



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

February 4, 2004

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 \$8,429,450 for the year ended June 30, 2003, which included \$546,047 in tax credits from the state. The County forwarded \$5,302,251 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,127,199 of the local tax revenue to finance County operations, a 4 percent increase from the prior year. Other revenues included \$2,754,326 from other governments, \$59,069 in local option sales tax and \$75,910 in interest on investments.

Expenditures for County operations totaled \$6,576,652, an 11 percent increase from the prior year. Expenditures included \$2,644,847 for roads and transportation, \$783,792 for mental health and \$762,680 for public safety and legal services. The significant increase in expenditures is due primarily to the conservation trail and road maintenance projects.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

###

AUDUBON COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2003

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
General Purpose Financial Statements:	<u>Exhibit</u>	
Combined Balance Sheet – All Fund Types and Account Groups	A	8-11
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust Fund	B	12-15
Comparison of Receipts, Disbursements and Changes in Balances – Actual to Budget (Cash Basis) – All Governmental Fund Types and Expendable Trust Fund	C	16
Notes to Financial Statements		17-28
Supplemental Information:	<u>Schedule</u>	
General Fund:		
Statement of Revenues, Expenditures and Changes in Fund Balance	1	30-31
Statement of Expenditures	2	33-35
Special Revenue Funds:		
Combining Balance Sheet	3	36-37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	38-47
Debt Service Fund:		
Statement of Revenues, Expenditures and Changes in Fund Balance	5	49
Trust and Agency Funds:		
Combining Balance Sheet	6	50-53
Combining Statement of Changes in Assets and Liabilities – Agency Funds	7	54-57
Comparison of Taxes and Intergovernmental Revenues	8	58
Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting		61-62
Schedule of Findings		63-67
Staff		68

Audubon County

Officials

(Before January 2003)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
LaVerne V. Deist	Board of Supervisors	Jan 2003
Sally R. Alt	Board of Supervisors	Jan 2005
Vernon Venteicher	Board of Supervisors	Jan 2005
Lisa Frederiksen	County Auditor	Jan 2005
Peggy Smalley	County Treasurer	Jan 2003
Mary Lou Johansen	County Recorder	Jan 2003
Todd Johnson	County Sheriff	Jan 2005
Francine O'Brien Andersen	County Attorney	Jan 2003
Eileen Monson	County Assessor	Jan 2004

(After January 2003)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sally R. Alt	Board of Supervisors	Jan 2005
Vernon Venteicher	Board of Supervisors	Jan 2005
LaVerne V. Deist	Board of Supervisors	Jan 2007
Lisa Frederiksen	County Auditor	Jan 2005
Peggy Smalley	County Treasurer	Jan 2007
Mary Lou Johansen	County Recorder	Jan 2007
Todd Johnson	County Sheriff	Jan 2005
Francine O'Brien Andersen	County Attorney	Jan 2007
Eileen Monson	County Assessor	Jan 2004

Audubon County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Officials of Audubon County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Audubon County, Iowa, as of and for the year ended June 30, 2003. These general purpose financial statements are the responsibility of Audubon County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Audubon County at June 30, 2003, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances – Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and the expendable trust fund of Audubon County for the year ended June 30, 2003.

As discussed in note 11 to the financial statements, Audubon County intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the County's financial statements and related notes in the year of implementation. The revised requirements include the use of the economic resources measurement focus and full accrual accounting, as well as an analytical overview of the County's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated December 2, 2003, on our consideration of Audubon County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 2, 2003

Audubon County

Audubon County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Assets and Other Debits			
Cash and pooled investments:			
County Treasurer	\$ 1,784,245	1,924,078	42,692
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	18,462	17,162	2,907
Succeeding year	1,657,000	1,386,000	264,000
Interest and penalty on property tax Accounts	18,634	-	-
Accrued interest	39,669	2,856	-
Due from other funds (note 5)	3,919	-	45
Due from other governments	22,144	184	-
Inventories	15,241	147,380	-
Loans receivable (note 9)	-	232,745	-
Prepaid insurance	19,250	-	-
Property and equipment (note 3)	12,616	-	-
Amount available in Debt Service Fund	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets and other debits	\$ 3,591,180	3,710,405	309,644

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Debt	
590,768	-	-	4,341,783
23,058	-	-	23,058
46,449	-	-	84,980
4,961,000	-	-	8,268,000
-	-	-	18,634
15,152	-	-	57,677
-	-	-	3,964
-	-	-	22,328
-	-	-	162,621
-	-	-	232,745
-	-	-	19,250
-	-	-	12,616
-	6,672,220	-	6,672,220
-	-	42,786	42,786
-	-	1,457,708	1,457,708
5,636,427	6,672,220	1,500,494	21,420,370

Audubon County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Liabilities, Fund Equity and Other Credits			
Liabilities:			
Excess of outstanding warrants over cash balances	\$ -	-	-
Accounts payable	27,414	56,340	-
Salaries and benefits payable	5,498	5,857	-
Due to other funds (note 5)	-	-	-
Due to other governments (note 4)	3,782	96,947	-
Trusts payable	-	-	-
Deferred revenue:			
Succeeding year property tax	1,657,000	1,386,000	264,000
Other	59,891	16,923	2,858
Lease purchase agreements (note 6)	-	-	-
Refunding notes payable (note 6)	-	-	-
Compensated absences	9,460	11,922	-
Total liabilities	<u>1,763,045</u>	<u>1,573,989</u>	<u>266,858</u>
Fund equity and other credits:			
Investment in general fixed assets	-	-	-
Fund balances:			
Reserved for:			
Inventories	-	232,745	-
Debt service	-	-	42,786
Prepaid insurance	12,616	-	-
Supplemental levy purposes	443,839	-	-
Unreserved:			
Designated for park improvements	3,705	-	-
Designated for courthouse improvements	60,000	-	-
Undesignated	1,307,975	1,903,671	-
Total fund equity and other credits	<u>1,828,135</u>	<u>2,136,416</u>	<u>42,786</u>
Total liabilities, fund equity and other credits	<u>\$ 3,591,180</u>	<u>3,710,405</u>	<u>309,644</u>

See notes to financial statements.

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Debt	
Trust and Agency			
2,628	-	-	2,628
199	-	-	83,953
-	-	-	11,355
22,328	-	-	22,328
5,596,481	-	-	5,697,210
7,124	-	-	7,124
-	-	-	3,307,000
-	-	-	79,672
-	-	202,880	202,880
-	-	1,220,000	1,220,000
6,767	-	77,614	105,763
5,635,527	-	1,500,494	10,739,913
-	6,672,220	-	6,672,220
-	-	-	232,745
-	-	-	42,786
-	-	-	12,616
-	-	-	443,839
-	-	-	3,705
-	-	-	60,000
900	-	-	3,212,546
900	6,672,220	-	10,680,457
5,636,427	6,672,220	1,500,494	21,420,370

Audubon County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances – All Governmental Fund Types
and Expendable Trust Fund

Year ended June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Revenues:			
Property and other county tax	\$ 1,653,033	1,093,852	263,161
Interest and penalty on property tax	20,980	-	-
Intergovernmental	776,752	2,136,803	16,993
Licenses and permits	7,396	80	-
Charges for service	183,740	1,728	-
Use of money and property	82,470	2,645	1,414
Miscellaneous	66,521	18,872	-
Total revenues	<u>2,790,892</u>	<u>3,253,980</u>	<u>281,568</u>
Expenditures:			
Operating:			
Public safety and legal services	760,541	2,139	-
Physical health and social services	457,745	-	-
Mental health		783,792	-
County environment and education	191,173	131,099	-
Roads and transportation	94,294	2,550,553	-
Governmental services to residents	239,267	700	-
Administration	671,124	2,203	-
Debt service	-	-	281,310
Capital projects	301,337	109,375	-
Total expenditures	<u>2,715,481</u>	<u>3,579,861</u>	<u>281,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>75,411</u>	<u>(325,881)</u>	<u>258</u>

<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
Expendable Trust	
-	3,010,046
-	20,980
-	2,930,548
-	7,476
-	185,468
-	86,529
-	85,393
-	<u>6,326,440</u>
-	762,680
-	457,745
-	783,792
-	322,272
-	2,644,847
-	239,967
-	673,327
-	281,310
-	410,712
-	<u>6,576,652</u>
-	<u>(250,212)</u>

Audubon County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances – All Governmental Fund Types
and Expendable Trust Fund

Year ended June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Other financing sources (uses):			
Sale of general fixed assets	-	-	-
Operating transfers in	-	624,022	-
Operating transfers out	2,275	(626,297)	-
Total other financing sources (uses)	2,275	(2,275)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	77,686	(328,156)	258
Fund balances beginning of year	1,749,078	2,475,852	42,528
Increase (decrease) in reserve for:			
Inventories	-	(11,280)	-
Prepaid insurance	1,371	-	-
Fund balances end of year	<u>\$ 1,828,135</u>	<u>2,136,416</u>	<u>42,786</u>

See notes to financial statements.

<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
Expendable Trust	
-	-
-	624,022
-	(624,022)
-	-
-	(250,212)
900	4,268,358
-	(11,280)
-	1,371
900	4,008,237

Exhibit C

Audubon County

Comparison of Receipts, Disbursements and
Changes in Balances – Actual to Budget (Cash Basis)
All Governmental Fund Types and Expendable Trust Fund

Year ended June 30, 2003

	Actual	Amended Budget	Variance - Favorable (Unfavorable)	Actual as % of Amended Budget
Receipts:				
Property and other County tax	\$ 3,010,810	3,139,696	(128,886)	96%
Intergovernmental	2,925,854	2,685,859	239,995	109%
Licenses and permits	7,440	50	7,390	14880%
Charges for service	179,988	128,160	51,828	140%
Use of money and property	84,824	136,205	(51,381)	62%
Miscellaneous	83,720	84,785	(1,065)	99%
Total receipts	<u>6,292,636</u>	<u>6,174,755</u>	<u>117,881</u>	<u>102%</u>
Disbursements:				
Public safety and legal services	766,272	812,404	46,132	94%
Physical health and social services	447,984	519,571	71,587	86%
Mental health	799,624	824,300	24,676	97%
County environment and education	327,383	657,364	329,981	50%
Roads and transportation	2,639,434	2,871,448	232,014	92%
Governmental services to residents	240,821	263,268	22,447	91%
Administration	676,837	740,097	63,260	91%
Non-program	-	24,725	24,725	
Debt service	281,310	281,360	50	100%
Capital projects	408,851	465,723	56,872	88%
Total disbursements	<u>6,588,516</u>	<u>7,460,260</u>	<u>871,744</u>	<u>88%</u>
Excess (deficiency) of receipts over (under) disbursements	(295,880)	(1,285,505)		
Balance beginning of year	<u>4,047,795</u>	<u>4,044,035</u>		
Balance end of year	<u>\$ 3,751,915</u>	<u>2,758,530</u>		

See notes to financial statements.

Audubon County

Notes to Financial Statements

June 30, 2003

(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.

A. Reporting Entity

For financial reporting purposes, Audubon County has included all funds, organizations, account groups, 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: Audubon County Assessor's Conference Board, Audubon County Emergency Management Commission and Audubon County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Region XII Council of Governments, WESCO, Audubon County Economic Development, West Iowa Hungry Canyons, Area XII Alcohol and Drug Treatment, Audubon County Solid Waste Management Commission, ACS County Regional Solid Waste Agency and Resource, Conservation and Development.

B. Fund Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures. The various funds and account groups and their designated purposes are as follows:

Governmental Funds

General Fund – The General Fund is the general operating fund of the County. All general tax revenues and other revenues that are 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 that are not paid from other funds.

Special Revenue Funds – The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund – The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

Fiduciary Funds

Trust Funds – The Trust Funds are used to account for assets held by the County in a trustee capacity. These include Expendable Trust Funds which are accounted for in essentially the same manner as Governmental Funds.

Agency Funds – The Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, and other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Account Groups

General Fixed Assets – This account group is established to account for the general fixed assets of the County.

General Long-Term Debt – This account group is established to account for long-term debt of the County. Long-term liabilities expected to be financed from Governmental Funds are accounted for in this account group, not in the Governmental Funds.

C. Measurement Focus

Governmental Funds and Expendable Trust Funds are accounted for on a spending or “financial flow” measurement focus. This means only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental Fund and Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and 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. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.

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.

E. Assets, Liabilities and Fund Equity

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

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for 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 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, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2002.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2003, balances of interfund amounts receivable or payable have been recorded.

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. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates they are not available to liquidate current obligations.

General Fixed Assets – General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost. Assets acquired by gift are accounted for at fair market value at the date of the gift. The General Fixed Assets Account Group excludes public domain or “infrastructure” general fixed assets, such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation expense is not recorded on the balance sheet for general fixed assets. At the time an asset is removed from service, the cost is removed from the General Fixed Assets Account Group. Maintenance and repair are recorded as expenditures in the Governmental Funds as incurred and are not capitalized.

During the year ended June 30, 2003, no interest costs were capitalized since the County's policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivables and other receivables not collected within sixty days after year end.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, death or retirement. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of vacation and comp time payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003.

F. Budgets and Budgetary Accounting

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Expendable Trust Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

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.

Exhibit C is a comparison of cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by function, not fund type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ 2,757,715	33,177	2,790,892	3,253,408	572	3,253,980
Expenditures	2,716,759	(13,725)	2,715,481	3,590,447	(10,586)	3,579,861
Net	40,956	46,902	75,411	(337,039)	11,158	(325,881)
Other financing sources (uses)	2,275	-	2,275	(2,275)	-	(2,275)
Beginning fund balances	1,741,014	8,064	1,749,078	2,263,392	212,460	2,475,852
Increase (decrease) in reserve for:						
Inventories	-	-	-	-	(11,280)	(11,280)
Prepaid insurance	-	1,371	1,371	-	-	-
Ending fund balances	\$ 1,784,245	56,337	1,828,135	1,924,078	212,338	2,136,416

	Governmental Fund Types		
	Debt Service		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ 281,513	55	281,568
Expenditures	281,310	-	281,310
Net	203	55	258
Other financing sources (uses)	-	-	-
Beginning fund balances	42,489	39	42,528
Increase (decrease) in reserve for:			
Inventories	-	-	-
Prepaid insurance	-	-	-
Ending fund balances	\$ 42,692	94	42,786

	Fiduciary Fund Type					
	Expendable Trust			Total		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ -	-	-	6,292,636	33,804	6,326,440
Expenditures	-	-	-	6,588,516	(11,864)	6,576,652
Net	-	-	-	(295,880)	45,668	(250,212)
Other financing sources (uses)	-	-	-	-	-	-
Beginning fund balances	900	-	900	4,047,795	220,563	4,268,358
Increase (decrease) in reserve for:						
Inventories	-	-	-	-	(11,280)	(11,280)
Prepaid insurance	-	-	-	-	1,371	1,371
Ending fund balances	\$ 900	-	900	3,751,915	256,322	4,008,237

G. Total (Memorandum Only)

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned "Memorandum Only" to indicate it is presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2003 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 \$554,895 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Property and Equipment

A summary of changes in property and equipment comprising general fixed assets for the year ended June 30, 2003 is as follows:

	Balance Beginning of Year	Additions	Deletions	Total
Land	\$ 1,089,440	295,301	-	1,384,741
Buildings	588,001	242,189	-	830,190
Equipment	4,615,611	423,100	58,422	4,980,289
Total	<u>\$ 6,293,052</u>	<u>960,590</u>	<u>58,422</u>	<u>7,195,220</u>

Equipment includes \$501,650 of assets acquired under lease purchase agreements.

(4) 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. The Agency Fund collections also include accruals of property tax for the succeeding year. The 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>\$ 3,782</u>
Special Revenue:		
Secondary Roads		7
Mental Health	Services	<u>96,940</u>
		<u>96,947</u>
Trust and Agency:		
County Assessor	Collections	171,374
Schools		3,425,709
Community Colleges		166,933
Corporations		863,493
Townships		111,919
Auto License and Use Tax		76,265
E911 Surcharge		164,071
All other		<u>616,717</u>
		<u>5,596,481</u>
Total		<u>\$ 5,697,210</u>

(5) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2003 is as follows:

Receivable Fund	Description	Amount
General	Trust and Agency:	
	County Recorder	\$ 4,691
	County Sheriff	13,413
	Auto Licence and Use Tax	4,040
Special Revenue:		
County's Recorder's Records Management	Trust and Agency: County Recorder	184
Total		<u>\$ 22,328</u>

(6) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2003 is as follows:

	Lease Purchase Agreements	Refunding Notes Payable	Compen- sated Absences	Total
Balance beginning of year	\$ 343,358	1,430,000	79,895	1,853,253
Additions	-	-	-	-
Reductions	140,478	210,000	2,281	352,759
Balance end of year	<u>\$ 202,880</u>	<u>1,220,000</u>	<u>77,614</u>	<u>1,500,494</u>

Lease Purchase Agreements

The County entered into lease purchase agreements to purchase an excavator and two motor graders. Interest rates range from 5.25% to 5.75% per annum for the excavator and motor graders. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreements.

Year Ending June 30,	Excavator	Motor Graders	Total
2004	\$ 38,061	105,449	143,510
2005	38,060	-	38,060
2006	38,060	-	38,060
Total minimum lease payments	114,181	105,449	219,630
Less amount representing interest	(11,016)	(5,734)	(16,750)
Present value of net minimum lease payments	<u>\$ 103,165</u>	<u>99,715</u>	<u>202,880</u>

Payments under these lease purchase agreements and agreements that were paid in full during the year ended June 30, 2003 totaled \$158,678.

Refunding Notes Payable and Defeased Debt

In a prior year, the County defeased 1995 general obligation hospital bonds totaling \$2,400,000 with a call date of June 1, 2005, by placing the proceeds of refunding notes into an irrevocable escrow agreement with Bankers Trust Company to provide for all future debt service payments on the bonds. Accordingly, the assets and the liability for the defeased bonds are not included in the County's financial statements. At June 30, 2003, the defeased debt totaled \$1,220,000.

Details of the refunding notes payable at June 30, 2003 are as follows:

Payment Due Date	Interest Rate	Principal	Interest	Total
December 1, 2003	4.70%	\$ -	30,495	30,495
June 1, 2004	4.80	220,000	30,495	250,495
December 1, 2004	4.80	-	25,215	25,215
June 1, 2005	4.90	230,000	25,215	255,215
December 1, 2005	4.90	-	19,580	19,580
June 1, 2006	5.00	245,000	19,580	264,580
December 1, 2006	5.10	-	13,455	13,455
June 1, 2007	5.10	255,000	13,455	268,455
December 1, 2007	4.80	-	6,953	6,953
June 1, 2008	4.80	270,000	6,953	276,953
Total		\$ 1,220,000	191,396	1,411,396

(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.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$111,565, \$108,808, and \$112,925, 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 with over 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police

professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2003 were \$83,686.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$2,000,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also 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 that 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 that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2003, no liability has been recorded in the County's financial statements. As of June 30, 2003, 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 claims 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, property, crime and boiler and machinery. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Loans Receivable

The County has a loan receivable totaling \$10,000 as of June 30, 2003 due from the City of Brayton. The loan, for the purchase of a fire truck, is to be paid at a minimum rate of \$2,500 annually. The loan is interest free unless a payment is not made timely, in which case a rate of 9% per annum will be assessed.

The County has a loan receivable totaling \$9,250 as of June 30, 2003 due from the Audubon County Airport Authority Board. The loan proceeds were used for runway repairs. The loan is due and payable on December 31, 2003 and is interest free unless payment is not made timely, in which case a rate of 5.50% per annum will be assessed.

(10) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by function or amounts appropriated by department. During the year ended June 30, 2003, disbursements in one department exceeded the amount appropriated.

(11) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of the County’s financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. Also, the revised minimum reporting requirements include Management’s Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the County’s financial activities.

Supplemental Information

Schedule 1

Audubon County

General Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2003

Revenues:		
Property and other county tax:		
Property tax	\$ 1,586,605	
Utility tax replacement excise tax	66,400	
Other	28	\$ 1,653,033
	<hr/>	
Interest and penalty on property tax		20,980
Intergovernmental:		
State shared revenues:		
Franchise tax	9,301	
Other	1,398	
	<hr/>	
	10,699	
	<hr/>	
State tax replacements:		
State tax credits	106,665	
State allocation	66,344	
	<hr/>	
	173,009	
	<hr/>	
State and federal pass-thru revenues:		
Human services administrative reimbursement	15,862	
Federal trail grant	203,006	
Other	17,563	
	<hr/>	
	236,431	
	<hr/>	
Contributions from other governmental units:		
Contract law enforcement	32,400	
Other governmental units	74,877	
	<hr/>	
	107,277	
	<hr/>	
State grants and entitlements:		
Home care aid grant	28,226	
	<hr/>	
Federal grants and entitlements:		
Medicare and medicaid	221,110	776,752
	<hr/>	
Licenses and permits		7,396
Charges for service:		
Office fees and collections	79,294	
Auto license, use tax, driver license, and mailing	46,382	
Camping fees	39,676	
Other	18,388	183,740
	<hr/>	
Use of money and property:		
Interest on investments	74,171	
Other	8,299	82,470
	<hr/>	
Miscellaneous		66,521
Total revenues		<hr/>
		2,790,892

Audubon County

General Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2003

Expenditures:	
Operating:	
Public safety and legal services	760,541
Physical health and social services	457,745
County environment and education	191,173
Roads and transportation	94,294
Governmental services to residents	239,267
Administration	671,124
Capital projects	301,337
Total expenditures	<u>2,715,481</u>
Excess of revenues over expenditures	75,411
Other financing sources:	
Operating transfers in:	
Special Revenue:	
Tax Increment Financing	<u>2,275</u>
Excess of revenues and other financing sources over expenditures	77,686
Fund balance beginning of year	1,749,078
Increase in reserve for prepaid insurance	<u>1,371</u>
Fund balance end of year	<u><u>\$ 1,828,135</u></u>

See accompanying independent auditor's report.

Audubon County

Audubon County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Public safety and legal services:			
Law enforcement:			
Uniformed patrol services	\$	261,292	
Investigations		4,977	
Law enforcement communication		192,710	
Adult correctional services		47,497	
Administration		75,915	
		<u>582,391</u>	
Legal services:			
Criminal prosecution		147,368	
Medical examinations		1,529	
		<u>148,897</u>	
Emergency services:			
Emergency management		10,000	
		<u>10,000</u>	
Assistance to district court system:			
Physical operations		7,311	
Research and other assistance		4,405	
		<u>11,716</u>	
Court proceedings:			
Juries and witnesses		131	
Court costs		1,536	
		<u>1,667</u>	
Juvenile justice administration:			
Juvenile victim restitution		3,674	
Court-appointed attorneys and court costs for juveniles		2,196	
		<u>5,870</u>	\$ 760,541
Physical health and social services:			
Physical health services:			
Sanitation		18,435	
Health administration		285,078	
		<u>303,513</u>	

Schedule 2

Audubon County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Physical health and social services (continued):

Services to the poor:

Administration 19,324

Children's and family services:

Youth guidance 8,417

Services to military veterans:

Administration 12,703

General services to veterans 6,39519,098

Services to other adults:

Services to the elderly 94,029

Other social services 1,00095,029

Chemical dependency:

Treatment services 12,364

457,745

County environment and education:

Conservation and recreation services:

Administration 46,533

Maintenance and operations 71,819

Recreation and environmental education services 381

118,733

Animal control:

Animal bounties and state apiarist expenses 307

County development:

Land use and building controls 324

Economic development 41,80942,133

Educational services:

Historic preservation 5,000

Fair and 4-H clubs 25,00030,000

191,173

Roads and transportation:

General roadway:

Equipment 94,294

Audubon County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Governmental services to residents:			
Representation services:			
Elections administration		<u>66,812</u>	
State administrative services:			
Motor vehicle registrations and licensing		97,440	
Recording of public documents		<u>75,015</u>	
		<u>172,455</u>	239,267
Administration:			
Policy and administration:			
General county management		155,147	
Administrative management services		99,725	
Treasury management services		60,817	
Other policy and administration		<u>22,915</u>	
		<u>338,604</u>	
Central services:			
General services		147,466	
Data processing services		<u>55,471</u>	
		<u>202,937</u>	
Risk management services:			
Tort liability		48,603	
Safety of workplace		71,781	
Fidelity of public officials		<u>9,199</u>	
		<u>129,583</u>	671,124
Capital projects:			
Conservation land acquisition			<u>301,337</u>
Total			<u>\$ 2,715,481</u>

See accompanying independent auditor's report.

Audubon County
Special Revenue Funds
Combining Balance Sheet
June 30, 2003

	Rural Services	Secondary Roads	Mental Health
Assets			
Cash and pooled investments	\$ 695,988	954,646	265,964
Receivables:			
Property tax:			
Delinquent	13,296	-	3,866
Succeeding year	1,037,000	-	347,000
Accounts	-	2,758	-
Due from other funds	-	-	-
Due from other governments	-	147,380	-
Inventories	1,230	231,515	-
	\$1,747,514	1,336,299	616,830
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 919	26,043	29,336
Salaries and benefits payable	692	5,165	-
Due to other governments	-	7	96,940
Deferred revenue:			
Succeeding year property tax	1,037,000	-	347,000
Other	13,122	-	3,801
Compensated absences	899	11,023	-
Total liabilities	1,052,632	42,238	477,077
Fund equity:			
Fund balance:			
Reserved for inventories	1,230	231,515	-
Unreserved	693,652	1,062,546	139,753
Total fund equity	694,882	1,294,061	139,753
Total liabilities and fund equity	\$1,747,514	1,336,299	616,830

See accompanying independent auditor's report.

Resource Enhance- ment and Protection	Tax Increment Financing	County Recorder's Records Management	Jail Commissary	Forfeiture	Total
383	144	5,628	779	546	1,924,078
-	-	-	-	-	17,162
-	2,000	-	-	-	1,386,000
-	-	-	98	-	2,856
-	-	184	-	-	184
-	-	-	-	-	147,380
-	-	-	-	-	232,745
383	2,144	5,812	877	546	3,710,405
-	-	-	42	-	56,340
-	-	-	-	-	5,857
-	-	-	-	-	96,947
-	2,000	-	-	-	1,386,000
-	-	-	-	-	16,923
-	-	-	-	-	11,922
-	2,000	-	42	-	1,573,989
-	-	-	-	-	232,745
383	144	5,812	835	546	1,903,671
383	144	5,812	835	546	2,136,416
383	2,144	5,812	877	546	3,710,405

Audubon County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Mental Health</u>
Revenues:			
Property and other county tax:			
Property tax	\$ 995,388	-	65
Local option sales tax	-	59,069	-
Utility tax replacement excise tax	37,285	-	-
	<u>1,032,673</u>	<u>59,069</u>	<u>65</u>
Intergovernmental:			
State shared revenues:			
Road use tax	-	1,729,330	-
State grants and reimbursements including indirect federal funding:			
Federal emergency management assistance	-	7,518	-
Social services block grant	-	-	29,517
Other	-	16,310	-
State tax replacements:			
State tax credits	52,198	-	-
State allocation	9,444	-	-
Mental health property tax relief	-	-	292,120
	<u>61,642</u>	<u>1,753,158</u>	<u>321,637</u>
Licenses and permits	-	80	-
Charges for service:			
Document management fee	-	-	-
Miscellaneous	-	65	-
	<u>-</u>	<u>65</u>	<u>-</u>

Resource Enhance- ment and Protection	Tax Increment Financing	County Recorder's Records Management	Jail Commissary	Forfeiture	Total
-	2,045	-	-	-	997,498
-	-	-	-	-	59,069
-	-	-	-	-	37,285
-	2,045	-	-	-	1,093,852
-	-	-	-	-	1,729,330
-	-	-	-	-	7,518
-	-	-	-	-	29,517
-	-	-	-	-	16,310
-	366	-	-	-	52,564
-	-	-	-	-	9,444
-	-	-	-	-	292,120
-	366	-	-	-	2,136,803
-	-	-	-	-	80
-	-	1,663	-	-	1,663
-	-	-	-	-	65
-	-	1,663	-	-	1,728

Audubon County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Mental Health
Revenues (continued):			
Use of money and property:			
Interest on investments	-	-	-
Miscellaneous	-	-	-
	-	-	-
Miscellaneous:			
Sale of materials	-	3,021	-
Fines, forfeitures and defaults	-	-	-
Miscellaneous	-	11,077	4,146
	-	14,098	4,146
Total revenues	1,094,315	1,826,470	325,848
Expenditures:			
Operating:			
Public safety and legal services:			
Law enforcement:			
Uniformed patrol services	572	-	-
Investigations	-	-	-
Adult correction services	-	-	-
	572	-	-
Mental health:			
Persons with mental health problems - mental illness:			
General administration	-	-	11,444
Treatment services	-	-	31,480
Institutional, hospital, and commitment services	-	-	6,287
	-	-	49,211
Persons with chronic mental illness:			
Coordination services	-	-	200
Personal and environmental support	-	-	7,569
Treatment services	-	-	16,084
Vocational and day services	-	-	11,127
Licensed or certified living arrangements	-	-	32,915
Institutional, hospital, and commitment services	-	-	583
	-	-	68,478

Resource Enhance- ment and Protection	Tax Increment Financing	County Recorder's Records Management	Jail Commissary	Forfeiture	Total
275	-	50	-	-	325
-	-	-	2,320	-	2,320
275	-	50	2,320	-	2,645
-	-	-	-	-	3,021
-	-	-	-	628	628
-	-	-	-	-	15,223
-	-	-	-	628	18,872
275	2,411	1,713	2,320	628	3,253,980
-	-	-	-	-	572
-	-	-	-	82	82
-	-	-	1,485	-	1,485
-	-	-	1,485	82	2,139
-	-	-	-	-	11,444
-	-	-	-	-	31,480
-	-	-	-	-	6,287
-	-	-	-	-	49,211
-	-	-	-	-	200
-	-	-	-	-	7,569
-	-	-	-	-	16,084
-	-	-	-	-	11,127
-	-	-	-	-	32,915
-	-	-	-	-	583
-	-	-	-	-	68,478

Audubon County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Mental Health</u>
Expenditures (continued):			
Operating:			
Mental health:			
Persons with mental retardation:			
Coordination services	-	-	10,330
Personal and environmental support	-	-	189
Vocational and day services	-	-	171,580
Licensed or certified living arrangements	-	-	383,014
Institutional, hospital, and commitment services	-	-	99,419
	<u>-</u>	<u>-</u>	<u>664,532</u>
Persons with other developmental disabilities:			
Vocational and day services	-	-	861
Licensed or certified living arrangements	-	-	710
	<u>-</u>	<u>-</u>	<u>1,571</u>
	<u>-</u>	<u>-</u>	<u>783,792</u>
County environment and education:			
Environmental quality:			
Natural resources conservation	8,752	-	-
Weed eradication	4,720	-	-
Solid waste disposal	65,232	-	-
Administration	-	-	-
	<u>78,704</u>	<u>-</u>	<u>-</u>
Educational services:			
Libraries	40,000	-	-
	<u>118,704</u>	<u>-</u>	<u>-</u>
Roads and transportation:			
Secondary roads administration and engineering:			
Administration	9,508	112,537	-
Engineering	14,161	150,312	-
	<u>23,669</u>	<u>262,849</u>	<u>-</u>

Resource Enhance- ment and Protection	Tax Increment Financing	County Recorder's Records Management	Jail Commissary	Forfeiture	Total
-	-	-	-	-	10,330
-	-	-	-	-	189
-	-	-	-	-	171,580
-	-	-	-	-	383,014
-	-	-	-	-	99,419
-	-	-	-	-	664,532
-	-	-	-	-	861
-	-	-	-	-	710
-	-	-	-	-	1,571
-	-	-	-	-	783,792
-	-	-	-	-	8,752
-	-	-	-	-	4,720
-	-	-	-	-	65,232
12,395	-	-	-	-	12,395
12,395	-	-	-	-	91,099
-	-	-	-	-	40,000
12,395	-	-	-	-	131,099
-	-	-	-	-	122,045
-	-	-	-	-	164,473
-	-	-	-	-	286,518

Audubon County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Mental Health
Expenditures (continued):			
Operating:			
Roads and transportation:			
Roadway maintenance:			
Bridges and culvert	5,927	106,585	-
Roads	41,056	996,278	-
Snow and ice control	6,255	89,098	-
Traffic controls	3,353	58,937	-
Road clearing	101,763	37,083	-
	<u>158,354</u>	<u>1,287,981</u>	<u>-</u>
General roadway expenditures:			
Equipment	-	287,788	-
Equipment operation	18,952	447,278	-
Tools, materials, and supplies	-	21,608	-
Real estate and buildings	-	13,788	-
	<u>18,952</u>	<u>770,462</u>	<u>-</u>
Mass transit:			
Air transportation	28,286	-	-
	<u>229,261</u>	<u>2,321,292</u>	<u>-</u>
Governmental services to residents:			
Representation services:			
Township officials	700	-	-
	<u>700</u>	<u>-</u>	<u>-</u>
Administration:			
Central services:			
General services	2,203	-	-
	<u>2,203</u>	<u>-</u>	<u>-</u>
Capital projects:			
Roadway construction	1,043	108,332	-
	<u>1,043</u>	<u>108,332</u>	<u>-</u>
Total expenditures	<u>352,483</u>	<u>2,429,624</u>	<u>783,792</u>
Excess (deficiency) of revenues over (under) expenditures	<u>741,832</u>	<u>(603,154)</u>	<u>(457,944)</u>

Resource Enhance- ment and Protection	Tax Increment Financing	County Recorder's Records Management	Jail Commissary	Forfeiture	Total
-	-	-	-	-	112,512
-	-	-	-	-	1,037,334
-	-	-	-	-	95,353
-	-	-	-	-	62,290
-	-	-	-	-	138,846
-	-	-	-	-	1,446,335
-	-	-	-	-	287,788
-	-	-	-	-	466,230
-	-	-	-	-	21,608
-	-	-	-	-	13,788
-	-	-	-	-	789,414
-	-	-	-	-	28,286
-	-	-	-	-	2,550,553
-	-	-	-	-	700
-	-	-	-	-	2,203
-	-	-	-	-	109,375
-	-	-	-	-	109,375
12,395	-	-	1,485	82	3,579,861
(12,120)	2,411	1,713	835	546	(325,881)

Audubon County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Mental Health</u>
Other financing sources (uses):			
Operating transfers in (out):			
General Fund	-	-	-
Special Revenue:			
Rural Services	-	624,022	-
Secondary Roads	(624,022)	-	-
Total other financing sources (uses)	<u>(624,022)</u>	<u>624,022</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	117,810	20,868	(457,944)
Fund balances beginning of year	579,653	1,281,892	597,697
Decrease in reserve for inventories	<u>(2,581)</u>	<u>(8,699)</u>	<u>-</u>
Fund balances end of year	<u>\$ 694,882</u>	<u>1,294,061</u>	<u>139,753</u>

See accompanying independent auditor's report.

Resource Enhance- ment and Protection	Tax Increment Financing	County Recorder's Records Management	Jail Commissary	Forfeiture	Total
-	(2,275)	-	-	-	(2,275)
-	-	-	-	-	624,022
-	-	-	-	-	(624,022)
-	(2,275)	-	-	-	(2,275)
(12,120)	136	1,713	835	546	(328,156)
12,503	8	4,099	-	-	2,475,852
-	-	-	-	-	(11,280)
383	144	5,812	835	546	2,136,416

Audubon County

Audubon County

Debt Service Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2003

Revenues:

Property and other county tax:

Property tax	\$ 252,589	
Utility tax replacement excise tax	10,567	
Other	<u>5</u>	\$ 263,161

Intergovernmental:

State tax replacements:

State tax credits		16,993
-------------------	--	--------

Use of money and property:

Interest on investments		<u>1,414</u>
Total revenues		<u>281,568</u>

Expenditures:

Debt service:

Bonds redeemed	210,000	
Interest and fiscal charges paid	<u>71,310</u>	<u>281,310</u>

Excess of revenues over expenditures

258

Fund balance beginning of year

42,528

Fund balance end of year

\$ 42,786

See accompanying independent auditor's report.

Audubon County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2003

	Expendable Trust Fund			
	Conservation Land Acquisition Trust	County Offices		Agricultural Extension Education
		County Recorder	County Sheriff	
Assets				
Cash and pooled investments:				
County Treasurer	\$ 900	-	-	900
Other County officials	-	7,562	15,496	-
Receivables:				
Property tax:				
Delinquent	-	-	-	731
Succeeding year	-	-	-	66,000
Accounts	-	469	-	-
Total assets	\$ 900	8,031	15,496	67,631
Liabilities and Fund Equity				
Liabilities:				
Excess of outstanding warrants over cash balance	\$ -	-	-	-
Accounts payable	-	-	-	-
Due to other funds	-	4,875	13,413	-
Due to other governments	-	3,156	118	67,631
Trusts payable	-	-	1,965	-
Compensated absences	-	-	-	-
Total liabilities	-	8,031	15,496	67,631
Fund equity:				
Unreserved fund balance	900	-	-	-
Total liabilities and fund equity	\$ 900	8,031	15,496	67,631

Agency Funds						
County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication
120,504	44,644	2,123	11,858	1,200	115,959	15
-	-	-	-	-	-	-
631	35,065	1,810	2,635	1,211	-	12
57,000	3,346,000	163,000	849,000	88,000	-	1,000
6	-	-	-	-	-	-
<u>178,141</u>	<u>3,425,709</u>	<u>166,933</u>	<u>863,493</u>	<u>90,411</u>	<u>115,959</u>	<u>1,027</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	4,040	-
171,374	3,425,709	166,933	863,493	90,411	111,919	1,027
-	-	-	-	-	-	-
<u>6,767</u>	-	-	-	-	-	-
<u>178,141</u>	<u>3,425,709</u>	<u>166,933</u>	<u>863,493</u>	<u>90,411</u>	<u>115,959</u>	<u>1,027</u>
-	-	-	-	-	-	-
<u>178,141</u>	<u>3,425,709</u>	<u>166,933</u>	<u>863,493</u>	<u>90,411</u>	<u>115,959</u>	<u>1,027</u>

Audubon County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2003

	Agency			
	Anatomical Gift Public Awareness and Transportation	Emergency Management Services	Special Assess- ments	County Hospital
Assets				
Cash and pooled investments:				
County Treasurer	12	12,284	2,282	9,052
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	4,354
Succeeding year	-	-	-	391,000
Accounts	-	-	-	-
Total assets	12	12,284	2,282	404,406
Liabilities and Fund Equity				
Liabilities:				
Excess of outstanding warrants over cash balance	-	-	-	-
Accounts payable	-	159	-	-
Due to other funds	-	-	-	-
Due to other governments	-	12,125	2,282	404,406
Trusts payable	12	-	-	-
Compensated absences	-	-	-	-
Total liabilities	12	12,284	2,282	404,406
Fund equity:				
Unreserved fund balance	-	-	-	-
Total liabilities and fund equity	12	12,284	2,282	404,406

See accompanying independent auditor's report.

Funds							
Tax Sale Redemp- tion	E911 Surcharge	Advance Tax	A.A.E. Task Force	Landfill Post- Closure	Payroll Miscellaneous	COBRA	Total
2,545	66,858	25,798	9,763	164,071	-	-	590,768
-	-	-	-	-	-	-	23,058
-	-	-	-	-	-	-	46,449
-	-	-	-	-	-	-	4,961,000
678	9,447	-	-	-	4,195	357	15,152
3,223	76,305	25,798	9,763	164,071	4,195	357	5,636,427
-	-	-	-	-	2,271	357	2,628
-	40	-	-	-	-	-	199
-	-	-	-	-	-	-	22,328
-	76,265	25,798	9,763	164,071	-	-	5,596,481
3,223	-	-	-	-	1,924	-	7,124
-	-	-	-	-	-	-	6,767
3,223	76,305	25,798	9,763	164,071	4,195	357	5,635,527
-	-	-	-	-	-	-	900
3,223	76,305	25,798	9,763	164,071	4,195	357	5,636,427

Audubon County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	County Offices		Agricultural	County Assessor
	County Recorder	County Sheriff	Extension Education	
Assets and Liabilities				
Balances beginning of year	\$ 6,818	13,207	66,898	239,801
Additions:				
Property and other county tax	-	-	66,451	56,489
E911 surcharge	-	-	-	-
State tax credits	-	-	4,225	8,210
Office fees and collections	110,785	33,466	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	65,078	-	-
Miscellaneous	-	-	-	2,916
Total additions	110,785	98,544	70,676	67,615
Deductions:				
Agency remittances:				
To other funds	42,084	32,614	-	-
To other governments	65,982	548	69,943	129,275
Trusts paid out	1,506	63,093	-	-
Total deductions	109,572	96,255	69,943	129,275
Balances end of year	\$ 8,031	15,496	67,631	178,141

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication	Anatomical Gift Public Awareness Transplantation
3,268,074	158,887	769,502	89,418	107,947	1,707	8
3,347,071	162,298	819,565	89,363	-	1,093	-
-	-	-	-	-	-	-
208,787	10,026	91,492	4,522	-	71	-
-	-	-	-	-	-	-
-	-	-	-	1,494,738	-	33
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,555,858	172,324	911,057	93,885	1,494,738	1,164	33
-	-	-	-	51,478	-	-
3,398,223	164,278	817,066	92,892	1,435,248	1,844	29
-	-	-	-	-	-	-
3,398,223	164,278	817,066	92,892	1,486,726	1,844	29
3,425,709	166,933	863,493	90,411	115,959	1,027	12

Audubon County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	Emergency Management Services	Special Assessments	County Hospital	Tax Sale Redemption
Assets and Liabilities				
Balances beginning of year	12,815	56	672,336	3,043
Additions:				
Property and other county tax	-	-	390,096	-
E911 surcharge	-	-	-	-
State tax credits	-	-	42,492	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	4,198	-	-
Trusts	-	-	-	46,410
Miscellaneous	14,304	153	-	-
Total additions	14,304	4,351	432,588	46,410
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	14,835	2,125	700,518	-
Trusts paid out	-	-	-	46,230
Total deductions	14,835	2,125	700,518	46,230
Balances end of year	12,284	2,282	404,406	3,223

See accompanying independent auditor's report.

E911	Advance Tax	A.A.E. Task Force	Landfill Post-Closure	Payroll Miscellaneous	COBRA	Total
95,094	20,662	759	162,361	-	-	5,689,393
-	-	-	-	-	-	4,932,426
47,389	-	-	-	-	-	47,389
-	-	-	-	-	-	369,825
-	-	-	-	-	-	144,251
-	-	-	-	-	-	1,494,771
-	-	-	-	-	-	4,198
-	30,132	-	-	-	-	141,620
-	-	17,787	1,710	19,824	8,826	65,520
47,389	30,132	17,787	1,710	19,824	8,826	7,200,000
-	-	-	-	-	-	126,176
66,178	24,996	8,783	-	19,824	8,826	7,021,413
-	-	-	-	-	-	110,829
66,178	24,996	8,783	-	19,824	8,826	7,258,418
76,305	25,798	9,763	164,071	-	-	5,630,975

Schedule 8

Audubon County

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2003	2002	2001	2000
Taxes:				
Property tax	\$ 2,836,692	2,700,163	2,475,943	2,720,583
Local option sales tax	59,069	-	-	-
Utility tax replacement excise tax	114,252	111,605	105,088	-
Other	33	117	63	-
	<u>3,010,046</u>	<u>2,811,885</u>	<u>2,581,094</u>	<u>2,720,583</u>
Intergovernmental:				
State shared revenues:				
Road use tax	1,729,330	1,739,379	1,667,959	1,692,214
Other	10,699	19,789	21,071	19,390
State tax replacements:				
State tax credits	176,222	196,889	207,845	213,817
State allocation	75,788	79,853	85,413	85,684
Mental health property tax relief	292,120	292,120	292,120	292,120
Other	-	-	33,257	37,106
State and federal pass thru revenues:				
Highway planning and construction grant	-	-	-	296,784
Federal emergency management assistance	7,518	-	-	14,656
Social services block grant	29,517	33,803	33,970	85,467
Federal trail grant	203,006	-	-	-
Other	49,735	212,040	178,564	86,750
Contributions and reimbursements from other governmental units				
	107,277	32,761	53,807	129,055
State grants and entitlements:				
Home care aid	28,226	-	-	-
Federal grants and entitlements:				
Watershed protection and flood prevention	-	155,159	59,088	65,365
Medicare and medicaid	221,110	157,496	160,260	128,943
	<u>2,930,548</u>	<u>2,919,289</u>	<u>2,793,354</u>	<u>3,147,351</u>
Total	\$ 5,940,594	5,731,174	5,374,448	5,867,934

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

Audubon County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Officials of Audubon County:

We have audited the general purpose financial statements of Audubon County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 2, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Audubon County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance 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, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose 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. There were no prior year statutory findings.

Internal Control Over Financial Reporting

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

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

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

December 2, 2003

Audubon County
Schedule of Findings
Year ended June 30, 2003

Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that 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. The following conditions were noted regarding the County's segregation of duties:
- (1) County Treasurer – The same person who prepares the summary of delinquent collections is the same person who performs a reconciliation of delinquencies at year end.
 - (2) Public Health – Billings, collections, cash receipts journal posting, and the reconciliation of billings to collections are all performed by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the County should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances. The County Treasurer's summary of delinquent collections should be prepared or reviewed by a person who does not do the reconciliation of delinquencies at year end. Also, Public Health's reconciliation of billings to collections should be prepared or reviewed by a person who does not do the reconciliation.

Treasurer's response – As of July 1, 2003, a deputy treasurer independent of the process is preparing the monthly reconciliation and will prepare the summary of delinquent collections and the reconciliation of delinquencies at year end.

Public Health response – An independent person will initial to indicate review of billings and collections reconciliation monthly.

Conclusion – Responses accepted.

- (B) Written Policies for Capital Assets – Other than the established capitalization threshold, the County does not have a written policy for capital assets.

Recommendation – The Board of Supervisors should develop a written policy for capital assets. The policy should include, but not be limited to, the following: responsibilities for custody and safekeeping of assets, procedures for the acquisition and disposal of assets, placing identification tags on capital assets, annual physical inventories and reporting the results of the inventory to the Board of Supervisors.

Audubon County

Schedule of Findings

Year ended June 30, 2003

Response – As of October 6, 2003 the Board as approved a capital asset policy.

Conclusion – Response accepted.

- (C) Payments to the County Attorney – The County Attorney employs two staff that work on County business and on matters related to the County Attorney’s private law practice. The timesheets submitted to the County by these individuals do not distinguish between the hours worked on County business and hours worked for the County Attorney’s private practice. Instead, the County pays a certain percentage of each staff person’s salary and benefits. There is also an inconsistency in the benefits (vacation, sick leave, health insurance) provided to these individuals by the County Attorney and the benefits provided to other part-time County employees by the County.

The County Attorney bills the County for rent, extra help and other supply items, including equipment. There is no formal written agreement for the amount of rent that will be paid and there is no documentation (i.e. timesheets or logs) to support the amount paid for extra help, supplies, and equipment.

Recommendation – The Board of Supervisors and County Attorney should enter into written agreements for the payment of salaries, benefits and rent. The timesheets submitted by the County Attorney’s staff should identify the actual hours worked on County business. Billings for extra help should be supported by timesheets and the rate of pay for extra help should be approved by the Board of Supervisors.

Response – The Board of Supervisors contracted with the County Attorney for the fiscal year 2004. The contract for the fiscal year 2005 will be reviewed for any changes needed.

Conclusion – Response accepted.

- (D) Credit Cards – The County has credit cards for use by various employees while on County business. The County has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The County should adopt a formal written policy regulating the use of County credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges. The credit cards should be secured in a locked file and an independent individual within the County Auditor’s office should be in charge of signing cards out.

Response – The Board of Supervisors will address these issues at the meeting on December 8, 2003. A county credit card policy will be drafted and approved in the near future.

Conclusion – Response accepted.

Audubon County

Schedule of Findings

Year ended June 30, 2003

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

- The County does not have written policies for changing passwords regularly, password privacy and confidentiality.
- The County does not have a written policy regarding the unauthorized installation of unlicensed software.
- A time out and/or log off function is not utilized, nor does the County use a screen saver password.

Recommendation – The County should review its control activities and establish policies pertaining to its computer based systems.

Response – The Board of Supervisors will contact and discuss the issues noted above with appropriate personnel to resolve the deficiencies.

Conclusion – Response accepted.

(F) Disbursements – Certain disbursements were not approved by department heads prior to the disbursement. The County has established a written policy stating that department heads are required to review and approve claims prior to disbursement.

Recommendation – All County disbursements should be approved by the department heads prior to the disbursement in accordance with the established written policy.

Response – On August 18, 2003, the Board of Supervisors passed a policy requiring all claims submitted for payment to be approved by appropriate department heads.

Conclusion – Response accepted.

(G) County Assessor- A restrictive endorsement was not placed on checks upon receipt.

Recommendation – A restrictive endorsement (for deposit only) should be placed on all checks when received to help provide protection in case of theft or loss.

Response – The Assessor’s office staff has been instructed to place restrictive endorsements on all checks when they are received.

Conclusion – Response accepted.

Audubon County

Schedule of Findings

Year ended June 30, 2003

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.
- (2) Certified Budget – During the year ended June 30, 2003, disbursements did not exceed the amounts budgeted by function. However, disbursements in one department exceeded the amount appropriated.

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

Response – In the future, any chart of accounts conversion or recoding of departments will include a resolution to reappropriate departments accordingly.

Conclusion – Response accepted.

- (3) Questionable Expenditures – In August 2002, the County Conservation Board purchased steaks and supplies totaling \$116 for an annual Conservation Commission appreciation dinner. This expenditure may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Recommendation – According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

The County Conservation Board should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the Board should establish written policies and procedures, including the requirement for proper documentation of the public purpose served.

Response – The County Conservation Board has traditionally held an annual picnic with the County Board of Supervisors. The purpose of this picnic is to develop and maintain good public relations between the two boards. It also allows the County Conservation Board to show the Board of Supervisors what is being done at the County's largest park. The Conservation Board did not see anything wrong with doing this. To prevent any problems with this in the future, the Conservation Board will no longer use county funds to purchase supplies for their annual appreciation dinner.

Conclusion – Response accepted.

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

Audubon County

Schedule of Findings

Year ended June 30, 2003

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

Name, Title and Business Connection	Transaction Description	Amount
Les Larsen, Emergency Management Director/Coordinator – owner of Larsen Glass and Body	Parts and installation	\$ 208
Les Larsen, Emergency Management Director/Coordinator– son owns Steve’s Sign Shop	Signs and decals, per bid	23,967
Jim and Roger Sinow, County employees	E911 sign labor, per bid	1,437

In accordance with Chapter 331.342(3) of the Code of Iowa, the transactions with Steve’s Sign Shop do not appear to represent a conflict of interest since the transactions were publicly bid.

In accordance with Chapter 331.342(10) of the Code of Iowa, the other transactions do not appear to represent conflicts of interest since the total transactions with each individual were less than \$1,500 during the fiscal year.

- (6) 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.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) 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.
- (9) 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).
- (10) 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, 2002 for the County Extension Office did not exceed the amount budgeted.

Audubon County

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Timothy D. Houlette, CPA, Senior Auditor
Shawn P. Limback, CPA, Staff Auditor
Jodi L. Simon, CPA, Staff Auditor
Gary D. Van Lengen, CPA, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State