



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

Mary Mosiman, CPA  
Auditor of State

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NEWS RELEASE

FOR RELEASE

March 31, 2014

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Auditor of State Mary Mosiman today released an audit report on Audubon County, Iowa.

The County had local tax revenue of \$11,393,536 for the year ended June 30, 2013, which included \$684,344 in tax credits from the state. The County forwarded \$7,322,812 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,071,724 of the local tax revenue to finance County operations, an 11.6% increase over the prior year. Other revenues included charges for service of \$451,839, operating grants, contributions and restricted interest of \$2,288,861, capital grants, contributions and restricted interest of \$604,714, unrestricted investment earnings of \$11,011, local option sales tax of \$268,687, gain on disposition of capital assets of \$78,994 and other general revenues of \$107,176.

Expenses for County operations for the year ended June 30, 2013 totaled \$7,207,352, a 9.6% decrease from the prior year. Expenses included \$3,934,127 for roads and transportation, \$1,088,748 for public safety and legal services and \$681,149 for administration.

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/1310-0005-B00F.pdf>.

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**AUDUBON COUNTY**

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

**JUNE 30, 2013**

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**Audubon County**

**Officials**

**(Before January 1, 2013)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Todd M. Nelsen	Board of Supervisors	Jan 2013
Vernon Venteicher	Board of Supervisors	Jan 2013
Gary VanAernam	Board of Supervisors	Jan 2015
Lisa Frederiksen	County Auditor	Jan 2013
Debbie Campbell (Appointed)	County Treasurer	Nov 2014
Mary Lou Johansen	County Recorder	Jan 2015
Todd Johnson	County Sheriff	Jan 2013
Francine O'Brien Andersen	County Attorney	Jan 2015
Debra Umland	County Assessor	Jan 2016

**(After January 1, 2013)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gary VanAernam	Board of Supervisors	Jan 2015
Duane Diest	Board of Supervisors	Jan 2017
Todd M. Nelsen	Board of Supervisors	Jan 2017
Lisa Frederiksen	County Auditor	Jan 2017
Debbie Campbell	County Treasurer	Nov 2014
Mary Lou Johansen	County Recorder	Jan 2015
Todd Johnson	County Sheriff	Jan 2017
Francine O'Brien Andersen	County Attorney	Jan 2015
Debra Umland	County Assessor	Jan 2016

**Audubon County**



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Independent Auditor's Report

To the Officials of Audubon County:

Report on the Financial Statements

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, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## 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 as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 44 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2014 on our consideration of Audubon County's internal control over financial reporting and on 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 in considering Audubon County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 4, 2014

**Audubon County**

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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, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- Governmental activities' revenues increased 7.4%, or approximately \$542,000, from fiscal year 2012.
- Governmental activities' expenses decreased 9.6%, or approximately \$763,000, from fiscal year 2012.
- The County's net position increased 4.4%, or approximately \$676,000, from June 30, 2012 to June 30, 2013.

### **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 Position 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 financial 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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 Position 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 Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position 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 years.

The County's governmental activities are presented in the Statement of Net Position 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, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for 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 governmental fund financial statements follow the governmental fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial position. Audubon County’s combined net position was virtually unchanged from a year ago, increasing from approximately \$15.3 million to approximately \$15.9 million. The analysis that follows focuses on the changes in the net position of governmental activities.

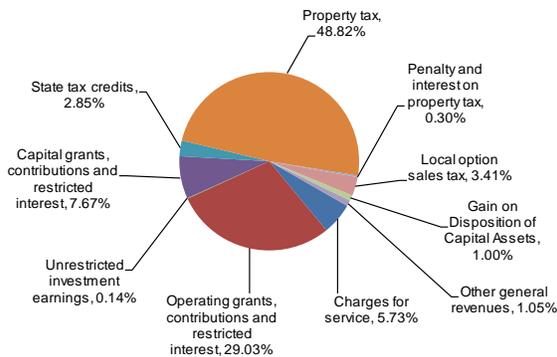
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2013	2012
Current and other assets	\$ 8,084	8,169
Capital assets	12,394	12,125
Total assets	20,478	20,294
Long-term liabilities	682	732
Other liabilities	3,850	4,292
Total liabilities	4,532	5,024
Net position:		
Net investment in capital assets	12,304	12,054
Restricted	2,976	2,652
Unrestricted	666	564
Total net position	\$ 15,946	15,270

Net position of Audubon County’s governmental activities increased approximately \$676,000, or 4.4%. The largest portion of the County’s net position 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 position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The restricted net position component increased approximately \$324,000, or 12.2%, from the prior year. This increase is primarily due to an increase in amounts held for supplemental levy and mental health purposes. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$564,000 at June 30, 2012 to approximately \$666,000 at the end of this year, an increase of 18.1%. The increase in unrestricted net position is primarily due to an increase in the amount held by the General Fund.

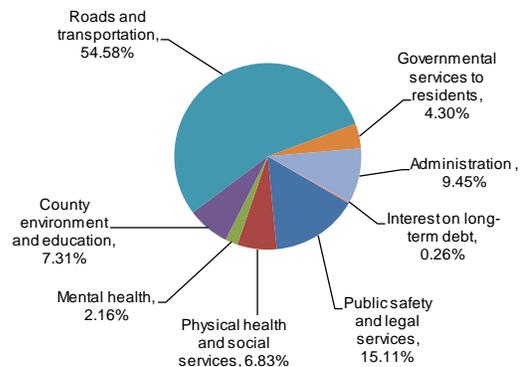
**Changes in Net Position of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2013	2012
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 452	450
Operating grants, contributions and restricted interest	2,289	2,797
Capital grants, contributions and restricted interest	605	44
<b>General revenues:</b>		
Property tax	3,847	3,476
Penalty and interest on property tax	24	26
State tax credits	225	172
Local option sales tax	269	242
Unrestricted investment earnings	11	26
Gain on disposition of capital assets	79	-
Other general revenues	83	109
<b>Total revenues</b>	<b>7,884</b>	<b>7,342</b>
<b>Program expenses:</b>		
Public safety and legal services	1,089	1,061
Physical health and social services	492	567
Mental health	156	1,039
County environment and education	527	608
Roads and transportation	3,934	3,699
Governmental services to residents	310	303
Administration	681	662
Interest on long-term debt	19	32
<b>Total expenses</b>	<b>7,208</b>	<b>7,971</b>
<b>Increase (decrease) in net position</b>	<b>676</b>	<b>(629)</b>
<b>Net position beginning of year</b>	<b>15,270</b>	<b>15,899</b>
<b>Net position end of year</b>	<b>\$ 15,946</b>	<b>15,270</b>

**Revenues by Source**



**Expenses by Function**



The County increased property tax rates from \$12.06993 per \$1,000 of taxable valuation for fiscal year 2012 to \$12.65029 per \$1,000 of taxable valuation for fiscal year 2013, a 4.8% increase. The overall rate increase, coupled with an overall increase in taxable valuation of approximately \$18,000,000, increased the County's property tax revenue approximately \$371,000 in fiscal year 2013.

Revenues for governmental activities increased approximately \$542,000, or 7.4%, from the prior year. The largest increase was in capital grants, contributions and restricted interest, an increase of approximately \$561,000. This increase is due to increased contributions from the Iowa Department of Transportation for road infrastructure.

The cost of all governmental activities this year was approximately \$7.2 million compared to approximately \$8.0 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$3.9 million because some of the cost was paid by those directly benefited from the programs (approximately \$452,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$2,894,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2013 from approximately \$3,291,000 to approximately \$3,346,000.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Audubon County completed the year, its governmental funds reported a combined fund balance of approximately \$4.2 million, an increase of approximately \$400,000 from last year's total of approximately \$3.8 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

The General Fund ending balance increased approximately \$160,000 to approximately \$1,654,000 at June 30, 2013. General Fund revenues decreased approximately \$16,000, or less than 1%, from fiscal year 2012, primarily due to a decrease in miscellaneous revenues. Expenditures decreased approximately \$231,000, or 8.2%, from fiscal year 2012.

The County has continued to look for ways to effectively manage the cost of mental health services. The Special Revenue, Mental Health Fund balance increased approximately \$385,000 to \$523,692 at June 30, 2013. For the year, revenues totaled approximately \$541,000, a decrease of 12.4% from fiscal year 2012. For the year, expenditures totaled approximately \$156,000, a decrease of 85% from the prior year. The decrease in revenue is primarily due to a reduction in state provided property tax relief in fiscal year 2013 due to the state taking over the non-federal share of Medicaid. The decrease in expenditures is primarily due to decreased client costs for licensed or certified living arrangements, as the state is paying the non-federal portion of Medicaid.

The Special Revenue, Rural Services Fund balance increased approximately \$52,000 to \$597,546 at June 30, 2013. Revenues and expenditures increased approximately \$134,000 and \$232,000, respectively. The increase in revenues is primarily due to an increase in the property tax levy rate from \$.86133 per \$1,000 of taxable valuation in fiscal year 2012 to \$.9869 per \$1,000 of taxable valuation in fiscal year 2013. The increase in expenditures is primarily due to the hiring of a full-time employee in fiscal year 2013 for rural services and roadside work and the purchase of a John Deere tractor and mower in fiscal year 2013.

The Special Revenue, Secondary Roads Fund expenditures increased approximately \$180,000 over the prior year, mainly due to an increase in road maintenance work and a bridge replacement project undertaken in May of 2012 and worked on throughout fiscal year 2013. Revenues increased approximately \$309,000 from the prior year, primarily due to an increase in intergovernmental revenues for the bridge replacement project undertaken in May 2012. These changes resulted in a decrease in the Special Revenue, Secondary Roads Fund ending balance of approximately \$176,000 to \$1,380,283 at June 30, 2013.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, Audubon County amended its budget four times. The amendments were made on January 3, 2013, March 26, 2013, May 21, 2013 and June 4, 2013 and resulted in a \$194,253 increase in budgeted receipts and a \$489,397 increase in budgeted disbursements.

The County’s receipts were approximately \$214,000 less than budgeted, a variance of 2.8%. The most significant variance resulted from the County receiving less intergovernmental receipts than anticipated.

Total disbursements were approximately \$1,587,000, or 17.6%, less than the amended budget. Actual disbursements for the physical health and social services, mental health and roads and transportation functions were \$132,910, \$737,564 and \$343,473, respectively, less than budgeted. This was primarily due to hazard mitigation expenses budgeted for in fiscal year 2013 but not incurred, mental health services such as the non-federal share of budgeted Medicaid expenditures paid for by the State and a decrease in bridge/culvert replacement project disbursements budgeted in fiscal year 2013.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2013, Audubon County had approximately \$12.394 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities and roads and bridges. This is a net increase (including additions and deletions) of approximately \$267,000 from June 30, 2012.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2013	2012
Land	\$ 931	931
Construction in progress	527	243
Buildings and improvements	761	794
Equipment and vehicles	1,344	1,076
Infrastructure, road network and other	8,831	9,081
Total	\$ 12,394	12,125

The County had depreciation expense of \$862,134 for fiscal year 2013 and total accumulated depreciation of \$9,036,479 at June 30, 2013.

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

## Long-Term Debt

At June 30, 2013, Audubon County had approximately \$403,000 of loans and general obligation notes/bonds outstanding, compared to approximately \$481,000 at June 30, 2012.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2013	2012
General obligation notes/bonds	\$ 314	429
Conservation loan	34	52
Airport loan	55	-
Total	\$ 314	481

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 \$32,890,877 (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 2014 budget, tax rates and fees charged for various County activities. One of the major factors is the taxable valuation of property within the county. The taxable value for rural areas for fiscal year 2014 is up 5.8% to \$301.4 million and the countywide taxable valuation increased 4.8% to \$361.9 million.

Audubon County budgets on a cash basis. Amounts available for appropriation (budgeted beginning balance plus budgeted receipts) in the fiscal year 2014 operating budget are approximately \$9.00 million, a decrease of 19.6% from the final amended fiscal year 2013 budget. With budgeted disbursements decreasing from \$9,028,041 to \$7,032,840 (down 22.1%), the operating ending balance is expected to decrease approximately \$212,262 from the re-estimated June 30, 2013 balance. The fiscal year 2013 actual cash basis ending balance was \$3.55 million (\$1.37 million higher than projected), which will increase the estimated fiscal year 2014 ending balance accordingly. The County has added no major new programs or initiatives to the fiscal year 2014 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 Position  
June 30, 2013

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 3,551,425
Receivables:	
Property tax:	
Delinquent	6,200
Succeeding year	3,551,000
Succeeding year tax increment financing	50,000
Interest and penalty on property tax	16,922
Accounts	23,109
Loan	46,463
Accrued interest	248
Due from other governments	393,752
Inventories	430,260
Prepaid insurance	15,329
Capital assets, net of accumulated depreciation	12,393,520
<b>Total assets</b>	<u>20,478,228</u>
<b>Liabilities</b>	
Accounts payable	209,274
Accrued interest payable	2,289
Salaries and benefits payable	11,075
Due to other governments	26,358
Deferred revenue:	
Succeeding year property tax	3,551,000
Succeeding year tax increment financing	50,000
Long-term liabilities:	
Portion due or payable within one year:	
Bonds payable	30,037
Loans payable	37,214
Compensated absences	114,327
Portion due or payable after one year:	
Bonds payable	284,152
Loans payable	51,969
Compensated absences	111,317
Net OPEB liability	53,300
<b>Total liabilities</b>	<u>4,532,312</u>
<b>Net Position</b>	
Net investment in capital assets	12,304,337
Restricted for:	
Supplemental levy purposes	724,113
Mental health purposes	524,859
Rural services purposes	434,074
Secondary roads purposes	1,256,077
Other purposes	36,712
Unrestricted	665,744
<b>Total net position</b>	<u>\$ 15,945,916</u>

See notes to financial statements.

Audubon County

Statement of Activities

Year ended June 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Contributions and Restricted Interest	Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,088,748	67,210	5,300	-	(1,016,238)
Physical health and social services	491,549	146,986	123,215	-	(221,348)
Mental health	155,940	518	10,389	-	(145,033)
County environment and education	527,221	59,122	29,898	-	(438,201)
Roads and transportation	3,934,127	26,550	2,120,059	604,714	(1,182,804)
Governmental services to residents	310,028	131,419	-	-	(178,609)
Administration	681,149	5,434	-	-	(675,715)
Non-program	-	14,600	-	-	14,600
Interest on long-term debt	18,590	-	-	-	(18,590)
<b>Total</b>	<b>\$ 7,207,352</b>	<b>451,839</b>	<b>2,288,861</b>	<b>604,714</b>	<b>(3,861,938)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					3,846,934
Penalty and interest on property tax					24,033
State tax credits					224,790
Local option sales tax					268,687
Unrestricted investment earnings					11,011
Gain on disposition of capital assets					78,994
Miscellaneous					83,143
<b>Total general revenues</b>					<b>4,537,592</b>
Change in net position					675,654
Net position beginning of year					15,270,262
Net position end of year					<b>\$ 15,945,916</b>

See notes to financial statements.

Audubon County  
Balance Sheet  
Governmental Funds

June 30, 2013

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 1,586,277	536,535	601,962	783,126
Receivables:				
Property tax:				
Delinquent	4,694	1,167	339	-
Succeeding year	1,936,000	267,000	1,348,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	16,922	-	-	-
Accounts	18,777	-	-	4,239
Loan	46,463	-	-	-
Accrued interest	248	-	-	-
Due from other governments	24,298	1,951	-	367,503
Inventories	-	-	-	430,260
Prepaid insurance	15,329	-	-	-
<b>Total assets</b>	<b>\$ 3,649,008</b>	<b>806,653</b>	<b>1,950,301</b>	<b>1,585,128</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 18,827	7,185	2,376	178,644
Salaries and benefits payable	4,893	232	2,040	3,910
Due to other governments	13,804	7,377	-	808
Deferred revenue:				
Succeeding year property tax	1,936,000	267,000	1,348,000	-
Other	21,615	1,167	339	21,483
Total liabilities	1,995,139	282,961	1,352,755	204,845
Fund balances:				
Nonspendable:				
Inventories	\$ -	-	-	430,260
Prepaid insurance	15,329	-	-	-
Loan receivable	46,463	-	-	-
Restricted for:				
Supplemental levy purposes	592,215	-	139,780	-
Mental health purposes	-	523,692	-	-
Rural services purposes	-	-	457,766	-
Secondary roads purposes	-	-	-	950,023
Debt service	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Cass-Audubon economic development agreement	40,000	-	-	-
Sheriff	41,535	-	-	-
Park improvements	57,005	-	-	-
Courthouse improvements	50,000	-	-	-
Unassigned	811,322	-	-	-
Total fund balances	1,653,869	523,692	597,546	1,380,283
<b>Total liabilities and fund balances</b>	<b>\$ 3,649,008</b>	<b>806,653</b>	<b>1,950,301</b>	<b>1,585,128</b>

See notes to financial statements.

Nonmajor	Total
43,525	3,551,425
-	6,200
-	3,551,000
50,000	50,000
-	16,922
93	23,109
-	46,463
-	248
-	393,752
-	430,260
-	15,329
93,618	8,084,708

2,242	209,274
-	11,075
4,369	26,358
50,000	3,601,000
-	44,604
56,611	3,892,311

-	430,260
-	15,329
-	46,463
-	731,995
-	523,692
-	457,766
-	950,023
295	295
36,712	36,712
-	40,000
-	41,535
-	57,005
-	50,000
-	811,322
37,007	4,192,397
93,618	8,084,708

**Audubon County**

Audubon County

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

June 30, 2013

<b>Total governmental fund balances (page 21)</b>	\$ 4,192,397
<b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>	
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 \$21,429,999 and the accumulated depreciation is \$9,036,479.	12,393,520
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	44,604
Long-term liabilities, including bonds payable, loans payable, other postemployment benefits payable, compensated absences payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(684,605)</u>
<b>Net position of governmental activities (page 18)</b>	<u><u>\$ 15,945,916</u></u>

See notes to financial statements.

Audubon County

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

Year ended June 30, 2013

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 2,010,533	499,862	1,335,816	-
Local option sales tax	-	-	-	268,687
Interest and penalty on property tax	20,974	-	-	-
Intergovernmental	387,453	40,730	72,383	2,487,717
Licenses and permits	16,584	-	-	745
Charges for service	242,035	-	-	171
Use of money and property	29,080	-	-	-
Miscellaneous	51,080	518	10	78,282
Total revenues	<u>2,757,739</u>	<u>541,110</u>	<u>1,408,209</u>	<u>2,835,602</u>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	779,094	-	268,831	1,944
Physical health and social services	488,418	-	-	-
Mental health	-	155,940	-	-
County environment and education	293,727	-	140,498	-
Roads and transportation	-	-	361,953	3,188,792
Governmental services to residents	312,307	-	825	-
Administration	636,343	-	14,594	-
Debt service	93,949	-	-	-
Capital projects	-	-	-	399,279
Total expenditures	<u>2,603,838</u>	<u>155,940</u>	<u>786,701</u>	<u>3,590,015</u>
Excess (deficiency) of revenues over (under) expenditures	<u>153,901</u>	<u>385,170</u>	<u>621,508</u>	<u>(754,413)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	6,440	-	-	625,000
Operating transfers out	-	-	(625,000)	(57,453)
Sale of capital assets	-	-	-	10,415
Loan proceeds	-	-	55,268	-
Total other financing sources (uses)	<u>6,440</u>	<u>-</u>	<u>(569,732)</u>	<u>577,962</u>
Change in fund balances	160,341	385,170	51,776	(176,451)
Fund balances beginning of year	1,493,528	138,522	545,770	1,556,734
Fund balances end of year	<u>\$ 1,653,869</u>	<u>523,692</u>	<u>597,546</u>	<u>1,380,283</u>

See notes to financial statements.

Nonmajor	Total
-	3,846,211
-	268,687
-	20,974
8,512	2,996,795
-	17,329
1,564	243,770
22	29,102
-	129,890
10,098	7,552,758
6,062	1,055,931
-	488,418
-	155,940
17,752	451,977
-	3,550,745
1,000	314,132
-	650,937
57,452	151,401
-	399,279
82,266	7,218,760
(72,168)	333,998
57,453	688,893
(6,440)	(688,893)
-	10,415
-	55,268
51,013	65,683
(21,155)	399,681
58,162	3,792,716
37,007	4,192,397

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, 2013

**Change in fund balances - Total governmental funds (page 25)** \$ 399,681

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 768,589	
Capital assets contributed by the Iowa Department of Transportation	283,245	
Depreciation expense	<u>(862,134)</u>	189,700

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 78,994

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	871	
Other	<u>(43,277)</u>	(42,406)

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

Issued	(55,268)	
Repaid	<u>132,984</u>	77,716

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	(11,859)	
Other postemployment benefits	(16,000)	
Interest on long-term debt	<u>(172)</u>	<u>(28,031)</u>

**Change in net position of governmental activities (page 19)** \$ 675,654

See notes to financial statements.

Audubon County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2013

<b>Assets</b>	
Cash and pooled investments:	
County Treasurer	\$ 558,172
Other County officials	10,160
Receivables:	
Property tax:	
Delinquent	26,243
Succeeding year	6,893,000
Accounts	93
Accrued interest	72
Special assessments	13,931
Due from other governments	11,286
<b>Total assets</b>	<b>7,512,957</b>
 <b>Liabilities</b>	
Accounts payable	757
Salaries and benefits payable	21
Due to other governments	7,458,450
Trusts payable	43,642
Compensated absences	10,087
<b>Total liabilities</b>	<b>7,512,957</b>
<b>Net position</b>	<b>\$ -</b>

See notes to financial statements.

**Audubon County**

Audubon County

Notes to Financial Statements

June 30, 2013

**(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, County Solid Waste Commission and the Audubon County Airport Authority. 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 Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of 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 Position presents the County's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 to be used to fund mental health, intellectual disabilities 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 the road use tax allocation from the State of Iowa, required transfers from the Special Revenue, Rural Services Fund and other revenues to be used 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 year or soon enough thereafter to pay liabilities of the current year. 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 position 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

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 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, intangibles 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 Position. 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
Intangibles	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
Intangibles	5 - 20
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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 Position 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, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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 Position.

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, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### **(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2013 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 \$96,955 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Debt Service	\$ 6,440
Special Revenue: Secondary Roads	Special Revenue: Rural Services	625,000
Debt Service	Special Revenue: Secondary Roads	57,453
Total		<u>\$ 688,893</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, 2013 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	243,299	618,281	335,036	526,544
Total capital assets not being depreciated	<u>1,174,185</u>	<u>618,281</u>	<u>335,036</u>	<u>1,457,430</u>
Capital assets being depreciated:				
Buildings	1,309,124	-	-	1,309,124
Building improvements	205,035	-	-	205,035
Equipment and vehicles	5,289,509	512,547	279,780	5,522,276
Infrastructure, roads	11,286,109	335,036	-	11,621,145
Infrastructure, other	1,314,989	-	-	1,314,989
Total capital assets being depreciated	<u>19,404,766</u>	<u>847,583</u>	<u>279,780</u>	<u>19,972,569</u>
Less accumulated depreciation for:				
Buildings	514,640	33,234	-	547,874
Building improvements	205,034	-	-	205,034
Equipment and vehicles	4,213,938	244,564	279,780	4,178,722
Infrastructure, roads	3,155,903	519,837	-	3,675,740
Infrastructure, other	364,610	64,499	-	429,109
Total accumulated depreciation	<u>8,454,125</u>	<u>862,134</u>	<u>279,780</u>	<u>9,036,479</u>
Total capital assets being depreciated, net	<u>10,950,641</u>	<u>(14,551)</u>	<u>-</u>	<u>10,936,090</u>
Governmental activities capital assets, net	<u>\$ 12,124,826</u>	<u>603,730</u>	<u>335,036</u>	<u>12,393,520</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 49,599
County environment and education	75,847
Roads and transportation	703,895
Governmental services to residents	7,531
Administration	25,262
Total depreciation expense - governmental activities	<u>\$ 862,134</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 at June 30, 2013 is as follows:

Fund	Description	Amount
General	Services	<u>\$ 13,804</u>
Special Revenue:		
Mental Health	Services	7,377
Secondary Roads	Services	808
		<u>8,185</u>
Resource Enhancement and Protection	Services	4,369
Total for governmental funds		<u>\$ 26,358</u>
Agency:		
County Offices	Collections	\$ 8,985
Agriculture Extension Education		103,445
County Assessor		238,339
County Hospital		635,910
Schools		4,601,479
Community Colleges		244,982
Corporations		1,060,590
Townships		160,993
Auto License and Use Tax		152,068
All other		251,659
Total for agency funds		<u>\$ 7,458,450</u>

**(6) Long-Term Debt Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	General Obligation	General Economic Development	Conser- vation Loan	Airport Loan	Compen- sated Absences	Net OPEB Liability	Total
	Obligation Notes	Bonds					
Balance beginning of year	\$ 55,000	374,189	51,899	-	213,785	37,300	732,173
Increases	-	-	-	55,268	117,752	35,675	208,695
Decreases	55,000	60,000	17,984	-	105,893	19,675	258,552
Balance end of year	<u>\$ -</u>	<u>314,189</u>	<u>33,915</u>	<u>55,268</u>	<u>225,644</u>	<u>53,300</u>	<u>682,316</u>
Due within one year	<u>\$ -</u>	<u>30,037</u>	<u>19,105</u>	<u>18,109</u>	<u>114,327</u>	<u>-</u>	<u>181,578</u>

### General Obligation Bonds

In September 2007, the County issued \$500,000 of general obligation economic development bonds. The proceeds were provided to Valley Business Park Corporation to purchase land for economic development. The 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, 2013, a loan receivable of \$46,463 has been recognized in the County's financial statements representing the amount Valley Business Park Corporation is expected to contribute to the repayment of the County's debt.

Details of the general obligation bonds outstanding at June 30, 2013 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	6.25%	\$ 30,037	12,409	42,446
2015	6.25	30,000	11,224	41,224
2016	6.25	35,000	10,055	45,055
2017	6.25	35,000	8,643	43,643
2018	6.25	40,000	7,274	47,274
2019-2022	6.25	144,152	12,706	156,858
Total		\$ 314,189	62,311	376,501

### Conservation Loan

In April 2010, the County borrowed \$89,000 to complete work on Phase V of the countywide bike trail project. The loan is payable in quarterly installments of \$5,063, including interest at 5% per annum, over a period of four years.

Details of the loan outstanding at June 30, 2013 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	5.00%	\$ 19,105	1,355	20,460
2015	5.00	14,810	379	15,189
Total		\$ 33,915	1,734	35,649

### Airport Loan

In October 2012, the County borrowed \$55,268 to meet the County's portion of the local match for a federal grant received by the Audubon County Airport Authority for Airport Runway Rehabilitation Project 14-32. The loan is payable in annual installments of \$19,431, including interest at 3% per annum, over a period of three years.

Details of the loan outstanding at June 30, 2013 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	3.00%	\$ 18,109	1,322	19,431
2015	3.00	18,301	1,130	19,431
2016	3.00	18,858	574	19,432
Total		\$ 55,268	3,026	58,294

**(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 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$196,965, \$181,339 and \$156,679, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 51 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a health plan insured through the Iowa Association of Counties group plan with Wellmark Blue Cross/Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 35,665
Interest on net OPEB obligation	1,492
Adjustment to annual required contribution	<u>(1,482)</u>
Annual OPEB cost (expense)	35,675
Contributions made	<u>(19,675)</u>
Increase in net OPEB obligation	16,000
Net OPEB obligation beginning of year	<u>37,300</u>
Net OPEB obligation end of year	<u>\$ 53,300</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the County contributed \$19,675 to the medical plan. Plan members eligible for benefits contributed \$7,281, or 27% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 25,287	51.5%	\$ 24,769
2012	25,545	51.0	37,300
2013	35,675	55.1	53,300

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was approximately \$280,500, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$280,500. The covered payroll (annual payroll of active employees eligible to be covered by the plan) was approximately \$1,810,500 and the ratio of the UAAL to covered payroll was 16%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the projected unit credit with linear proration to decrement actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP-2000 Combined Mortality Table.

Projected claim costs of the medical plan are \$574 per month for retirees. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open group basis over 30 years.

**(9) Risk Management**

The County is a member of 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 679 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 at a level determined by the Board not to exceed 300% of 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, 2013 were \$109,308.

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 \$15,000,000 such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

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, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, 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% of its capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty 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 \$25,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Development Agreement**

The County agreed to rebate 50% of the actual incremental property tax paid by West Central Cooperative Inc., up to a maximum of \$55,898 per year, in exchange for the costs of certain improvements. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated to West Central Cooperative, Inc. for a period not to exceed 10 years or in a cumulative amount not to exceed a total of \$325,000. The payments will be made on December 1 and June 1 of each fiscal year, beginning on December 1, 2013.

**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, 2013

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>Receipts:</b>				
Property and other county tax	\$ 4,121,012	4,131,419	4,131,419	(10,407)
Interest and penalty on property tax	20,492	-	-	20,492
Intergovernmental	2,950,449	3,176,275	3,297,848	(347,399)
Licenses and permits	15,721	500	500	15,221
Charges for service	250,838	177,745	177,745	73,093
Use of money and property	29,721	19,150	19,150	10,571
Miscellaneous	120,322	23,130	95,810	24,512
Total receipts	7,508,555	7,528,219	7,722,472	(213,917)
<b>Disbursements:</b>				
Public safety and legal services	1,047,272	1,152,034	1,163,606	116,334
Physical health and social services	488,973	616,883	621,883	132,910
Mental health	305,462	1,043,026	1,043,026	737,564
County environment and education	477,955	434,204	504,779	26,824
Roads and transportation	3,615,092	3,653,566	3,958,566	343,474
Governmental services to residents	315,013	372,222	379,222	64,209
Administration	645,052	709,003	718,003	72,951
Debt service	77,704	77,706	77,706	2
Capital projects	468,783	480,000	561,250	92,467
Total disbursements	7,441,306	8,538,644	9,028,041	1,586,735
Excess (deficiency) of receipts over (under) disbursements	67,249	(1,010,425)	(1,305,569)	1,372,818
Other financing sources, net	65,683	-	65,768	(85)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	132,932	(1,010,425)	(1,239,801)	1,372,733
Balance beginning of year	3,418,493	3,195,482	3,418,525	(32)
Balance end of year	\$ 3,551,425	2,185,057	2,178,724	1,372,701

See accompanying independent auditor's report.

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Audubon County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,508,555	44,203	7,552,758
Expenditures	7,441,306	(222,546)	7,218,760
Net	67,249	266,749	333,998
Other financing sources, net	65,683	-	65,683
Beginning fund balances	3,418,493	374,223	3,792,716
Ending fund balances	\$ 3,551,425	640,972	4,192,397

See accompanying independent auditor's report.

Audubon County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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 and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, four budget amendments increased budgeted disbursements by \$489,397. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, 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, 2013, disbursements did not exceed the amounts budgeted.

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Audubon County

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

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Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 218	218	0.0%	\$ 1,978	11.0%
2011	July 1, 2009	-	218	218	0.0	2,032	11.0
2012	July 1, 2009	-	218	218	0.0	1,769	12.0
2013	July 1, 2012	-	281	281	0.0	1,811	16.0

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See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**Audubon County**

**Supplementary Information**

Audubon County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2013

	Resource Enhancement and Protection	County Recorder's Records Management	Special Forfeiture
<b>Assets</b>			
Cash and pooled investments	\$ 4,534	1,172	33,235
Receivables:			
Succeeding year tax increment financing Accounts	-	-	-
	-	93	-
<b>Total assets</b>	<b>\$ 4,534</b>	<b>1,265</b>	<b>33,235</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 157	-	1,900
Deferred revenue	-	-	-
Due to other governments	4,369	-	-
Total liabilities	4,526	-	1,900
Fund balances:			
Restricted for:			
Debt service	-	-	-
Other purposes	8	1,265	31,335
Total fund balances	8	1,265	31,335
<b>Total liabilities and fund balances</b>	<b>\$ 4,534</b>	<b>1,265</b>	<b>33,235</b>

See accompanying independent auditor's report.

Revenue			
AAE Task Force	Tax Increment Financing	Debt Service	Total
4,289	295	-	43,525
-	50,000	-	50,000
-	-	-	93
4,289	50,295	-	93,618
185	-	-	2,242
-	50,000	-	50,000
-	-	-	4,369
185	50,000	-	56,611
-	295	-	295
4,104	-	-	36,712
4,104	295	-	37,007
4,289	50,295	-	93,618

Audubon County

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

Year ended June 30, 2013

	Resource Enhancement and Protection	County Recorder's Records Management	Special Forfeiture
Revenues:			
Intergovernmental	\$ 8,512	-	-
Charges for service	-	1,564	-
Use of money and property	22	-	-
Total revenues	<u>8,534</u>	<u>1,564</u>	<u>-</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	4,396
County environment and education	17,752	-	-
Governmental services to residents	-	1,000	-
Debt service	-	-	-
Total expenditures	<u>17,752</u>	<u>1,000</u>	<u>4,396</u>
Excess (deficiency) of revenues over (under) expenditures	(9,218)	564	(4,396)
Other financing sources:			
Operating transfers in	-	-	-
Change in fund balances	(9,218)	564	(4,396)
Fund balances beginning of year	9,226	701	35,731
Fund balances end of year	<u>\$ 8</u>	<u>1,265</u>	<u>31,335</u>

See accompanying independent auditor's report.

Revenue				
AAE Task Force	Tax Increment Financing	Debt Service	Total	
-	-	-	8,512	
-	-	-	1,564	
-	-	-	22	
-	-	-	10,098	
1,666	-	-	6,062	
-	-	-	17,752	
-	-	-	1,000	
-	-	57,452	57,452	
1,666	-	57,452	82,266	
(1,666)	-	(57,452)	(72,168)	
-	-	51,013	51,013	
(1,666)	-	(6,439)	(21,155)	
5,770	295	6,439	58,162	
4,104	295	-	37,007	

Audubon County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	County Schools
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	1,217	53,157	7,504	60,314
Other County officials	10,160	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	228	428	1,406	11,165
Succeeding year	-	102,000	195,000	627,000	4,530,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 10,160</b>	<b>103,445</b>	<b>248,585</b>	<b>635,910</b>	<b>4,601,479</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	138	-	-
Salaries and benefits payable	-	-	21	-	-
Due to other governments	8,985	103,445	238,339	635,910	4,601,479
Trusts payable	1,175	-	-	-	-
Compensated absences	-	-	10,087	-	-
<b>Total liabilities</b>	<b>\$ 10,160</b>	<b>103,445</b>	<b>248,585</b>	<b>635,910</b>	<b>4,601,479</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
2,532	11,068	1,951	152,068	268,361	558,172
-	-	-	-	-	10,160
450	12,522	42	-	2	26,243
242,000	1,037,000	159,000	-	1,000	6,893,000
-	-	-	-	93	93
-	-	-	-	72	72
-	-	-	-	13,931	13,931
-	-	-	-	11,286	11,286
244,982	1,060,590	160,993	152,068	294,745	7,512,957
-	-	-	-	619	757
-	-	-	-	-	21
244,982	1,060,590	160,993	152,068	251,659	7,458,450
-	-	-	-	42,467	43,642
-	-	-	-	-	10,087
244,982	1,060,590	160,993	152,068	294,745	7,512,957

Audubon County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2013

	Agricultural				
	County Offices	Extension Education	County Assessor	County Hospital	Schools
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 32,600	99,530	234,392	612,436	4,873,656
Additions:					
Property and other county tax	-	101,686	195,345	626,395	4,525,750
E911 surcharge	-	-	-	-	-
State tax credits	-	5,928	11,123	36,553	290,701
Office fees and collections	264,333	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	317	-	-
Total additions	264,333	107,614	206,785	662,948	4,816,451
Deductions:					
Agency remittances:					
To other funds	84,949	-	-	-	-
To other governments	201,824	103,699	192,592	639,474	5,088,628
Trusts paid out	-	-	-	-	-
Total deductions	286,773	103,699	192,592	639,474	5,088,628
Balances end of year	\$ 10,160	103,445	248,585	635,910	4,601,479

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	Auto License and Use Tax	Other	Total
207,117	1,065,277	152,059	140,829	221,378	7,639,274
241,247	1,020,821	160,466	-	1,074	6,872,784
-	-	-	-	82,902	82,902
12,559	93,697	8,341	-	65	458,967
-	-	-	-	-	264,333
-	-	-	2,220,539	-	2,220,539
-	-	-	-	18,205	18,205
-	-	-	-	67,156	67,156
-	-	-	-	55,341	55,658
253,806	1,114,518	168,807	2,220,539	224,743	10,040,544
-	-	-	80,810	-	165,759
215,941	1,119,205	159,873	2,128,490	70,802	9,920,528
-	-	-	-	80,574	80,574
215,941	1,119,205	159,873	2,209,300	151,376	10,166,861
244,982	1,060,590	160,993	152,068	294,745	7,512,957

Audubon County

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

For the Last Ten Years

	2013	2012	2011	2010
<b>Revenues:</b>				
Property and other county tax	\$ 3,846,211	3,476,195	3,301,560	3,260,256
Local option sales tax	268,687	242,276	290,899	205,436
Interest and penalty on property tax	20,974	24,799	29,155	23,401
Intergovernmental	2,996,795	2,998,188	3,851,963	3,317,115
Licenses and permits	17,329	25,264	18,893	13,324
Charges for service	243,770	245,291	259,249	226,123
Use of money and property	29,102	45,219	43,003	64,827
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	129,890	171,682	73,608	122,386
<b>Total</b>	<b>\$ 7,552,758</b>	<b>7,228,914</b>	<b>7,868,330</b>	<b>7,232,868</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,055,931	1,048,453	1,047,406	1,020,955
Physical health and social services	488,418	560,091	570,098	586,559
Mental health	155,940	1,039,242	796,462	658,737
County environment and education	451,977	451,191	1,249,182	560,321
Roads and transportation	3,550,745	3,341,539	2,904,858	2,718,188
Governmental services to residents	314,132	318,730	304,034	299,890
Administration	650,937	696,884	666,107	716,681
Non-program	-	-	61	-
Debt service	151,401	129,573	132,895	171,571
Capital projects	399,279	333,161	36,347	60,925
<b>Total</b>	<b>\$ 7,218,760</b>	<b>7,918,864</b>	<b>7,707,450</b>	<b>6,793,827</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
3,165,443	3,339,314	2,947,792	2,787,515	3,205,924	3,338,129
252,399	364,263	201,385	203,123	254,776	196,492
18,757	20,466	23,520	20,609	20,450	845
3,042,035	3,546,225	2,892,234	2,777,310	3,714,840	3,018,341
9,430	7,863	7,154	8,043	6,672	6,576
243,189	218,088	217,759	210,753	255,559	222,763
66,821	176,424	215,182	175,395	93,839	69,443
-	-	-	-	-	7,765
93,200	302,894	110,007	107,614	230,858	100,200
<b>6,891,274</b>	<b>7,975,537</b>	<b>6,615,033</b>	<b>6,290,362</b>	<b>7,782,918</b>	<b>6,960,554</b>
980,359	894,634	860,371	849,610	856,744	756,027
563,834	544,721	486,841	482,623	508,597	479,342
879,184	917,687	984,171	822,787	882,496	752,504
458,616	922,345	456,994	377,990	973,576	459,100
2,923,000	3,131,863	2,694,168	2,966,815	3,060,502	2,521,497
306,424	263,128	278,339	327,444	265,773	232,024
644,180	616,972	620,005	635,940	577,630	535,153
-	-	-	-	-	208
161,098	411,481	406,297	407,951	295,207	280,990
440,636	338,024	665,932	242,763	282,835	344,654
<b>7,357,331</b>	<b>8,040,855</b>	<b>7,453,118</b>	<b>7,113,923</b>	<b>7,703,360</b>	<b>6,361,499</b>

**Audubon County**



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

Mary Mosiman, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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

To the Officials of Audubon County:

We have audited 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, the 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, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Audubon County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Audubon County's internal control. Accordingly, we do not express an opinion on the effectiveness of Audubon County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) and (D) to be significant deficiencies.

### 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 which 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, 2013 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 the Findings

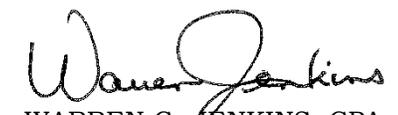
Audubon County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Audubon County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 4, 2014

Audubon County

Schedule of Findings

Year ended June 30, 2013

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL 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) County Recorder – 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. The individual responsible for preparing disbursements, check writing, signing, posting and reconciling is the same individual responsible for receipting collections. A change fund is shared among employees.
  - (2) County 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 County Treasurer's Office is shared among employees.
  - (3) County 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 collections recorded.
  - (4) Ag Extension Office – The bank reconciliation is performed by someone who handles and records cash.

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, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

County Recorder – Since it is only a two person office, the risk factor is very low for errors within the change fund. Also, we must balance to a computer report each day, which is our check and balance for the fund. A computer report is printed each morning for the following day's receipts. The Deputy runs the report. Checks and cash are verified to the report. The Recorder makes out the deposit and takes it to the bank. There has to be \$100 cash for the drawer each morning. This is the amount which must always be there. This amount never changes.

County Treasurer – We try our best in segregating the duties. With a small staff it is hard to do, but we will do our best.

Audubon County

Schedule of Findings

Year ended June 30, 2013

County Conservation – We do the best we can with a limited staff. I work seven days a week and collect camping receipts. I total the receipts and write the totals on a post-it note. I share a naturalist with Shelby County. She is in Audubon County two days a week, at most. She removes camping receipts and writes the amount she took out of the envelope on the receipt. She checks to see if it matches the amount the camper wrote on the envelope. She totals the receipts and takes them to the courthouse for deposit. Collecting camping receipts is only one of many duties I am responsible for, so we do what works best for our department.

Ag Extension Office – We are aware segregation of duties is very important and have developed the following strategy to help mitigate any losses in regards to the bank reconciliation preparation. As it is not feasible with the amount of staff available to have an independent person prepare the bank reconciliations, we will implement a review process. The monthly bank reconciliation, along with the bank statement, will be reviewed, initialed and dated by the board secretary at the Council meetings.

Conclusions – County Treasurer and Ag Extension Office responses accepted. The County Recorder and County Conservation should utilize current personnel, including personnel from other offices, to provide additional control through review of financial transactions, reconciliations and reports.

- (B) Financial Reporting – During the audit, we identified material amounts of accounts receivable and accounts payable not recorded in the County's financial statements or recorded to the wrong fiscal year. In addition, there were material errors in the reporting of capital asset additions, deletions and infrastructure. Adjustments were subsequently made by the County to include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables and payables are identified and included in the County's financial statements. The County should ensure the capital asset listing is up-to-date and includes additions and deletions. The County policy states the limitation on the amounts to be included. The County should also delete equipment traded in.

Response – The Board visited with the County Engineer. He will work with the Secondary Roads office manager and the County Treasurer to properly accrue payables and receivables. The Secondary Roads Department and the County Treasurer did not know LOST and Road Use Tax Fund (RUTF) receivables lagged 2 months (LOST) and 1 month (RUTF).

In addition, the County Engineer will review the current asset listing at year end to ensure it is correct and up-to-date. The Engineer will have his staff review the capital asset listing periodically throughout the year to make sure it is up to date.

Conclusion – Response accepted.

Audubon County

Schedule of Findings

Year ended June 30, 2013

- (C) Sheriff Bank Reconciliation – The June 30, 2013 bank reconciliation for the Sheriff's Trust account did not include all activity through June 30.

Recommendation – All deposits in transit and all checks written through the end of the month should be included in the monthly bank reconciliation.

Response – The County will include all deposits in transit and all checks written until the end of the month in the bank reconciliations.

Conclusion – Response accepted.

- (D) Delinquent Tax Reconciliation – The County Treasurer does not reconcile prior year delinquent taxes, delinquent tax collections and additions to delinquent taxes.

Recommendation – The County Treasurer should develop procedures to ensure prior year delinquent taxes, delinquent tax collections and additions to delinquent taxes are reconciled and the correct balances are included in the accounting software.

Response – The County will start performing a tax reconciliation for delinquent taxes as of July 1, 2013.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Audubon County

Schedule of Findings

Year ended June 30, 2013

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 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, son of E-911 Director Lester Larsen, owner of Steve's Signs and Stitches	Materials and labor - E-911 Department	\$ 1,375
Randall Nelsen, brother of Supervisor Todd M. Nelsen, owner of City Service and Parts and City Service-Exhaust Pros	Parts and installation	13,251
Jerry Riesgaard, brother of Veteran's Affairs Director Gary Riesgaard and brother-in-law of Supervisor Todd M. Nelsen	Township meetings and moving fence	45
Tyler Thygesen, spouse of Melissa Thygesen, Data Processing Specialist in Sheriff's office, self employed	Cleaning Sheriff vehicles	990
Dave Witt, brother of Chris Hemmingsen, Office Manager in Secondary Roads office, Owner of Ace Hardware	Various parts and supplies - Secondary Roads Department other County departments	4,188 8,760
Brad Hemmingsen, husband of Chris Hemmingsen, Office Manager in Secondary Roads office, works at Rustvold Plumbing and Heating	Plumbing parts and labor	1,665
Vicky Sorensen, wife of Larry Sorenson, Road Side Foreman for Secondary Roads, her sister owns Options Ink	Signage for Secondary Roads	959
Duane Deist, Board of Supervisors, owner of D & J Supply	Tires and repair for Secondary Roac	3,672

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Rustvold Plumbing and Heating and D & J Supply may represent conflicts of interest since the total transactions with each exceeded \$1,500 during the fiscal year and the transactions were not competitively bid.

Audubon County

Schedule of Findings

Year ended June 30, 2013

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Steve's Signs and Stitches, Jerry Riesgaard, Tyler Thygesen and Options Ink do not appear to represent conflicts of interest since the total transactions were less than \$1,500 during the fiscal year. The County Attorney's Office was previously consulted and opined the transactions with City Service and Parts and City Service - Exhaust Pros do not constitute a conflict of interest since Todd M. Nelsen has no interest, direct or indirect, in the business of his brother and did not arrange the contracts. The County Attorney's Office was previously consulted and opined the transactions with Steve's Signs and Stitches pertaining to the E-911 Department do not constitute a conflict of interest since this Department is not subject to Chapter 331.342 of the Code of Iowa.

In accordance with Chapter 331.342(2)(d) of the Code of Iowa, the transactions with Ace Hardware for the Secondary Roads Department and other County departments do not represent a conflict of interest since the Secondary Roads office manager's remuneration of employment is not directly affected as a result of the transactions and her duties do not directly involve procurement of the parts and supplies.

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

Response - The County will consult with the County Attorney and obtain a letter outlining the conflict of interests applicable and how to avoid them. Duane Deist abstains from voting on claims related to D & J Supply, per County Attorney's advice, will obtain this in writing in the letter from the County Attorney.

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.
- (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, 2013 for the County Extension Office did not exceed the amount budgeted.

- (10) Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

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Audubon County

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager  
Steven O. Fuqua, Senior Auditor II  
Karen J. Kibbe, Senior Auditor II  
Karen L. Brustkern, CPA, Senior Auditor II  
Kaylynn D. Short, Staff Auditor  
Philip A. Rethwisch, Staff Auditor  
Daniel J. Mikels, Staff Auditor  
Jeremy L. Krajicek, Assistant Auditor  
Melissa A. Hastert, Intern Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State