	3,528,599
Roads and transportation	2,804,349	2,502,316
Governmental services to residents	176,508	187,129
Administration	602,980	588,712
Non-program	20,809	16,748
Interest on long-term debt	254,779	93,811
<b>Total expenses</b>	<b>6,092,113</b>	<b>8,573,422</b>
Increase in net assets	(178,558)	(2,887,153)
Net assets beginning of year, as restated	4,086,383	6,973,536
Net assets end of year	\$ 3,907,825	4,086,383

**Revenue by Source**



**Expenses by Program**



Adams County increased property tax rates \$.19 per \$1,000 of taxable valuation in the countywide levy and \$.54 per \$1,000 of taxable valuation in the rural tax levy, a net increase of \$.73 for FY2008. The FY2008 Adams County taxable property valuation increased \$3,219,366. The General Assembly allows counties to exceed the statutory maximum levy rate of \$3.50 per \$1,000 of property valuation for the general basic tax levy for property tax when the conditions specified by statute are met. Adams County's general basic tax levy for FY2008 was \$4.25 per \$1,000 of taxable valuation. The net effect of these changes raised the County's property and other county tax revenue by \$27,435 in FY2008.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Adams County completed the year, its governmental funds reported a combined fund balance of \$1,940,040, a decrease of \$340,654 from last year's total of \$2,280,694. The decrease in the combined fund balance is due primarily to a decrease in the Secondary Roads and Capital Projects Funds. Changes in fund balances of the major funds from the prior year are as follows:

- General Fund revenues increased \$96,894 and expenditures increased \$61,200. The General Fund ending balance increased \$208,309 over the prior year to \$739,601. Revenue increases in the General Fund occurred mainly due to an increase in charges for service. Charges for service revenue increased \$34,030. Expenditures increased \$61,900 in public safety and legal services, primarily due to hiring a tri-county law enforcement agent working with drug enforcement in FY2008. There was no similar expenditure in FY2007.
- The County has continued to look for ways to effectively manage the cost of mental health services. Mental Health Fund revenues increased \$57,140 due to an increase in funding for the MH-DD allowable growth factor adjustment. Also, taxes collected for the Mental Health Fund increased due to an increase in the tax allocation for the Mental Health Fund. Expenditures decreased \$17,212. The Mental Health Fund balance at year end decreased \$22,802 from the prior year to \$34,078.
- Rural Services Fund revenues decreased \$1,883. The Rural Services Fund ending balance increased \$26,198 from the prior year to \$86,057. Transfers to the Secondary Roads Fund decreased \$68,535.
- Secondary Roads Fund expenditures decreased \$183,874 from the prior year, due primarily to less road construction projects during the year. Secondary Roads Fund revenues decreased \$132,733. The decrease in revenue is due to the County receiving less State and Federal pass-through revenues for road construction project during FY2008. These changes resulted in a decrease in the Secondary Roads Fund ending balance of \$357,662 from FY2007 to \$529,942.
- A new Urban Renewal Fund was established in FY2008 due to the collection of tax increment financing from the urban renewal tax district for the ethanol plant. Assets increased to \$333,000 due to succeeding year property tax for anticipated collection of property tax on the tax district. Liabilities increased \$333,000 for the deferred revenue for the property tax levied for FY2009.
- The Capital Projects Fund was established in FY2007 due to the new ethanol plant and new urban renewal tax district. Expenditures for the year decreased \$2,932,579, due primarily to the County providing assistance for construction of the ethanol plant in FY2007. There were no similar expenditures in FY2008.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Adams County amended its budget twice. The first amendment was made on May 27, 2008 and resulted in an increase in budgeted disbursements of \$1,282,021, related primarily to an increase in capital projects due to the Aquatic Center. A second amendment on June 24, 2008 included increased disbursements of \$450,000, relating primarily to increase in conservation cabin construction,

The County's actual receipts were \$39,006 more than the amended budget, a variance of 0.7%. The variance resulted from the County receiving more charges for service and use of money and property receipts than anticipated.

Total actual disbursements were \$1,586,686 less than the amended budget, a variance of 19.5%. Actual disbursements for the debt service and capital projects functions were over and under the amended budget by \$243,598 and \$1,262,229, respectively. In the capital projects function, the Aquatic Center was not completed as budgeted and the debt service function payments of interest for the FY2007 urban renewal tax increment revenue bonds were not sufficiently budgeted for.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, Adams County had approximately \$6.35 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,	
	2008	Restated 2007
Land	\$ 265,266	265,266
Construction in progress, infrastructure	-	846,377
Buildings and improvements	1,801,707	1,880,872
Equipment and vehicles	1,618,681	1,607,679
Infrastructure	2,665,882	1,662,769
Total	<u>\$ 6,351,536</u>	<u>6,262,963</u>
This year's major additions included:		
Infrastructure	\$ 1,121,538	
Replacement of a motorgrader	216,276	
Three vehicles	84,110	
Total	<u>\$ 1,421,924</u>	

The County had depreciation expense of \$417,455 in FY2008 and total accumulated depreciation of \$2,871,039 at June 30, 2008. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

## Long-Term Debt

At June 30, 2008, Adams County had \$163,831 in general obligation capital loan notes outstanding, compared to \$227,461 at June 30, 2007. During FY2008, Adams County had urban renewal tax increment revenue bonds of \$4,060,000 outstanding.

	Outstanding Debt of Governmental Activities at Year-End	
	June 30,	
	2008	2007
in capital loan notes	\$ 163,831	227,461
crement revenue bonds	4,060,000	4,060,000
	<u>\$ 4,223,831</u>	<u>4,287,461</u>

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 \$12.8 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 2009 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 2008 was 2080 and total resident employment in 2007 was 2,220. Unemployment in the County declined from 4.0% in 2007 to 3.9% in 2008. This compares with the State's unemployment rate of 4.2% and the national rate of 5.5%.

These indicators were taken into account when adopting the budget for FY2009. Amounts available for appropriation in the FY2009 operating budget are \$7,566,077, an increase of 18.5% from the final FY2008 budget, due primarily to disbursements of bond proceeds for the Aquatic Center project started in FY2008.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of 2009.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Adams County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Adams County Auditor's Office, 500 9<sup>th</sup> Street, Corning, Iowa, 50841.

**Adams County**

## **Basic Financial Statements**

**Exhibit A**

Adams County  
Statement of Net Assets  
June 30, 2008

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 1,759,319
Receivables:	
Property tax:	
Delinquent	521
Succeeding year	2,429,000
Accounts	8,630
Accrued interest	9,741
Due from other governments	234,219
Inventories	130,239
Capital assets (net of accumulated depreciation)	<u>6,351,536</u>
<b>Total assets</b>	<u>10,923,205</u>
<b>Liabilities</b>	
Accounts payable	140,691
Salaries and benefits payable	10,632
Due to other governments	50,797
Deferred revenue:	
Succeeding year property tax	2,429,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital loan notes	53,831
Compensated absences	156,051
Portion due or payable after one year:	
Capital loan notes	110,000
Urban renewal tax increment revenue bonds	4,060,000
Compensated absences	<u>4,378</u>
<b>Total liabilities</b>	<u>7,015,380</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	6,187,705
Restricted for:	
Supplemental levy purposes	257,229
Mental health purposes	34,101
Secondary roads purposes	475,336
Debt service	644
Capital projects	115,221
Other purposes	434,504
Unrestricted	<u>(3,596,915)</u>
<b>Total net assets</b>	<u>\$ 3,907,825</u>

See notes to financial statements.

Adams County

Statement of Activities

Year ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety and legal services	\$ 685,700	240,996	23,654	(421,050)
Physical health and social services	387,383	5,445	189,641	(192,297)
Mental health	423,572	-	58,866	(364,706)
County environment and education	736,033	144,130	35,201	(556,702)
Roads and transportation	2,804,349	41,466	2,273,507	(489,376)
Governmental services to residents	176,508	73,539	163	(102,806)
Administration	602,980	9,149	22,780	(571,051)
Non-program	20,809	-	-	(20,809)
Interest on long-term debt	254,779	-	-	(254,779)
<b>Total</b>	<b>\$ 6,092,113</b>	<b>514,725</b>	<b>2,603,812</b>	<b>(2,973,576)</b>
<b>General Revenues:</b>				
Property and other county tax levied for:				
General purposes				2,067,968
Debt service				22,103
Penalty and interest on property tax				15,775
State tax credits				117,982
Local option sales tax				191,044
Grants and contributions not restricted to specific purpose				173,714
Unrestricted investment earnings				81,954
Gain on disposition of capital assets				28,832
Miscellaneous				95,646
<b>Total general revenues</b>				<b>2,795,018</b>
Change in net assets				(178,558)
Net assets beginning of year, as restated				4,086,383
Net assets end of year				<b>\$ 3,907,825</b>

See notes to financial statements.

Adams County  
Balance Sheet  
Governmental Funds

June 30, 2008

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 755,629	66,846	86,557	330,776
Receivables:				
Property tax:				
Delinquent	490	24	-	-
Succeeding year	1,319,000	158,000	567,000	-
Accounts	8,630	-	-	-
Accrued interest	9,741	-	-	-
Due from other funds	28,609	-	-	-
Due from other governments	7,209	-	-	131,818
Advance to other funds	-	-	-	-
Inventories	-	-	-	130,239
<b>Total assets</b>	<b>\$ 2,129,308</b>	<b>224,870</b>	<b>653,557</b>	<b>592,833</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 27,569	3,562	500	52,326
Salaries and benefits payable	-	167	-	10,465
Due to other funds	-	-	-	-
Due to other governments	1,248	29,040	-	100
Advance from other funds	41,411	-	-	-
Deferred revenue:				
Succeeding year property tax	1,319,000	158,000	567,000	-
Other	479	23	-	-
Total liabilities	1,389,707	190,792	567,500	62,891
Fund balances:				
Reserved for:				
Supplemental levy purposes	257,153	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	482,448	-	-	-
Special revenue funds	-	34,078	86,057	529,942
Capital projects fund	-	-	-	-
Total fund balances	739,601	34,078	86,057	529,942
<b>Total liabilities and fund balances</b>	<b>\$ 2,129,308</b>	<b>224,870</b>	<b>653,557</b>	<b>592,833</b>

See notes to financial statements.

Urban Renewal	Capital Projects	Nonmajor	Total
-	115,221	404,290	1,759,319
-	-	7	521
333,000	-	52,000	2,429,000
-	-	-	8,630
-	-	-	9,741
-	-	-	28,609
-	-	95,192	234,219
-	-	41,411	41,411
-	-	-	130,239
333,000	115,221	592,900	4,641,689
-	-	56,734	140,691
-	-	-	10,632
-	-	28,609	28,609
-	-	20,409	50,797
-	-	-	41,411
333,000	-	52,000	2,429,000
-	-	7	509
333,000	-	157,759	2,701,649
-	-	-	257,153
-	-	637	637
-	-	-	482,448
-	-	434,504	1,084,581
-	115,221	-	115,221
-	115,221	435,141	1,940,040
333,000	115,221	592,900	4,641,689

**Adams County**

Adams County

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

June 30, 2008

<b>Total governmental fund balances (page 19)</b>	\$ 1,940,040
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***Amounts reported for governmental activities in the Statement of Net Assets are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$9,222,575 and the accumulated depreciation is \$2,871,039.	6,351,536
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	509
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Long-term liabilities, including capital loan notes payable, urban renewal tax increment revenue bonds and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(4,384,260)
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<b>Net assets of governmental activities (page 16)</b>	<b>\$ 3,907,825</b>
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See notes to financial statements.

Adams County

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

Year ended June 30, 2008

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 1,384,535	161,571	521,497	-
Interest and penalty on property tax	15,775	-	-	-
Intergovernmental	301,537	258,791	28,416	2,091,294
Licenses and permits	520	-	4,700	1,960
Charges for service	242,600	-	225	50
Use of money and property	152,428	-	-	358
Miscellaneous	37,060	-	-	43,686
Total revenues	<u>2,134,455</u>	<u>420,362</u>	<u>554,838</u>	<u>2,137,348</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	615,498	-	15,000	-
Physical health and social services	203,889	-	13,994	-
Mental health	-	443,164	-	-
County environment and education	327,408	-	45,608	-
Roads and transportation	-	-	-	2,697,078
Governmental services to residents	170,747	-	672	-
Administration	570,795	-	-	-
Non-program	20,809	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	275,298
Total expenditures	<u>1,909,146</u>	<u>443,164</u>	<u>75,274</u>	<u>2,972,376</u>
Excess (deficiency) of revenues over (under) expenditures	<u>225,309</u>	<u>(22,802)</u>	<u>479,564</u>	<u>(835,028)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	24,000	477,366
Operating transfers out	(17,000)	-	(477,366)	-
Total other financing sources (uses)	<u>(17,000)</u>	<u>-</u>	<u>(453,366)</u>	<u>477,366</u>
Net change in fund balances	208,309	(22,802)	26,198	(357,662)
Fund balances beginning of year	<u>531,292</u>	<u>56,880</u>	<u>59,859</u>	<u>887,604</u>
Fund balances end of year	<u>\$ 739,601</u>	<u>34,078</u>	<u>86,057</u>	<u>529,942</u>

See notes to financial statements.

Urban Renewal	Capital Projects	Nonmajor	Total
-	-	214,301	2,281,904
-	-	-	15,775
-	-	411,856	3,091,894
-	-	-	7,180
-	-	11,121	253,996
-	-	525	153,311
-	-	706	81,452
-	-	638,509	5,885,512
-	-	50,602	681,100
-	-	157,971	375,854
-	-	-	443,164
-	2,500	287,427	662,943
-	-	-	2,697,078
-	-	1,963	173,382
-	-	-	570,795
-	-	-	20,809
-	243,600	74,810	318,410
-	-	7,333	282,631
-	246,100	580,106	6,226,166
-	(246,100)	58,403	(340,654)
-	-	85,000	586,366
-	-	(92,000)	(586,366)
-	-	(7,000)	-
-	(246,100)	51,403	(340,654)
-	361,321	383,738	2,280,694
-	115,221	435,141	1,940,040

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, 2008

**Net change in fund balances - Total governmental funds (page 23)** \$ (340,654)

***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	\$ 477,196	
Depreciation expense	<u>(417,455)</u>	59,741

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. 28,832

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds. (789)

Repayment of long-term liabilities is an expenditure in the government funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 63,630

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. 10,682

**Change in net assets of governmental activities (page 17)** \$ (178,558)

See notes to financial statements.

Adams County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2008

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 353,447
Other County officials	7,896
Receivables:	
Property tax:	
Delinquent	930
Succeeding year	3,720,000
Accrued interest	76
Due from other governments	128,782
<b>Total assets</b>	<u>4,211,131</u>

**Liabilities**

Accounts payable	30,523
Salaries and benefits payable	147
Due to other governments	4,126,696
Trusts payable	3,262
Compensated absences	50,503
<b>Total liabilities</b>	<u>4,211,131</u>

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

Adams County

Notes to Financial Statements

June 30, 2008

**(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 Urban Renewal Fund is used to account for the property tax revenue levied for the payment of urban renewal tax increment revenue bonds and interest.

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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

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, 2008, 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, 2008. 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.

**(2) Cash and Pooled Investments**

The County’s deposits in banks at June 30, 2008 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 receivable and payable at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Decategorization	<u>\$ 28,609</u>

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

Advance to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Special Revenue: Special Law Enforcement	General	<u>\$ 41,411</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, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:	General	
Rural Services		\$ 12,000
Conservation Land Acquisition		5,000
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	477,366
Rural Services	Local Option Sales and	
Conservation Land Acquisition	and Services Tax	12,000
		30,000
Debt Service	Special Law Enforcement	50,000
Total		<u>\$ 586,366</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, 2008 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year (as</u>			<u>of Year</u>
	<u>restated)</u>	<u>Increases</u>	<u>Decreases</u>	
<b>Governmental activities:</b>				
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>1,111,643</u>	<u>-</u>	<u>846,377</u>	<u>265,266</u>
Capital assets being depreciated:				
Buildings	2,909,328	-	-	2,909,328
Equipment and vehicles	3,234,415	310,381	430,195	3,114,601
Infrastructure, road network	1,811,842	1,121,538	-	2,933,380
Total capital assets being depreciated	<u>7,955,585</u>	<u>1,431,919</u>	<u>430,195</u>	<u>8,957,309</u>
Less accumulated depreciation for:				
Buildings	1,028,456	79,165	-	1,107,621
Equipment and vehicles	1,626,736	219,865	350,681	1,495,920
Infrastructure, road network	149,073	118,425	-	267,498
Total accumulated depreciation	<u>2,804,265</u>	<u>417,455</u>	<u>350,681</u>	<u>2,871,039</u>
Total capital assets being depreciated, net	<u>5,151,320</u>	<u>1,014,464</u>	<u>79,514</u>	<u>6,086,270</u>
Governmental activities capital assets, net	<u>\$ 6,262,963</u>	<u>1,014,464</u>	<u>925,891</u>	<u>6,351,536</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 53,648
Physical health and social services	12,392
County environment and education	72,364
Roads and transportation	246,041
Administration	33,010
Total depreciation expense - governmental activities	<u>\$ 417,455</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	\$ 1,248
Special Revenue:		
Mental Health	Services	29,040
Secondary Roads	Services	100
Decategorization	Services	20,409
		<u>49,549</u>
Total for governmental funds		<u>\$ 50,797</u>
Agency:		
Agricultural Extension Education	Collections	\$ 58,744
County Assessor		249,846
Schools		2,830,038
Community Colleges		136,695
Corporations		550,124
Townships		85,677
Auto License and Use Tax		79,995
All other		135,577
Total for agency funds		<u>\$ 4,126,696</u>

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

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	General Obligation Capital Loan Notes	Urban Renewal Tax Increment Revenue Bonds	Compen- sated Absences	Total
Balance beginning of year	\$ 227,461	4,060,000	171,111	4,458,572
Increases	-	-	87,058	87,058
Decreases	63,630	-	97,740	161,370
Balance end of year	<u>\$ 163,831</u>	<u>4,060,000</u>	<u>160,429</u>	<u>4,384,260</u>
Due within one year	<u>\$ 53,831</u>	<u>-</u>	<u>156,051</u>	<u>209,882</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, 2008 general obligation capital loan note indebtedness are as follows:

Year ending June 30,	Series 1998B			
	Interest Rates	Principal	Interest	Total
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		\$ 160,000	16,250	176,250

Year ending June 30,	No. 1042-001				Total		
	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
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		\$ 3,831	158	3,989	163,831	16,408	180,239

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. 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, 2008 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
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	6.00	87,911	128,625	216,536	6.00	60,805	88,966	149,771	148,716	217,591	366,307
2014-2018	6.00	526,686	555,993	1,082,679	6.00	364,292	384,562	748,854	890,978	940,555	1,831,533
2019-2023	6.00	707,822	374,857	1,082,679	6.00	489,576	259,276	748,852	1,197,398	634,133	1,831,531
2024-2028	6.00	842,985	131,425	974,410	6.00	583,066	90,903	673,969	1,426,051	222,328	1,648,379
Total		\$ 2,400,000	1,749,912	4,149,912		\$ 1,660,000	1,210,356	2,870,356	\$ 4,060,000	2,960,268	7,020,268

The urban renewal tax increment revenue bonds were issued for the purpose of paying costs of an urban renewal project to improve certain county roads, provide an economic development grant to Pinnacle Ethanol, LLC and Corning Municipal Utilities and pay capitalized interest and costs of issuance of these bonds. The bonds are payable solely from the income and proceeds of the urban renewal project in accordance with Chapter 403.19 of Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the bonds shall be expended only for purposes consistent with the plans of the County's urban renewal area. The total principal and interest remaining on the bonds is \$7,020,268, payable through fiscal year 2028. For the current year, interest paid and tax increment receipts were \$243,600 and \$0, respectively. The bonds are not a general obligation of the County, but the debt is subject to the constitutional debt limitation of the County. The resolution providing for the issuance of the bonds includes the following provisions:

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

During the year ended June 30, 2008, the City was in compliance with the bond provisions.

**(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 3.90% of their annual covered salary and the County is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$114,675, \$106,238 and \$102,179, 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 563 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 200 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, 2008 were \$99,218.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 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, 2008, no liability has been recorded in the County's financial statements. As of June 30, 2008, 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 \$2,680,000 is outstanding at June 30, 2008. The bonds and related interest are payable solely from the rents payable by the tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the County.

**(11) Restatements**

Beginning net assets for governmental activities were restated to correct the valuation of and reporting for certain conservation department capital assets and related accumulated depreciation errors.

	<u>Amount</u>
Net assets June 30, 2007, as previously reported	\$ 3,526,329
Corrections to capital assets and accumulated depreciation	<u>560,054</u>
Net assets July 1, 2007, as restated for governmental funds	<u>\$ 4,086,383</u>

	<u>Balance</u>		<u>Restated</u>
	Beginning	Adjustments	Balance
	of Year		
Capital assets, net	\$ 5,702,909	560,054	<u>6,262,963</u>

**(12) Subsequent Event**

On July 1, 2008, the County issued \$1,025,000 of Local Option Sales and Services Tax Revenue Bonds on behalf of the City of Corning for an Aquatic Center.

**Adams County**

**Required Supplementary Information**

Adams County

Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2008

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 2,277,146	2,285,902	2,285,902	(8,756)
Interest and penalty on property tax	15,769	12,600	12,600	3,169
Intergovernmental	3,238,097	2,908,054	3,263,624	(25,527)
Licenses and permits	7,798	10,400	10,400	(2,602)
Charges for service	283,963	211,675	234,675	49,288
Use of money and property	147,174	107,145	107,145	40,029
Miscellaneous	4,335	20,930	20,930	(16,595)
Total receipts	<u>5,974,282</u>	<u>5,556,706</u>	<u>5,935,276</u>	<u>39,006</u>
Disbursements:				
Public safety and legal services	682,186	767,504	793,504	111,318
Physical health and social services	401,999	534,415	534,415	132,416
Mental health	544,283	463,575	613,575	69,292
County environment and education	638,278	427,546	781,467	143,189
Roads and transportation	2,875,823	2,808,700	2,908,700	32,877
Governmental services to residents	173,306	208,315	208,315	35,009
Administration	573,203	592,704	613,704	40,501
Non-program	41,119	44,572	44,572	3,453
Debt service	318,409	74,811	74,811	(243,598)
Capital projects	281,371	462,500	1,543,600	1,262,229
Total disbursements	<u>6,529,977</u>	<u>6,384,642</u>	<u>8,116,663</u>	<u>1,586,686</u>
Excess (deficiency) of receipts over (under) disbursements	(555,695)	(827,936)	(2,181,387)	1,625,692
Other financing sources, net	-	-	1,050,000	(1,050,000)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(555,695)	(827,936)	(1,131,387)	575,692
Balance beginning of year	<u>2,315,014</u>	<u>2,582,862</u>	<u>2,582,862</u>	<u>(267,848)</u>
Balance end of year	<u>\$ 1,759,319</u>	<u>1,754,926</u>	<u>1,451,475</u>	<u>307,844</u>

See accompanying independent auditor's report.

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Adams County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,974,282	(88,770)	5,885,512
Expenditures	6,529,977	(303,811)	6,226,166
Net	(555,695)	215,041	(340,654)
Beginning fund balances	2,315,014	(34,320)	2,280,694
Ending fund balances	\$ 1,759,319	180,721	1,940,040

See accompanying independent auditor's report.

Adams County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, 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 \$1,732,021. 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, for the County Assessor by the County Conference Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the debt service function. Also, the budget was not appropriated, by resolution, for the amounts deemed necessary for each of the different county offices and departments for the fiscal year.

**Other Supplementary Information**

Adams County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2008

	County Recorder's Records Management	Resource Enhancement and Protection	Special Law Enforcement
<b>Assets</b>			
Cash and pooled investments	\$ 5,031	17,804	132,932
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Due from other governments	-	-	-
Advance to other funds	-	-	41,411
<b>Total assets</b>	<b>\$ 5,031</b>	<b>17,804</b>	<b>174,343</b>
<b>Liabilities and Fund Equity</b>			
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	5,031	17,804	174,343
Total fund equity	5,031	17,804	174,343
<b>Total liabilities and fund equity</b>	<b>\$ 5,031</b>	<b>17,804</b>	<b>174,343</b>

See accompanying independent auditor's report.

Special Revenue								
Law Enforcement Forfeiture	County Attorney Forfeiture	Conservation Land Acquisition	Decategorization	Drivers License Revenue	Local Option Sales and Services Tax	Debt Service	Total	
13,586	1,418	66,972	-	50,626	115,284	637	404,290	
-	-	-	-	-	-	7	7	
-	-	-	-	-	-	52,000	52,000	
-	-	-	90,432	-	4,760	-	95,192	
-	-	-	-	-	-	-	41,411	
13,586	1,418	66,972	90,432	50,626	120,044	52,644	592,900	
-	-	29,037	20,364	-	7,333	-	56,734	
-	-	-	28,609	-	-	-	28,609	
-	-	-	20,409	-	-	-	20,409	
-	-	-	-	-	-	52,000	52,000	
-	-	-	-	-	-	7	7	
-	-	29,037	69,382	-	7,333	52,007	157,759	
-	-	-	-	-	-	637	637	
13,586	1,418	37,935	21,050	50,626	112,711	-	434,504	
13,586	1,418	37,935	21,050	50,626	112,711	637	435,141	
13,586	1,418	66,972	90,432	50,626	120,044	52,644	592,900	

Adams County

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

Year ended June 30, 2008

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Special Law Enforcement
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	-	13,380	42,501
Charges for service	1,081	-	-	275
Use of money and property	163	-	362	-
Miscellaneous	-	-	-	-
Total revenues	1,244	-	13,742	42,776
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	50,602
Physical health and social services	-	-	-	-
County environment and education	-	-	10,346	-
Governmental services to residents	405	1	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	405	1	10,346	50,602
Excess (deficiency) of revenues over (under) expenditures	839	(1)	3,396	(7,826)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	(50,000)
Total other financing sources (uses)	-	-	-	(50,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	839	(1)	3,396	(57,826)
Fund balances beginning of year	4,192	1	14,408	232,169
Fund balances end of year	\$ 5,031	-	17,804	174,343

See accompanying independent auditor's report.

Special Revenue								
Law Enforcement Forfeiture	County Attorney Forfeiture	Conservation Land Acquisition	Decate-gorization	Drivers License Revenue	Local Option Sales and Services Tax	Debt Service	Total	
-	-	-	-	-	191,044	23,257	214,301	
-	-	202,969	151,680	-	-	1,326	411,856	
-	-	-	-	9,765	-	-	11,121	
-	-	-	-	-	-	-	525	
706	-	-	-	-	-	-	706	
706	-	202,969	151,680	9,765	191,044	24,583	638,509	
-	-	-	-	-	-	-	50,602	
-	-	-	157,971	-	-	-	157,971	
-	-	248,081	-	-	29,000	-	287,427	
-	-	-	-	1,557	-	-	1,963	
-	-	-	-	-	-	74,810	74,810	
-	-	-	-	-	7,333	-	7,333	
-	-	248,081	157,971	1,557	36,333	74,810	580,106	
706	-	(45,112)	(6,291)	8,208	154,711	(50,227)	58,403	
-	-	35,000	-	-	-	50,000	85,000	
-	-	-	-	-	(42,000)	-	(92,000)	
-	-	35,000	-	-	(42,000)	50,000	(7,000)	
706	-	(10,112)	(6,291)	8,208	112,711	(227)	51,403	
12,880	1,418	48,047	27,341	42,418	-	864	383,738	
13,586	1,418	37,935	21,050	50,626	112,711	637	435,141	

Adams County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	1,735	148,672	60,612
Other County officials	7,896	-	-	-
Receivables:				
Property tax:				
Delinquent	-	9	21	426
Succeeding year	-	57,000	138,000	2,769,000
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 7,896</b>	<b>58,744</b>	<b>286,693</b>	<b>2,830,038</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	26,817	-
Salaries and benefits payable	-	-	-	-
Due to other governments	4,634	58,744	249,846	2,830,038
Trusts payable	3,262	-	-	-
Compensated absences	-	-	10,030	-
<b>Total liabilities</b>	<b>\$ 7,896</b>	<b>58,744</b>	<b>286,693</b>	<b>2,830,038</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
2,675	12,670	1,677	79,995	45,411	353,447
-	-	-	-	-	7,896
20	454	-	-	-	930
134,000	537,000	84,000	-	1,000	3,720,000
-	-	-	-	76	76
-	-	-	-	128,782	128,782
136,695	550,124	85,677	79,995	175,269	4,211,131
-	-	-	-	3,706	30,523
-	-	-	-	147	147
136,695	550,124	85,677	79,995	130,943	4,126,696
-	-	-	-	-	3,262
-	-	-	-	40,473	50,503
136,695	550,124	85,677	79,995	175,269	4,211,131

Adams County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 8,486	60,640	271,665	2,942,417
Additions:				
Property and other county tax	-	57,562	138,381	2,782,530
State tax credits	-	3,401	8,243	167,186
Office fees and collections	135,033	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	8,527	-
Total additions	135,033	60,963	155,151	2,949,716
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	119,134	62,859	140,123	3,062,095
Trusts paid out	16,489	-	-	-
Total deductions	135,623	62,859	140,123	3,062,095
Balances end of year	\$ 7,896	58,744	286,693	2,830,038

See accompanying independent auditor's report.

Community Colleges	Corpora- tions	Townships	Auto License and Use Tax	Other	Total
130,466	511,013	84,617	89,224	145,791	4,244,319
134,837	506,538	85,861	-	694	3,706,403
7,359	34,938	4,611	-	39	225,777
-	-	-	-	-	135,033
-	-	-	1,136,536	-	1,136,536
-	-	-	-	2,481	2,481
-	-	-	-	53,723	53,723
-	-	-	356	792,515	801,398
142,196	541,476	90,472	1,136,892	849,452	6,061,351
-	-	-	43,590	-	43,590
135,967	502,365	89,412	1,102,531	770,974	5,985,460
-	-	-	-	49,000	65,489
135,967	502,365	89,412	1,146,121	819,974	6,094,539
136,695	550,124	85,677	79,995	175,269	4,211,131

Adams County

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

For the Last Eight Years

	Modified Accrual Basis			
	2008	2007	2006	2005
<b>Revenues:</b>				
Property and other county tax	\$ 2,281,904	2,062,165	2,053,657	1,909,954
Interest and penalty on property tax	15,775	14,384	17,280	15,705
Intergovernmental	3,091,894	3,191,112	2,612,916	2,968,262
Licenses and permits	7,180	10,908	8,660	5,335
Charges for service	253,996	219,145	191,979	209,643
Use of money and property	153,311	135,439	115,635	103,938
Miscellaneous	81,452	50,305	48,398	64,989
<b>Total</b>	<b>\$ 5,885,512</b>	<b>5,683,458</b>	<b>5,048,525</b>	<b>5,277,826</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 681,100	623,560	592,057	588,571
Physical health and social services	375,854	496,977	394,624	351,646
Mental health	443,164	460,376	398,081	425,135
County environment and education	662,943	3,495,776	494,101	737,203
Roads and transportation	2,697,078	2,297,659	2,411,389	2,113,689
Governmental services to residents	173,382	183,702	313,379	185,295
Administration	570,795	552,669	554,420	498,956
Non-program	20,809	16,748	19,117	122,952
Debt service	318,410	152,250	74,902	72,182
Capital projects	282,631	858,591	-	172,261
<b>Total</b>	<b>\$ 6,226,166</b>	<b>9,138,308</b>	<b>5,252,070</b>	<b>5,267,890</b>

See accompanying independent auditor's report.

2004	2003	2002	2001
1,771,320	1,723,545	1,648,933	1,665,429
14,441	16,318	17,189	14,697
2,547,623	2,965,672	2,642,340	3,014,696
6,635	9,305	7,915	6,470
239,886	230,433	179,202	147,070
106,158	106,715	102,256	132,133
33,959	57,754	74,713	44,044
4,720,022	5,109,742	4,672,548	5,024,539
591,164	582,684	522,867	454,643
342,341	318,587	289,953	298,875
474,493	405,010	456,706	434,150
413,894	339,075	314,480	939,736
1,929,903	1,994,793	1,738,982	2,298,731
144,655	140,097	142,997	125,280
466,006	475,246	426,336	434,680
15,720	19,287	29,849	17,874
74,436	76,667	73,631	75,552
106,889	482,279	340,841	51,903
4,559,501	4,833,725	4,336,642	5,131,424

**Adams County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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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, 2008, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 6, 2009. 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, including a deficiency we consider to be a material weakness.

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 (D) is a material weakness.

#### Compliance and Other Matters

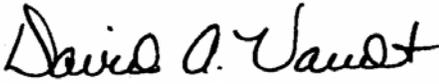
As part of obtaining reasonable assurance about whether Adams County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

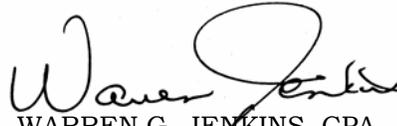
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 6, 2009

Adams County

Schedule of Findings

Year ended June 30, 2008

**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.	County Recorder and County Sheriff
(2) Disbursements – check writing, check signing, posting, reconciling and final approval.	County Recorder

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 limited staff of two people, we do the best we can to maximize internal control. The Recorder has the Auditor review her bank statements monthly.

County Sheriff – We will attempt to segregate duties between the Sheriff and the civil clerk as much as possible.

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.

Conclusion – Response accepted.

Adams County

Schedule of Findings

Year ended June 30, 2008

- (C) 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 to improve the County’s control over computer based systems.

Response – The County will adopt policies concerning passwords and use of the internet.

Conclusion – Response accepted.

- (D) 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 Assessor - We will do everything to be sure this is clear and how it should be done.

County Auditor – The local option sales tax amounts were not accrued into the correct year. In the future we will accrue this revenue. The local option tax was accounted for in the cash basis statements, but the accruals were not recorded.

County Treasurer – We will put a date earned on the miscellaneous receipts for the road use tax to indicate the month earned.

Conclusion – Responses accepted.

- (E) 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 keep a monthly balance sheet of outstanding balances and make a copy available to the Auditor at the end of the fiscal year.

Conclusion – Response accepted.

Adams County  
Schedule of Findings  
Year ended June 30, 2008

**INSTANCE OF NON-COMPLIANCE:**

No matters were reported.

Adams County

Schedule of Findings

Year ended June 30, 2008

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amount budgeted in the debt service function at June 30, 2008.

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

Recommendation – The budget should have been amended in sufficient amount in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Chapter 331.434(6) of the Code of Iowa 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.

County Auditor Response – In the future, we will amend timely and will appropriate the budget by resolution.

Conclusion – Response accepted.

- (2) Questionable Expenditures – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Hy-Vee	Expenses for alcohol refreshments after Emergency Management Training	\$ 12

Recommendation – The Board of Supervisors should determine and document the public purpose served by expenditures before authorizing payments.

Response – I was unaware of this being a problem. It will not happen again.

Conclusion – Response accepted.

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

Adams County

Schedule of Findings

Year ended June 30, 2008

- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kim Lundquist, Deputy Assessor, spouse owns Lundquist AC Service	Air conditioner repair	\$ 226
Mark Olive, Board of Supervisors, Owner of The Print Shop	Conservation supplies	1,592

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

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

Response – The County Auditor will consult with the County Attorney. Cost comparisons will be done in the future.

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Pooled Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2008 for the County Extension Office did not exceed the amount budgeted.

Adams County

Schedule of Findings

Year ended June 30, 2008

- (10) Deficit Cash Balance – The Special Revenue, Decategorization Fund and the Agency, CPC/Case Management Administration Fund had a deficit cash balance during the year ended June 30, 2008 and at June 30, 2008. This appears to violate Chapter 331.476 of the Code of Iowa.

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

Response – The County no longer is the fiscal agent for Decategorization. In the future, we will work to ensure proper procedures are used to keep the CPC Case Management Administration Fund in a positive balance for accrual reporting purposes.

Conclusion – Response accepted.

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

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

Response – It is not easy to catch our board members we will make every effort to do so in the future.

Conclusion – Response accepted.

- (12) County Emergency Management Commission Budget – The notice of the proposed budget hearing for the County Emergency Management Commission was not published at least 10 days prior to the hearing as required by Chapter 24.9 of the Code of Iowa.

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

County Emergency Management Commission Response – We will try to comply with this. Due to a weekly paper it can sometimes be hard to do.

Conclusion – Response accepted.

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Adams County

Staff

This audit was performed by:

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Brett M. Zeller, Staff Auditor  
Jessica N. Meierotto, Staff Auditor  
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Deputy Auditor of State