



**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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**NEWS RELEASE**

FOR RELEASE

February 19, 2010

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$9,708,668 for the year ended June 30, 2009, which included \$536,343 in tax credits from the state. The County forwarded \$6,356,082 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,352,586 of the local tax revenue to finance County operations, a 5.8% decrease from the prior year. Other revenues included charges for service of \$483,215, operating grants, contributions and restricted interest of \$2,592,843, capital grants, contributions and restricted interest of \$235,991, unrestricted investment earnings of \$53,204, local option sales tax of \$252,399 and other general revenues of \$59,594.

Expenses for County operations totaled \$7,570,970, a 3.1% decrease from the prior year. Expenses included \$3,575,483 for roads and transportation, \$1,013,124 for public safety and legal services and \$879,184 for mental health.

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/index.html>

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**AUDUBON COUNTY**

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

**JUNE 30, 2009**

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**Audubon County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2009)</b>		
Todd M. Nelsen	Board of Supervisors	Jan 2009
Vernon Venteicher	Board of Supervisors	Jan 2009
Bruce Nelson	Board of Supervisors	Jan 2011
Lisa Frederiksen	County Auditor	Jan 2009
Peggy Smalley	County Treasurer	Jan 2011
Mary Lou Johansen	County Recorder	Jan 2011
Todd Johnson	County Sheriff	Jan 2009
Francine O'Brien Andersen	County Attorney	Jan 2011
Debra Umland	County Assessor	Jan 2010
<b>(After January 2009)</b>		
Bruce Nelson	Board of Supervisors	Jan 2011
Todd M. Nelsen	Board of Supervisors	Jan 2013
Vernon Venteicher	Board of Supervisors	Jan 2013
Lisa Frederiksen	County Auditor	Jan 2013
Peggy Smalley	County Treasurer	Jan 2011
Mary Lou Johansen	County Recorder	Jan 2011
Todd Johnson	County Sheriff	Jan 2013
Francine O'Brien Andersen	County Attorney	Jan 2011
Debra Umland	County Assessor	Jan 2010

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Independent Auditor's Report

To the Officials of Audubon County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Audubon County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Audubon County's management. Our responsibility is to express opinions on these financial statements based on our audit.

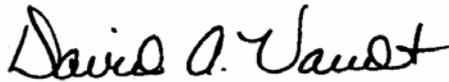
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 Audubon County at June 30, 2009, 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 1, 2010 on our consideration of Audubon 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 Audubon 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 eight years ended June 30, 2008 (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 1, 2010

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

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Audubon 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, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- Governmental activities revenues decreased 13.7%, or approximately \$1,117,000, from fiscal 2008 to fiscal 2009. Property and other county tax decreased 5.2%, or approximately \$173,000.
- Governmental activities expenses decreased 3%, or approximately \$239,000. Mental health expenses decreased approximately \$39,000 while roads and transportation expenses increased approximately \$169,000 and county environment and education expenses decreased approximately \$467,000.
- The County's net assets decreased 3.9%, or approximately \$541,000, from June 30, 2008 to June 30, 2009.

### **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 Audubon 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 Audubon 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 Audubon 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 funds 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 and interest on long-term debt. 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 Debt Service Fund and 4) the Capital Projects 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 emergency management services, auto license and use tax and the County Assessor, to name a few.

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis below shows the County's total net assets at June 30, 2009.

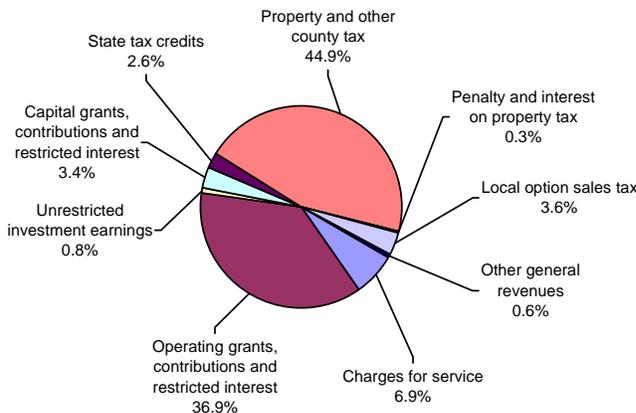
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2009	2008
Current and other assets	\$ 7,803	7,659
Capital assets	10,260	10,510
Total assets	<u>18,063</u>	<u>18,169</u>
Long-term liabilities	904	942
Other liabilities	3,851	3,378
Total liabilities	<u>4,755</u>	<u>4,320</u>
Net assets:		
Invested in capital assets, net of related debt	10,166	10,382
Restricted	1,945	1,967
Unrestricted	1,197	1,500
Total net assets	<u>\$ 13,308</u>	<u>13,849</u>

Net assets of Audubon County's governmental activities decreased approximately \$541,000, or 3.9%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$1,500,000 at June 30, 2008 to approximately \$1,197,000 at the end of this year, a decrease of 20.2%. The decrease in unrestricted net assets is primarily due to a decrease in the amounts held in the General Fund at year end.

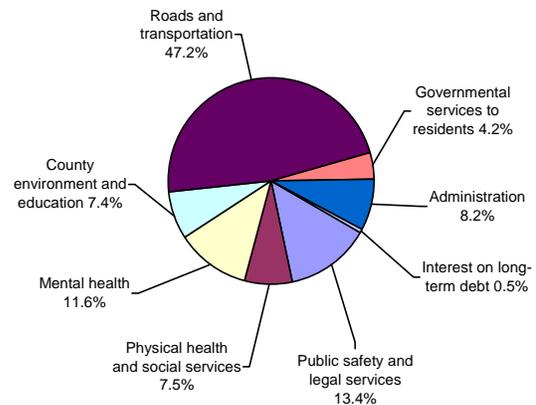
**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2009	2008
<b>Revenues:</b>		
Program revenues:		
Charges for service	\$ 483	469
Operating grants, contributions and restricted interest	2,593	2,815
Capital grants, contributions and restricted interest	236	503
General revenues:		
Property and other county tax	3,167	3,340
Penalty and interest on property tax	19	20
State tax credits	186	219
Local option sales tax	252	364
Unrestricted investment earnings	53	156
Other general revenues	41	261
<b>Total revenues</b>	<b>7,030</b>	<b>8,147</b>
<b>Program expenses:</b>		
Public safety and legal services	1,013	909
Physical health and social services	565	544
Mental health	879	918
County environment and education	563	967
Roads and transportation	3,576	3,548
Governmental services to residents	316	268
Administration	618	632
Interest on long-term debt	41	24
<b>Total expenses</b>	<b>7,571</b>	<b>7,810</b>
Change in net assets	(541)	337
Net assets beginning of year	13,849	13,512
Net assets end of year	<b>\$ 13,308</b>	<b>13,849</b>

**Revenues by Source**



**Expenses by Function**



The County decreased property tax rates for 2009 an average of 13.5%. The largest decreases were in the general supplemental, mental health, debt service and rural basic levies. The overall rate decreases coupled with an overall increase in taxable valuation of approximately \$21,700,000 reduced the County's property tax revenue approximately \$173,000 in 2009. Property tax revenue is budgeted to decrease approximately \$95,000 next year, primarily due to a slight decrease in the mental health and rural basic levies.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Audubon County completed the year, its governmental funds reported a combined fund balance of approximately \$3.8 million, a decrease of approximately \$466,000 from last year's total of approximately \$4.2 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased approximately \$426,000 from fiscal 2008, primarily due to a decrease in conservation and bike trail grants and due to the recording of approximately \$170,000 in revenue from Valley Business Park in fiscal 2008 for its share of certain economic development bonds issued in the prior year. Expenditures decreased approximately \$258,000 from fiscal 2008 due to the absence of \$500,000 in expenditures for Valley Business Park in fiscal 2009 and various fiscal 2009 expenditure increases. The highest increase was due to \$92,000 in trail expenditures and \$52,000 in law enforcement expenditures. The ending fund balance decreased approximately \$564,000 from the prior year to approximately \$2,034,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, revenues totaled approximately \$1,165,000, a decrease of .22% from fiscal 2008. Expenditures totaled approximately \$879,000, a decrease of 4.2% from the prior year. The Mental Health Fund balance increased approximately \$286,000 over the prior year.
- Rural Services Fund revenues increased approximately \$29,000 due to an increase in the property tax levy for the Rural Services Fund. Expenditures increased approximately \$58,000 due mainly to an increase of approximately \$10,000 in uniform patrol salaries and \$69,000 for bridge stabilization projects. In addition, \$25,000 of annual roadside reimbursements reported as expenditures in fiscal 2008 were reclassified to transfers out in fiscal 2009. The Rural Services Fund balance decreased approximately \$92,000 from the prior year.
- Secondary Roads Fund expenditures decreased approximately \$200,000 from the prior year, mainly due to a decrease in FEMA repair work and equipment operations and the County purchased no new equipment in the current fiscal year. Revenues decreased approximately \$368,000 from the prior year, primarily due to a decrease in FEMA and local option sales tax revenues. These changes resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$29,000, or 2.2%.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Audubon County amended its budget one time. The amendment was made on May 11, 2009 and resulted in a \$42,739 increase in receipts and a \$34,865 increase in disbursements. This amendment was made primarily for an increase in FEMA receipts and disbursements and increased conservation trail disbursements.

The County's receipts were \$81,650 less than budgeted, a variance of 1.2%.

In total, disbursements were \$942,825 less than budgeted. Disbursements in all functions were less than budgeted.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, Audubon County had approximately \$10.3 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$251,000.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2009	2008
Land	\$ 931	931
Construction in progress	394	22
Buildings and improvements	689	668
Equipment and vehicles	934	1,141
Infrastructure, road network and other	7,312	7,748
Total	<u>\$ 10,260</u>	<u>10,510</u>
This year's major additions included (in thousands):		
Masonry courthouse renovations	\$ 49	
Bike trail improvements	372	
Total	<u>\$ 421</u>	

The County had depreciation expense of \$720,584 in fiscal 2009 and total accumulated depreciation of \$6,543,254 at June 30, 2009.

More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2009, Audubon County had approximately \$719,000 in general obligation notes/bonds outstanding, compared to approximately \$840,000 at June 30, 2008.

The County continues to carry a general obligation bond rating of Aaa assigned by national rating agencies to the County's debt since 1995.

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. Audubon County's outstanding general obligation debt is significantly below its constitutional debt limit of \$21,741,771 (total value times 5%).

Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Audubon County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 5.3% compared to 5.1% a year ago. This compares with the State's unemployment rate of 4.4% and the national rate of 7.4%.

Amounts available for appropriation in the fiscal year 2010 operating budget are approximately \$7.325 million, a decrease of 6.2% from the final 2009 budget. The operating balance is expected to decrease approximately \$733,000. The County has added no major new programs or initiatives to the fiscal year 2010 budget.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Audubon 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 Audubon County Auditor's Office, 318 Leroy St. #4, Audubon, Iowa 50025.

**Audubon County**

## **Basic Financial Statements**

**Exhibit A**

Audubon County  
Statement of Net Assets  
June 30, 2009

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 3,476,820
Receivables:	
Property tax:	
Delinquent	2,580
Succeeding year	3,257,000
Interest and penalty on property tax	1,465
Accounts	15,902
Loan	148,789
Accrued interest	663
Due from other governments	394,416
Inventories	421,331
Prepaid items	84,223
Capital assets (net of accumulated depreciation)	10,259,513
<b>Total assets</b>	<u>18,062,702</u>
<b>Liabilities</b>	
Accounts payable	463,821
Accrued interest payable	3,078
Salaries and benefits payable	9,965
Due to other governments	117,501
Deferred revenue:	
Succeeding year property tax	3,257,000
Long-term liabilities:	
Portion due or payable within one year:	
Notes payable	105,000
Bonds payable	24,189
Compensated absences	93,913
Portion due or payable after one year:	
Notes payable	165,000
Bonds payable	425,000
Compensated absences	90,602
<b>Total liabilities</b>	<u>4,755,069</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	10,166,093
Restricted for:	
Supplemental levy purposes	504,297
Mental health purpose	188,405
Secondary roads purposes	1,191,549
Debt service	622
Capital projects	9,888
Other purposes	50,133
Unrestricted	1,196,646
<b>Total net assets</b>	<u>\$ 13,307,633</u>

See notes to financial statements.

Audubon County  
Statement of Activities  
Year ended June 30, 2009

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,013,124	93,184	11,692	-	(908,248)
Physical health and social services	565,129	194,317	147,387	-	(223,425)
Mental health	879,184	3,675	567,576	-	(307,933)
County environment and education	563,311	56,781	25,851	220,420	(260,259)
Roads and transportation	3,575,483	5,099	1,839,787	15,571	(1,715,026)
Governmental services to residents	316,084	111,719	160	-	(204,205)
Administration	618,287	18,440	-	-	(599,847)
Interest on long-term debt	40,368	-	390	-	(39,978)
<b>Total</b>	<b>\$ 7,570,970</b>	<b>483,215</b>	<b>2,592,843</b>	<b>235,991</b>	<b>(4,258,921)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					3,137,867
Debt service					28,653
Penalty and interest on property tax					18,626
State tax credits					186,066
Local option sales tax					252,399
Unrestricted investment earnings					53,204
Miscellaneous					40,968
<b>Total general revenues</b>					<b>3,717,783</b>
Change in net assets					(541,138)
Net assets beginning of year					13,848,771
Net assets end of year					<b>\$ 13,307,633</b>

See notes to financial statements.

Audubon County  
Balance Sheet  
Governmental Funds

June 30, 2009

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 2,221,530	314,362	255,320	624,084
Receivables:				
Property tax:				
Delinquent	1,657	730	160	-
Succeeding year	1,606,000	560,000	1,039,000	-
Interest and penalty on property tax	1,465	-	-	-
Accounts	14,757	-	-	984
Loan	148,789	-	-	-
Accrued interest	663	-	-	-
Due from other governments	190,538	650	-	203,228
Inventories	-	-	3,959	417,372
Prepaid items	12,566	-	-	71,657
<b>Total assets</b>	<b>\$ 4,197,965</b>	<b>875,742</b>	<b>1,298,439</b>	<b>1,317,325</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 374,792	20,365	64,278	4,045
Salaries and benefits payable	7,172	-	946	1,847
Due to other governments	7,461	106,972	700	2,368
Deferred revenue:				
Succeeding year property tax	1,606,000	560,000	1,039,000	-
Other	168,632	683	160	15,571
Total liabilities	2,164,057	688,020	1,105,084	23,831
Fund balances:				
Reserved for:				
Supplemental levy purposes	429,694	-	86,318	-
Debt service	-	-	-	-
Loan receivable	148,789	-	-	-
Unreserved, designated for:				
Courthouse improvements	150,000	-	-	-
Economic development	3,000	-	-	-
Park improvements	19,320	-	-	-
Conservation equipment	30,000	-	-	-
Unreserved, undesignated, reported in:				
General fund	1,253,105	-	-	-
Special revenue funds	-	187,722	107,037	1,293,494
Capital projects fund	-	-	-	-
Total fund balances	2,033,908	187,722	193,355	1,293,494
<b>Total liabilities and fund balances</b>	<b>\$ 4,197,965</b>	<b>875,742</b>	<b>1,298,439</b>	<b>1,317,325</b>

See notes to financial statements.

Nonmajor	Total
61,524	3,476,820
33	2,580
52,000	3,257,000
-	1,465
161	15,902
-	148,789
-	663
-	394,416
-	421,331
-	84,223
<u>113,718</u>	<u>7,803,189</u>
341	463,821
-	9,965
-	117,501
52,000	3,257,000
33	185,079
<u>52,374</u>	<u>4,033,366</u>
-	516,012
1,323	1,323
-	148,789
-	150,000
-	3,000
-	19,320
-	30,000
-	1,253,105
50,133	1,638,386
9,888	9,888
<u>61,344</u>	<u>3,769,823</u>
<u>113,718</u>	<u>7,803,189</u>

**Audubon County**

Audubon County

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

June 30, 2009

<b>Total governmental fund balances (page 19)</b>	\$ 3,769,823
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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 \$16,802,767 and the accumulated depreciation is \$6,543,254.	10,259,513
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	185,079
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Long-term liabilities, including notes payable, bonds payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(906,782)
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<b>Net assets of governmental activities (page 16)</b>	<u>\$ 13,307,633</u>
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See notes to financial statements.

Audubon County

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

Year ended June 30, 2009

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 1,509,407	559,387	1,067,755	252,399
Interest and penalty on property tax	18,757	-	-	-
Intergovernmental	476,475	602,033	56,835	1,891,169
Licenses and permits	9,000	-	-	430
Charges for service	240,174	-	-	-
Use of money and property	66,164	-	-	-
Miscellaneous	69,113	3,675	-	17,914
Total revenues	<u>2,389,090</u>	<u>1,165,095</u>	<u>1,124,590</u>	<u>2,161,912</u>
Expenditures:				
Operating:				
Public safety and legal services	763,992	-	208,433	-
Physical health and social services	563,834	-	-	-
Mental health	-	879,184	-	-
County environment and education	216,256	-	234,315	-
Roads and transportation	-	-	188,365	2,734,635
Governmental services to residents	301,589	-	780	-
Administration	628,557	-	15,623	-
Debt service	49,130	-	-	-
Capital projects	395,946	-	-	-
Total expenditures	<u>2,919,304</u>	<u>879,184</u>	<u>647,516</u>	<u>2,734,635</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(530,214)</u>	<u>285,911</u>	<u>477,074</u>	<u>(572,723)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	602,455
Operating transfers out	(33,818)	-	(568,637)	(58,423)
Total other financing sources (uses)	<u>(33,818)</u>	<u>-</u>	<u>(568,637)</u>	<u>544,032</u>
Net change in fund balances	(564,032)	285,911	(91,563)	(28,691)
Fund balances beginning of year	<u>2,597,940</u>	<u>(98,189)</u>	<u>284,918</u>	<u>1,322,185</u>
Fund balances end of year	<u>\$ 2,033,908</u>	<u>187,722</u>	<u>193,355</u>	<u>1,293,494</u>

See notes to financial statements.

Nonmajor	Total
28,894	3,417,842
-	18,757
15,523	3,042,035
-	9,430
3,015	243,189
657	66,821
2,498	93,200
<u>50,587</u>	<u>6,891,274</u>
7,934	980,359
-	563,834
-	879,184
8,045	458,616
-	2,923,000
4,055	306,424
-	644,180
111,968	161,098
44,690	440,636
<u>176,692</u>	<u>7,357,331</u>
<u>(126,105)</u>	<u>(466,057)</u>
58,423	660,878
-	(660,878)
<u>58,423</u>	-
<u>(67,682)</u>	<u>(466,057)</u>
129,026	4,235,880
<u>61,344</u>	<u>3,769,823</u>

## Audubon County

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

Year ended June 30, 2009

**Net change in fund balances - Total governmental funds (page 23)** \$ (466,057)**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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 468,084	
Depreciation expense	(720,584)	(252,500)

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

2,000

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	946	
Other	135,612	136,558

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

120,384

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

Compensated absences	(81,869)	
Interest on long-term debt	346	(81,523)

**Change in net assets of governmental activities (page 17)****\$ (541,138)**

See notes to financial statements.

Audubon County  
 Statement of Fiduciary Assets and Liabilities  
 Agency Funds  
 June 30, 2009

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 440,371
Other County officials	16,279
Receivables:	
Property tax:	
Delinquent	12,742
Succeeding year	6,029,000
Accounts	12,656
Due from other governments	3,335
<b>Total assets</b>	<b>6,514,383</b>

**Liabilities**

Accounts payable	80
Due to other governments	6,505,065
Trusts payable	3,839
Compensated absences	5,399
<b>Total liabilities</b>	<b>6,514,383</b>
<b>Net assets</b>	<b>\$ -</b>

See notes to financial statements.

**Audubon County**

Audubon County

Notes to Financial Statements

June 30, 2009

**(1) Summary of Significant Accounting Policies**

Audubon 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, Audubon 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: County Assessor's Conference Board, County Emergency Management Commission, County Public Safety Commission, County Joint E911 Service Board and County Solid Waste Commission. 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.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the County. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other non-exchange transactions.

The Statement of Net Assets presents the County's non-fiduciary 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 governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

#### Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation and developmental disabilities services.

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

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

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 the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

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 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, roads	\$ 50,000
Land, buildings and improvements	25,000
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	20 - 50
Building improvements	20 - 50
Infrastructure	30 - 65
Equipment	3 - 20
Vehicles	5 - 10

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 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 hours for subsequent use or for payment upon termination, death or retirement. 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, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services 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 of the Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2009 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 investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,548,565 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 33,818
	Special Revenue:	
	Rural Services	568,637
Debt Service	Secondary Roads	58,423
		<u>58,423</u>
Total		<u>\$ 660,878</u>

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 930,886	-	-	930,886
Construction in progress	22,230	371,995	-	394,225
Total capital assets not being depreciated	<u>953,116</u>	<u>371,995</u>	<u>-</u>	<u>1,325,111</u>
Capital assets being depreciated:				
Buildings	1,059,693	48,664	-	1,108,357
Building improvements	205,035	-	-	205,035
Equipment and vehicles	4,834,458	38,622	22,726	4,850,354
Infrastructure, roads	8,408,531	-	-	8,408,531
Infrastructure, other	894,576	10,803	-	905,379
Total capital assets being depreciated	<u>15,402,293</u>	<u>98,089</u>	<u>22,726</u>	<u>15,477,656</u>
Less accumulated depreciation for:				
Buildings	395,865	25,861	-	421,726
Building improvements	200,974	2,030	-	203,004
Equipment and vehicles	3,693,351	245,711	22,726	3,916,336
Infrastructure, roads	1,428,110	402,964	-	1,831,074
Infrastructure, other	127,096	44,018	-	171,114
Total accumulated depreciation	<u>5,845,396</u>	<u>720,584</u>	<u>22,726</u>	<u>6,543,254</u>
Total capital assets being depreciated, net	<u>9,556,897</u>	<u>(622,495)</u>	<u>-</u>	<u>8,934,402</u>
Governmental activities capital assets, net	<u>\$ 10,510,013</u>	<u>(250,500)</u>	<u>-</u>	<u>10,259,513</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 44,000
County environment and education		52,903
Roads and transportation		596,875
Governmental services to residents		7,010
Administration		<u>19,796</u>
Total depreciation expense - governmental activities		<u><u>\$ 720,584</u></u>

**(5) Due to Other Governments**

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

Fund	Description	Amount
General	Services	<u>\$ 7,461</u>
Special Revenue:		
Mental Health	Services	106,972
Rural Services	Services	700
Secondary Roads	Services	<u>2,368</u>
		<u>110,040</u>
Total for governmental funds		<u><u>\$ 117,501</u></u>
Agency:		
County Offices	Collections	\$ 14,185
Agriculture Extension Education		79,085
County Assessor		215,976
County Hospital		492,702
Schools		3,982,955
Community Colleges		158,114
Corporations		1,105,425
Townships		125,490
Auto License and Use Tax		121,987
All other		<u>209,146</u>
Total for agency funds		<u><u>\$ 6,505,065</u></u>

**(6) Changes in Long-Term Debt**

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	General Obligation Notes	General Economic Development Bonds	Compen- sated Absences	Total
Balance beginning of year	\$ 370,000	469,573	102,646	942,219
Increases	-	-	128,476	128,476
Decreases	100,000	20,384	46,607	166,991
Balance end of year	\$ 270,000	449,189	184,515	903,704
Due within one year	\$ 105,000	24,189	93,913	223,102

General Obligation Notes

In March 2005, the County issued \$1,450,000 of general obligation county purpose and refunding notes with an average interest rate of 2.91% per annum to refund \$770,000 of outstanding general obligation capital loan notes dated April 1, 1996 with interest rates ranging from 4.80% to 5.10% per annum.

Details of the refunding notes outstanding at June 30, 2009 are as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2010	3.05%	\$ 105,000	8,812	113,812
2011	3.25	55,000	5,610	60,610
2012	3.40	55,000	3,822	58,822
2013	3.55	55,000	1,953	56,953
Total		\$ 270,000	20,197	290,197

General Obligation Bonds

In September 2007, the County issued \$500,000 of general obligation economic development bonds. The proceeds of \$500,000 were provided to Valley Business Park Corporation to purchase land for economic development. Audubon County expects to pay \$40,000 annually toward principal and interest on the debt with Valley Business Park Corporation contributing the remainder of the payment. No formal agreement exists between the County and Valley Business Park Corporation detailing the terms for repayment of the debt. However, at June 30, 2009, a loan receivable of \$148,789 has been recognized in the County's financial statements representing the amount Valley Business Park Corporation will contribute to the repayment of the County's debt.

Details of the general obligation bonds outstanding as of June 30, 2009 are as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2010	6.25%	\$ 24,189	28,125	52,314
2011	6.25	25,000	26,563	51,563
2012	6.25	25,000	25,000	50,000
2013	6.25	30,000	23,437	53,437
2014	6.25	30,000	21,563	51,563
2015-2019	6.25	180,000	77,500	257,500
2020-2022	6.25	135,000	16,875	151,875
Total		\$ 449,189	219,063	668,252

**(7) 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 4.10% of their annual covered salary and the County is required to contribute 6.35% of covered salary for the current year. 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, 2009, 2008 and 2007 were \$136,405, \$126,862 and \$118,915, respectively, equal to the required contributions for each year.

**(8) Risk Management**

Audubon 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 577 members include 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, 2009 were \$111,570.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 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, 2009, no liability has been recorded in the County's financial statements. As of June 30, 2009, 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 \$1,000,000 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.

**Audubon County**

**Required Supplementary Information**

Audubon 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, 2009

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
<b>Receipts:</b>				
Property and other county tax	\$ 3,423,420	3,376,826	3,376,826	46,594
Interest and penalty on property tax	18,781	-	-	18,781
Intergovernmental	3,111,315	3,284,700	3,317,439	(206,124)
Licenses and permits	10,334	1,000	1,000	9,334
Charges for service	243,524	201,835	201,835	41,689
Use of money and property	76,150	97,345	97,345	(21,195)
Miscellaneous	92,141	52,870	62,870	29,271
Total receipts	<u>6,975,665</u>	<u>7,014,576</u>	<u>7,057,315</u>	<u>(81,650)</u>
<b>Disbursements:</b>				
Public safety and legal services	955,193	1,029,110	1,031,310	76,117
Physical health and social services	562,279	618,098	633,098	70,819
Mental health	886,374	1,144,542	1,144,542	258,168
County environment and education	427,704	431,047	441,047	13,343
Roads and transportation	2,848,303	3,042,456	3,111,556	263,253
Governmental services to residents	300,991	308,131	311,996	11,005
Administration	619,478	654,989	658,789	39,311
Non-program	-	100	100	100
Debt service	111,969	112,213	112,213	244
Capital projects	153,700	433,265	364,165	210,465
Total disbursements	<u>6,865,991</u>	<u>7,773,951</u>	<u>7,808,816</u>	<u>942,825</u>
Excess (deficiency) of receipts over (under) disbursements	109,674	(759,375)	(751,501)	861,175
Other financing sources, net	-	90,000	90,000	(90,000)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	109,674	(669,375)	(661,501)	771,175
Balance beginning of year	<u>3,367,146</u>	<u>2,838,445</u>	<u>3,362,832</u>	<u>4,314</u>
Balance end of year	<u>\$ 3,476,820</u>	<u>2,169,070</u>	<u>2,701,331</u>	<u>775,489</u>

See accompanying independent auditor's report.

Audubon County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 6,975,665	(84,391)	6,891,274
Expenditures	6,865,991	491,340	7,357,331
Net	109,674	(575,731)	(466,057)
Beginning fund balances	3,367,146	868,734	4,235,880
Ending fund balances	\$ 3,476,820	293,003	3,769,823

See accompanying independent auditor's report.

Audubon County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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 Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$34,865. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

**Other Supplementary Information**

Audubon County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2009

	Resource Enhancement and Protection	County Recorder's Records Management	Conservation Land Acquisition	Special Jail Commissary
<b>Assets</b>				
Cash and pooled investments	\$ 16,467	7,266	900	819
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	8	145	-	-
<b>Total assets</b>	<b>\$ 16,467</b>	<b>7,411</b>	<b>900</b>	<b>819</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	-	-	321
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	-	-	-	321
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved, reported in:				
Special revenue funds	16,475	7,411	900	498
Capital projects fund	-	-	-	-
Total fund equity	16,467	7,411	900	498
<b>Total liabilities and fund balances</b>	<b>\$ 16,467</b>	<b>7,411</b>	<b>900</b>	<b>819</b>

See accompanying independent auditor's report.

Revenue					
Forfeiture	AAE Task Force	Tax Increment Financing	Debt Service	Capital Projects	Total
16,854	7,720	295	1,315	9,888	61,524
-	-	-	33	-	33
-	-	-	52,000	-	52,000
-	-	-	8	-	161
16,854	7,720	295	53,356	9,888	113,718
-	20	-	-	-	341
-	-	-	52,000	-	52,000
-	-	-	33	-	33
-	20	-	52,033	-	52,374
-	-	-	1,323	-	1,323
16,854	7,700	295	-	-	50,133
-	-	-	-	9,888	9,888
16,854	7,700	295	1,323	9,888	61,344
16,854	7,720	295	53,356	9,888	113,718

Audubon County

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

Year ended June 30, 2009

	Resource Enhancement and Protection	County Recorder's Records Management	Conservation Land Acquisition	Special Jail Commissary
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	13,745	-	-	-
Charges for service	-	1,372	-	1,643
Use of money and property	106	160	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>13,851</u>	<u>1,532</u>	<u>-</u>	<u>1,643</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	7,447
County environment and education	8,045	-	-	-
Governmental services to residents	-	4,055	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>8,045</u>	<u>4,055</u>	<u>-</u>	<u>7,447</u>
Excess (deficiency) of revenues over (under) expenditures	5,806	(2,523)	-	(5,804)
Other financing sources:				
Operating transfers in	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	5,806	(2,523)	-	(5,804)
Fund balances beginning of year	10,669	9,934	900	6,302
Fund balances end of year	<u>\$ 16,475</u>	<u>7,411</u>	<u>900</u>	<u>498</u>

See accompanying independent auditor's report.

Revenue						
Forfeiture	AAE Task Force	Tax Increment Financing	Debt Service	Capital Projects	Total	
-	-	-	28,894	-	28,894	
-	-	-	1,778	-	15,523	
-	-	-	-	-	3,015	
-	-	-	391	-	657	
2,458	40	-	-	-	2,498	
2,458	40	-	31,063	-	50,587	
313	174	-	-	-	7,934	
-	-	-	-	-	8,045	
-	-	-	-	-	4,055	
-	-	-	111,968	-	111,968	
-	-	-	-	44,690	44,690	
313	174	-	111,968	44,690	176,692	
2,145	(134)	-	(80,905)	(44,690)	(126,105)	
-	-	-	58,423	-	58,423	
2,145	(134)	-	(22,482)	(44,690)	(67,682)	
14,709	7,834	295	23,805	54,578	129,026	
16,854	7,700	295	1,323	9,888	61,344	

Audubon County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	Schools
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	987	62,200	6,095	45,529
Other County officials	16,279	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	98	175	607	4,426
Succeeding year	-	78,000	159,000	486,000	3,933,000
Accounts	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 16,279</b>	<b>79,085</b>	<b>221,375</b>	<b>492,702</b>	<b>3,982,955</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	-	-	-
Due to other governments	14,185	79,085	215,976	492,702	3,982,955
Trusts payable	2,094	-	-	-	-
Compensated absences	-	-	5,399	-	-
<b>Total liabilities</b>	<b>\$ 16,279</b>	<b>79,085</b>	<b>221,375</b>	<b>492,702</b>	<b>3,982,955</b>

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	Auto License and Use Tax	Other	Total
1,927	8,417	1,473	121,987	191,756	440,371
-	-	-	-	-	16,279
187	5,008	17	-	2,224	12,742
156,000	1,092,000	124,000	-	1,000	6,029,000
-	-	-	-	12,656	12,656
-	-	-	-	3,335	3,335
158,114	1,105,425	125,490	121,987	210,971	6,514,383
-	-	-	-	80	80
158,114	1,105,425	125,490	121,987	209,146	6,505,065
-	-	-	-	1,745	3,839
-	-	-	-	-	5,399
158,114	1,105,425	125,490	121,987	210,971	6,514,383

Audubon County  
 Combining Schedule of Changes in Fiduciary Assets and Liabilities  
 Agency Funds

Year ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	Schools
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 13,530	76,068	215,400	472,850	3,501,349
Additions:					
Property and other county tax	-	78,351	159,428	485,599	3,932,004
E911 surcharge	-	-	-	-	-
State tax credits	-	4,640	8,279	28,670	214,403
Drivers license fees	-	-	-	-	-
Office fees and collections	184,328	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	28,040	-	-	-	-
Miscellaneous	-	-	808	-	-
Total additions	212,368	82,991	168,515	514,269	4,146,407
Deductions:					
Agency remittances:					
To other funds	88,169	-	-	-	-
To other governments	121,450	79,974	162,540	494,417	3,664,801
Trusts paid out	-	-	-	-	-
Total deductions	209,619	79,974	162,540	494,417	3,664,801
Balances end of year	\$ 16,279	79,085	221,375	492,702	3,982,955

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
149,221	877,253	106,359	107,573	394,046	5,913,649
155,775	1,069,134	123,501	-	2,013	6,005,805
-	-	-	-	66,099	66,099
9,104	79,498	5,629	-	54	350,277
-	-	-	25,242	-	25,242
-	-	-	-	-	184,328
-	-	-	1,749,522	-	1,749,522
-	-	-	-	8,237	8,237
-	-	-	-	51,937	79,977
-	-	-	-	41,895	42,703
164,879	1,148,632	129,130	1,774,764	170,235	8,512,190
-	-	-	70,906	-	159,075
155,986	920,460	109,999	1,689,444	303,083	7,702,154
-	-	-	-	50,227	50,227
155,986	920,460	109,999	1,760,350	353,310	7,911,456
158,114	1,105,425	125,490	121,987	210,971	6,514,383

Audubon County  
Schedule of Revenues By Source and Expenditures By Function -  
All Governmental Funds  
For the Last Nine Years

	2009	2008	2007	2006
Revenues:				
Property and other county tax	\$ 3,417,842	3,703,577	3,149,177	2,990,638
Interest and penalty on property tax	18,757	20,466	23,520	20,609
Intergovernmental	3,042,035	3,546,225	2,892,234	2,777,310
Licenses and permits	9,430	7,863	7,154	8,043
Charges for service	243,189	218,088	217,759	210,753
Use of money and property	66,821	176,424	215,182	175,395
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	93,200	302,894	110,007	107,614
<b>Total</b>	<b>\$ 6,891,274</b>	<b>7,975,537</b>	<b>6,615,033</b>	<b>6,290,362</b>
Expenditures:				
Operating:				
Public safety and legal services	\$ 980,359	894,634	860,371	849,610
Physical health and social services	563,834	544,721	486,841	482,623
Mental health	879,184	917,687	984,171	822,787
County environment and education	458,616	922,345	456,994	377,990
Roads and transportation	2,923,000	3,131,863	2,694,168	2,966,815
Governmental services to residents	306,424	263,128	278,339	327,444
Administration	644,180	616,972	620,005	635,940
Non-program	-	-	-	-
Debt service	161,098	411,481	406,297	407,951
Capital projects	440,636	338,024	665,932	242,763
<b>Total</b>	<b>\$ 7,357,331</b>	<b>8,040,855</b>	<b>7,453,118</b>	<b>7,113,923</b>

See accompanying independent auditor's report.

Modified Accrual Basis				
2005	2004	2003	2002	2001
3,460,700	3,534,621	3,010,046	2,811,885	2,581,094
20,450	845	20,980	22,157	19,822
3,714,840	3,018,341	2,930,548	2,919,289	2,793,354
6,672	6,576	7,476	7,848	8,016
255,559	222,763	185,468	152,826	137,629
93,839	69,443	86,529	124,347	238,013
-	7,765	628	-	-
230,858	100,200	84,765	130,736	171,418
7,782,918	6,960,554	6,326,440	6,169,088	5,949,346
856,744	756,027	762,680	699,282	638,479
508,597	479,342	457,745	435,150	429,974
882,496	752,504	783,792	787,913	712,072
973,576	459,100	322,272	340,393	630,831
3,060,502	2,521,497	2,644,847	2,493,707	3,120,572
265,773	232,024	239,967	237,673	201,179
577,630	535,153	673,327	602,338	587,952
-	208	-	7,568	15,402
295,207	280,990	281,310	274,980	273,305
282,835	344,654	410,712	44,018	68,092
7,703,360	6,361,499	6,576,652	5,923,022	6,677,858

**Audubon County**



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

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

To the Officials of Audubon County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Audubon County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 1, 2010. 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 Audubon 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 Audubon County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Audubon 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 deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Audubon 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 Audubon County's financial statements that is more than inconsequential will not be prevented or detected by Audubon 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 result in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Audubon 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 items (A), (B) and (C) are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Audubon 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, 2009 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.

Audubon 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 Audubon 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 Audubon County and other parties to whom Audubon 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 Audubon 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 1, 2010

Audubon County

Schedule of Findings

Year Ended June 30, 2009

**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. One or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:
- (1) Recorder – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. The individual responsible for preparing the disbursement, checking writing, signing, posting and reconciling is also the same individual responsible for receipting. A change fund is shared among employees.
  - (2) Sheriff – Bank reconciliations are not reviewed periodically by an independent person for propriety. Also, one person is responsible for collecting, recording and depositing funds.
  - (3) Treasurer – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. Bank accounts are not reconciled monthly by an individual who does not handle cash. One individual in the County Treasurer's office has custody of receipts and performs all investment record keeping and reconciling functions for the office. A change fund for the Treasurer's Office is shared among employees.
  - (4) Conservation – The duties of collecting and listing receipts for camping fees are not segregated and an initial listing is not completed to reconcile the amount collected to the cash recorded.
  - (5) Ag Extension – The duties of collecting, depositing, posting, daily reconciliation and initial listing of receipts are not segregated. Additionally, the bank reconciliation is not performed by someone who does not sign checks, handle or record cash. Receipts are not posted to the receipts journal on a daily basis.

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.

Audubon County

Schedule of Findings

Year Ended June 30, 2009

Responses –

Recorder – We share duties since we are only a two person office. We must balance to a computer report each day, which is our check and balance for the fund.

Sheriff – For the number of staff we have, the Sheriff receives checks from a P.O. box, logs the checks in a separate ledger and gives the checks to our civil clerk who logs the checks in her civil books. These are all reviewed by the Sheriff and Chief Deputy, dated and initialed. These include bank statements, check book and reporting ledger. We are going to continue to comply by recording the checks in a separate ledger when they first come into the office.

Treasurer – This office has only three full-time employees. It is difficult to segregate the duties listed above, since at times there may be only one person in the office. The monthly bank accounts will be reconciled by someone in another county office (Recorder).

Conservation – With limited staff we have a hard time finding extra time to do this. It also protects both the Director and Naturalist that both parties handle the money. I collect them and Christina opens and deposits the funds.

Ag Extension – The office assistant and county director collect and receipt all money. The bookkeeper uses receipt book to enter information into the computer. Budget constraints are prohibitive to adding staff for further segregation of duties. We are very conscientious in monitoring all money in a safe manner.

Conclusions –

Recorder – Response acknowledged. Someone other than the person receipting should perform daily reconciliations and disbursements. Evidence of independent review should be documented. A change fund should be separated among employees.

Sheriff – Response acknowledged. Bank reconciliations should be reviewed by someone independent of collecting, recording and depositing funds and evidence of the independent review should be documented.

Treasurer – Response acknowledged. Someone other than the person receipting should perform daily reconciliations and evidence of independent review should be documented. A change fund should be separated among employees. Investment records should be maintained by a person who is not the custodian.

Conservation – Response acknowledged. Duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling should be segregated.

Ag Extension – Response acknowledged. The Ag Extension Office should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Audubon County

Schedule of Findings

Year Ended June 30, 2009

- (B) Financial Reporting – During the audit, we identified material amounts of receivables, payables, transfers and capital asset additions 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, payables, transfers and capital asset additions are identified and included in the County’s financial statements.

Response – The County, at our June 2010 department head meeting will emphasize the need to properly include all receivables, payables, transfers and capital asset additions in the County’s financial statements.

Conclusion – Response accepted.

- (C) Prepaid Expenditure – In May 2006, the County entered into a contract for 60,000 tons of gravel at \$3.10 per ton. As of June 30, 2009, the County had disbursed \$71,656 for gravel which had not been received.

Recommendation – Claims for goods should only be paid when goods have been received. The County should consult legal counsel regarding the remaining prepaid balance.

Response – Legal counsel has been consulted and a lease agreement between Audubon County and the gravel supplier has been entered into whereby purchased gravel is now located on property leased by the County. The gravel supplier’s lender has been notified of this agreement.

Conclusion – Response accepted.

- (D) Electronic Data Processing Systems – During our review of internal control, the existing control activities in the County’s computer based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The County does not have a complete disaster recovery plan.

Recommendation – The County’s written disaster recovery plan should be amended to include plans for temporary relocation, a plan to restart computer applications and identification of key personnel.

Response – Arrangements are being finalized with Shelby County for temporary use of office space and internet access to restart computer applications. This arrangement and identification of key personnel will be included in Audubon County’s continuity of government plan.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Audubon County

Schedule of Findings

Year Ended June 30, 2009

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Steve Larsen, brother of E911 Director Les Larsen, owner of Steve’s Signs	Materials and labor	\$ 1,189
Randall Nelsen, brother of Supervisor Todd Nelsen, owner of City Service and Parts	Parts and installation	6,814
Randall Nelsen, brother of Supervisor Todd Nelsen, owner of City Service- Exhaust Pros	Parts and installation	977
Jeanne Nelson, wife of Supervisor Bruce Nelson, owner of Simply Sweet	Meals for Public Health Nurse meeting	197

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Steve’s Signs, Simply Sweet and City Service-Exhaust Pros do not appear to represent conflicts of interest since the total transactions were less than \$1,500 during the fiscal year. The City Service and Parts transactions may represent a conflict of interest since the transactions exceed \$1,500 and were not competitively bid.

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

Response – The County Attorney’s Office was consulted and opined these transactions do not constitute a conflict of interest since Todd Nelsen has no interest, direct or indirect, in the business of his brother and did not arrange the contracts.

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 ensure 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.

Audubon County

Schedule of Findings

Year Ended June 30, 2009

- (7) Deposits and 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, 2009 for the County Extension Office exceeded the amount budgeted.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 24 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The Audubon County Extension Council decided in Spring 2009 to provide a health care benefit to the County Program Coordinator. Although the County Extension Office had the money available, it had not been specifically budgeted. Therefore the budget was overspent for the fiscal year.

Conclusion – Response acknowledged. The County Extension Office should amend the budget before disbursements are allowed to exceed the budget.

Audubon County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Karen J. Kibbe, Senior Auditor  
Keith C. Kistenmacher, Staff Auditor  
Michael F. Conroy, Assistant Auditor  
Nancy J. Umsted, Auditor Intern

A handwritten signature in cursive script that reads "Andrew E. Nielsen".

Andrew E. Nielsen, CPA  
Deputy Auditor of State