



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ March 2, 2007

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$8,199,047 for the year ended June 30, 2006, which included \$586,314 in tax credits from the state. The County forwarded \$5,214,073 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$2,984,974 of the local tax revenue to finance County operations, a 14% decrease from the prior year. The significant decrease is due primarily to a reduction of property tax levied for general purposes. Other revenues included charges for service of \$473,173, operating grants, contributions and restricted interest of \$2,267,644, capital grants, contributions and restricted interest of \$2,219,100, unrestricted investment earnings of \$160,598, local option sales tax of \$203,123 and other general revenues of \$72,417.

Expenses for County operations totaled \$6,911,383, a 4% decrease from the prior year. Expenses included \$3,299,021 for roads and transportation, \$859,353 for public safety and legal services and \$822,787 for mental health.

A copy of the report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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AUDUBON COUNTY

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

JUNE 30, 2006

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Audubon County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
LaVerne V. Deist	Board of Supervisors	Jan 2007
Todd M. Nelson	Board of Supervisors	Jan 2009
Vernon Venteicher	Board of Supervisors	Jan 2009
Lisa Frederiksen	County Auditor	Jan 2009
Peggy Smalley	County Treasurer	Jan 2007
Mary Lou Johansen	County Recorder	Jan 2007
Todd Johnson	County Sheriff	Jan 2009
Francine O'Brien Andersen	County Attorney	Jan 2007
Eileen Monson	County Assessor	Jan 2010

Audubon County



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Independent Auditor's Report

To the Officials of Audubon County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Audubon County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Audubon County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Audubon County at June 30, 2006, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2006 on our consideration of Audubon County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Audubon County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 29, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Governmental activities revenues decreased 5.6%, or approximately \$493,000, from fiscal 2005 to fiscal 2006. Property and other county tax decreased 14.3%, or approximately \$465,000.
- Governmental activities expenses decreased 3.7%, or approximately \$264,000. Roads and transportation expenses increased by approximately \$161,000 and county environment and education expenses decreased approximately \$586,000.
- The County's net assets increased 11.7%, or approximately \$1,470,000, from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Audubon County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Audubon County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Audubon County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

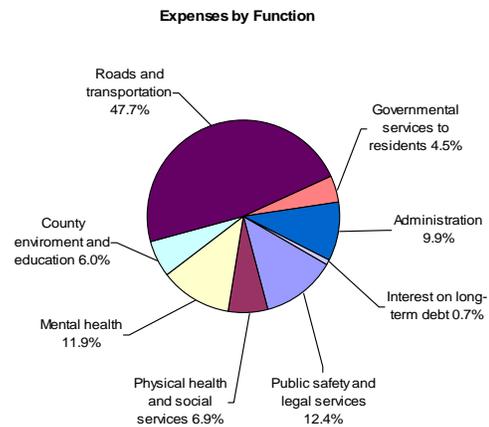
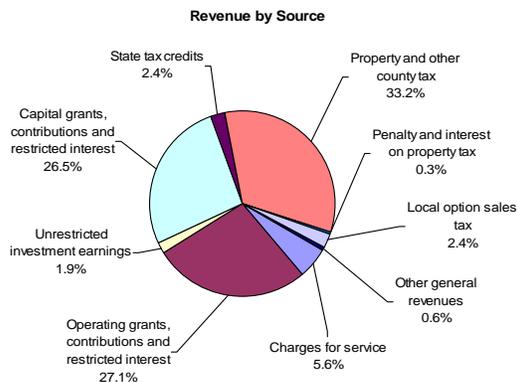
As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis below shows the County's total net assets at June 30, 2006.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2006	2005
Current and other assets	\$ 7,962	8,750
Capital assets	10,628	8,705
Total assets	18,590	17,455
Long-term liabilities	1,277	1,666
Other liabilities	3,295	3,241
Total liabilities	4,572	4,907
Net assets:		
Invested in capital assets, net of related debt	9,493	7,174
Restricted	2,103	2,661
Unrestricted	2,422	2,713
Total net assets	\$ 14,018	12,548

Net assets of Audubon County's governmental activities increased by approximately \$1,470,000. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—were approximately \$2,422,000 at June 30, 2006.

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

	Year ended June 30,	
	2006	2005
Revenues:		
Program revenues:		
Charges for service	\$ 473	578
Operating grants, contributions and restricted interest	2,268	2,641
Capital grants, contributions and restricted interest	2,219	1,808
General revenues:		
Property and other county tax	2,782	3,247
Penalty and interest on property tax	24	28
State tax credits	203	227
Local option sales tax	203	255
Unrestricted investment earnings	160	84
Other general revenues	49	6
Total revenues	8,381	8,874
Program expenses:		
Public safety and legal services	859	762
Physical health and social services	478	509
Mental health	823	883
County environment and education	414	1,000
Roads and transportation	3,299	3,138
Governmental services to residents	309	267
Administration	681	583
Interest on long-term debt	48	33
Total expenses	6,911	7,175
Increase in net assets	1,470	1,699
Net assets beginning of year	12,548	10,849
Net assets end of year	\$ 14,018	12,548



The County decreased property tax rates for 2006 by an average of 15.24%, due mainly to spending down ending balance reserves. The overall rate decrease along with a slight increase in valuations lowered the County's property tax revenue by approximately \$465,000 in 2006. Based on increases in the total assessed valuation and higher rural levy rates, property tax revenue is budgeted to increase by \$159,071 next year.

INDIVIDUAL MAJOR FUND ANALYSIS

As Audubon County completed the year, its governmental funds reported a combined fund balance of \$4.6 million, a decrease of more than \$820,000 from last year's total of \$5.5 million. The decrease in fund balance is primarily attributable to spending down reserves versus raising property tax rates. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased by \$460,056 and expenditures remained fairly consistent when compared to the prior year. The revenue decrease is primarily attributable to the decrease in property taxes levied/collected and FY05 trail grant monies received. The ending fund balance decreased \$92,705 from the prior year to \$2,413,236.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$822,800, a decrease of 7% from the prior year. The Mental Health Fund balance at year ended decreased by approximately \$1,000 from the prior year.
- Rural Services Fund revenues decreased by approximately \$800,000 because of decrease in property taxes levied/collected and extensive CDBG grant monies received in FY2005. Expenditures decreased by approximately \$578,000 from the prior year, due principally to CDBG grant monies expended in FY2005.
- Secondary Roads Fund expenditures remained fairly consistent and revenues decreased by approximately \$224,000 from the prior year, due principally to significant FEMA monies received in FY2005 and lower local option sales tax revenue. This decrease in revenue resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$412,500, or 28%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Audubon County amended its budget four times. The first amendment was made on January 16, 2006 and resulted in an increase in budgeted receipts of \$39,125 and in budgeted disbursements of \$62,500 related to HAVA receipts and disbursements and substance abuse disbursements. The second amendment was made on January 30, 2006. This amendment resulted in a \$15,000 increase in receipts and a \$20,000 increase in disbursements related to the Conservation bike trail. The third amendment, made on May 15, 2006, mainly increased local option sales tax, permit and grant receipts by a total of \$91,500. It also resulted in an increase in total disbursements of \$217,000, due mainly to mental health and secondary roads disbursements increasing by \$125,000 and \$80,000, respectively. The fourth amendment, made on May 30, 2006, increased disbursements by \$60,300 due to workers comp insurance premiums and building improvement and equipment replacements.

The County's receipts were \$152,800 more than budgeted, a variance of 2.5%. The most significant variances resulted from the County underestimating interest receipts and receiving more miscellaneous receipts than anticipated.

Total disbursements were \$1,134,517 less than the final amended budget. Actual disbursements for the County environment and education and the capital projects functions were \$110,767 and \$608,973, respectively, less than budgeted. This was primarily due to unspent budgeted monies for Hungry Canyon projects and unspent capital project bond proceeds budgeted for secondary roads building and GIS/real estate software systems. These projects should be completed by the end of FY07.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, Audubon County had approximately \$10.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,922,000, or 22%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2006	2005
Land	\$ 976	959
Construction in progress	360	1,515
Buildings and improvements	445	334
Equipment and vehicles	1,501	1,437
Infrastructure, road network	7,346	4,460
Total	\$ 10,628	8,705

The County had depreciation expense of \$717,157 in FY2006 and total accumulated depreciation of \$4,931,435 at June 30, 2006.

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

Long-Term Debt

At June 30, 2006, Audubon County had approximately \$1,132,000 in general obligation notes and other debt outstanding, compared to approximately \$1,526,000 at June 30, 2005, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2006	2005
Refunding notes	\$ 1,105	1,450
Capital lease purchase agreement	-	36
Conservation trail loan agreement	27	40
Total	\$ 1,132	1,526

Debt decreased as a result of continuing to pay off refunding notes for capital projects and for the Audubon County Memorial Hospital expansion. In addition, the County paid in full a capital lease purchase agreement for an excavator system.

The County continues to carry a general obligation bond rating of Aaa assigned by national rating agencies to the County's debt since 1995. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

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 \$17,161,128. Additional information about the County's long-term debt and other long-term liabilities 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 2006 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.7% versus 4.7% a year ago. This compares with the State's unemployment rate of 3.6% and the national rate of 4.6%.

Inflation in the State was lower than the national Consumer Price Index (CPI) increase. The State's CPI increase was .1% for fiscal year 2006 compared with the national rate of 1.3%. Inflation has been modest here due, in part, to the slowing of the residential housing market, loss of local jobs and sharp increases in energy prices in fiscal year 2006.

These indicators were taken into account when adopting the budget for fiscal year 2007. Amounts available for appropriation in the operating budget are \$7.5 million, a decrease of 9.56% from the final 2006 budget. Budgeted disbursements are expected to fall by \$435,462. The County has added no major new programs or initiatives to the fiscal year 2007 budget.

If these FY2007 estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$1.4 million by the close of June 30, 2007.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Audubon County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Audubon County Auditor's Office, 318 Leroy St. #4, Audubon, Iowa 50025.

Audubon County

Basic Financial Statements

Exhibit A

Audubon County
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,408,988
Receivables:	
Property tax:	
Delinquent	20,731
Succeeding year	2,943,000
Interest and penalty on property tax	17,257
Accounts	30,988
Accrued interest	9,418
Loan	2,500
Due from other governments	189,603
Inventories	321,152
Prepaid insurance	18,208
Capital assets (net of accumulated depreciation)	10,627,703
	<u>18,589,548</u>
Total assets	
Liabilities	
Accounts payable	146,109
Accrued interest payable	2,615
Salaries and benefits payable	9,998
Due to other governments	193,404
Deferred revenue:	
Succeeding year property tax	2,943,000
Long-term liabilities:	
Portion due or payable within one year:	
Notes payable	360,000
Loan agreement	13,387
Compensated absences	73,260
Portion due or payable after one year:	
Notes payable	745,000
Loan agreement	14,056
Compensation absences	70,972
	<u>4,571,801</u>
Total liabilities	
Net Assets	
Invested in capital assets, net of related debt	9,492,645
Restricted for:	
Supplemental levy purposes	429,186
Mental health purposes	110,692
Secondary roads purposes	969,931
Debt service	18,885
Capital projects	533,528
Other purposes	40,976
Unrestricted	2,421,904
	<u>\$ 14,017,747</u>

See notes to financial statements.

Audubon County

Statement of Activities

Year ended June 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 859,353	90,877	7,443	-	(761,033)
Physical health and social services	478,508	191,039	129,378	-	(158,091)
Mental health	822,787	20,156	365,775	-	(436,856)
County environment and education	414,272	48,143	9,149	27,251	(329,729)
Roads and transportation	3,299,021	1,113	1,755,756	2,038,975	496,823
Governmental services to residents	308,782	108,786	143	77,406	(122,447)
Administration	680,533	13,059	-	75,468	(592,006)
Interest on long-term debt	48,127	-	-	-	(48,127)
Total	\$ 6,911,383	473,173	2,267,644	2,219,100	(1,951,466)
General Revenues:					
Property and other county tax levied for:					
General purposes					2,481,362
Debt service					300,323
Penalty and interest on property tax					23,910
State tax credits					203,289
Local option sales tax					203,123
Unrestricted investment earnings					160,598
Miscellaneous					48,507
Total general revenues					3,421,112
Change in net assets					1,469,646
Net assets beginning of year					12,548,101
Net assets end of year					\$ 14,017,747

See notes to financial statements.

Audubon County
Balance Sheet
Governmental Funds

June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,348,221	305,062	476,498	652,959
Receivables:				
Property tax:				
Delinquent	9,734	1,650	7,244	-
Succeeding year	1,459,000	185,000	985,000	-
Interest and penalty on property tax	17,257	-	-	-
Accounts	30,687	-	-	234
Accrued interest	8,788	-	-	-
Loan	2,500	-	-	-
Due from other governments	50,132	452	-	139,019
Inventories	-	-	5,108	316,044
Prepaid insurance	16,208	-	2,000	-
Total assets	\$ 3,942,527	492,164	1,475,850	1,108,256
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 34,215	13,525	6,943	55,767
Salaries and benefits payable	5,818	-	800	3,380
Due to other governments	6,411	182,947	60	3,986
Deferred revenue:				
Succeeding year property tax	1,459,000	185,000	985,000	-
Other	23,847	1,439	6,061	-
Total liabilities	1,529,291	382,911	998,864	63,133
Fund balances:				
Reserved for:				
Supplemental levy purposes	451,475	-	-	-
Debt service	-	-	-	-
Unreserved, designated for:				
Court house improvements	150,000	-	-	-
Park Improvements	23,966	-	-	-
Unreserved, undesignated, reported in:				
General fund	1,787,795	-	-	-
Special revenue funds	-	109,253	476,986	1,045,123
Capital projects fund	-	-	-	-
Total fund balances	2,413,236	109,253	476,986	1,045,123
Total liabilities and fund balances	\$ 3,942,527	492,164	1,475,850	1,108,256

See notes to financial statements.

Nonmajor	Total
626,248	4,408,988
2,103	20,731
314,000	2,943,000
-	17,257
67	30,988
630	9,418
-	2,500
-	189,603
-	321,152
-	18,208
943,048	7,961,845
35,659	146,109
-	9,998
-	193,404
314,000	2,943,000
1,750	33,097
351,409	3,325,608
-	451,475
17,135	17,135
-	150,000
-	23,966
-	1,787,795
40,976	1,672,338
533,528	533,528
591,639	4,636,237
943,048	7,961,845

Audubon County

Audubon County

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

June 30, 2006

Total governmental fund balances (page 19) \$ 4,636,237

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$15,559,138 and the accumulated depreciation is \$4,931,435. 10,627,703

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 33,097

Long-term liabilities, including loan agreement payable, notes payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (1,279,290)

Net assets of governmental activities (page 16) \$ 14,017,747

See notes to financial statements.

Audubon County

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

Year ended June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 1,289,104	405,216	792,151	203,123
Interest and penalty on property tax	20,609	-	-	-
Intergovernmental	534,247	396,500	53,476	1,766,159
Licenses and permits	7,668	-	-	375
Charges for service	209,086	-	-	180
Use of money and property	132,793	-	-	71
Miscellaneous	52,524	20,156	5,607	25,744
Total revenues	2,246,031	821,872	851,234	1,995,652
Expenditures:				
Operating:				
Public safety and legal services	667,928	-	180,114	-
Physical health and social services	482,623	-	-	-
Mental health	-	822,787	-	-
County environment and education	220,170	-	157,820	-
Roads and transportation	-	-	215,686	2,751,129
Governmental services to residents	326,794	-	650	-
Administration	613,770	-	15,044	-
Debt service	14,513	-	-	-
Capital projects	15,745	-	1,887	121,518
Total expenditures	2,341,543	822,787	571,201	2,872,647
Excess (deficiency) of revenues over (under) expenditures	(95,512)	(915)	280,033	(876,995)
Other financing sources (uses):				
Sale of capital assets	2,807	-	-	-
Operating transfers in	-	-	-	524,093
Operating transfers out	-	-	(524,093)	(59,590)
Total other financing sources (uses)	2,807	-	(524,093)	464,503
Net change in fund balances	(92,705)	(915)	(244,060)	(412,492)
Fund balances beginning of year	2,505,941	110,168	721,046	1,457,615
Fund balances end of year	\$ 2,413,236	109,253	476,986	1,045,123

See notes to financial statements.

Nonmajor	Total
301,044	2,990,638
-	20,609
26,928	2,777,310
-	8,043
1,487	210,753
42,531	175,395
3,583	107,614
<u>375,573</u>	<u>6,290,362</u>
1,568	849,610
-	482,623
-	822,787
-	377,990
-	2,966,815
-	327,444
7,126	635,940
393,438	407,951
103,613	242,763
<u>505,745</u>	<u>7,113,923</u>
(130,172)	(823,561)
-	2,807
59,590	583,683
-	(583,683)
<u>59,590</u>	<u>2,807</u>
(70,582)	(820,754)
<u>662,221</u>	<u>5,456,991</u>
<u>591,639</u>	<u>4,636,237</u>

Audubon County

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

Year ended June 30, 2006

Net change in fund balances - Total governmental funds (page 23) \$ (820,754)

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	\$ 534,036	
Capital assets contributed by the Iowa Department of Transportation	2,038,975	
Capital assets contributed by Iowa Homeland Security and Emergency Management	75,468	
Depreciation expense	<u>(717,157)</u>	1,931,322

In the Statement of Activities, the loss on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (8,874)

Because some property tax revenue 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. (23,776)

Repayment of long-term liabilities is an expenditure in the government funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 393,900

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	(4,416)	
Interest on long-term debt	<u>2,244</u>	<u>(2,172)</u>

Change in net assets of governmental activities (page 17) \$ 1,469,646

See notes to financial statements.

Audubon County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

Assets

Cash and pooled investments:	
County Treasurer	\$ 569,076
Other County officials	7,342
Receivables:	
Property tax:	
Delinquent	30,063
Succeeding year	4,864,000
Accounts	10,004
Total assets	5,480,485

Liabilities

Accounts payable	3,430
Due to other governments	5,460,856
Trusts payable	10,653
Compensated absences	5,546
Total liabilities	5,480,485

Net assets	\$ -
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See notes to financial statements.

Audubon County

Notes to Financial Statements

June 30, 2006

(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 and County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

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

The Statement of Net Assets presents the County's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

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

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

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

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Asset Class	Amount
Infrastructure, roads	\$ 50,000
Land, buildings and improvements	1,500
Equipment and vehicles	1,500

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, roads	30 - 65
Equipment	3 - 20
Vehicles	5 - 10

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. 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, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted or the amounts appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 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.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,208,973 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 524,093
Debt Service	Secondary Roads	59,590
		<hr/>
Total		\$ 583,683
		<hr/> <hr/>

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, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 958,930	17,344	-	976,274
Construction in progress	1,515,475	2,057,942	3,213,477	359,940
Total capital assets not being depreciated	<hr/> 2,474,405	<hr/> 2,075,286	<hr/> 3,213,477	<hr/> 1,336,214
Capital assets being depreciated:				
Buildings	737,641	132,048	43,154	826,535
Building improvements	273,386	20,938	-	294,324
Equipment and vehicles	4,687,086	431,211	47,354	5,070,943
Infrastructure, roads	4,828,649	3,202,473	-	8,031,122
Total capital assets being depreciated	<hr/> 10,526,762	<hr/> 3,786,670	<hr/> 90,508	<hr/> 14,222,924
Less accumulated depreciation for:				
Buildings	452,858	24,649	36,080	441,427
Building improvements	224,437	10,281	-	234,718
Equipment and vehicles	3,249,917	365,851	45,554	3,570,214
Infrastructure, roads	368,700	316,376	-	685,076
Total accumulated depreciation	<hr/> 4,295,912	<hr/> 717,157	<hr/> 81,634	<hr/> 4,931,435
Total capital assets being depreciated, net	<hr/> 6,230,850	<hr/> 3,069,513	<hr/> 8,874	<hr/> 9,291,489
Governmental activities capital assets, net	<hr/> \$ 8,705,255	<hr/> 5,144,799	<hr/> 3,222,351	<hr/> 10,627,703
	<hr/> <hr/>			<hr/> <hr/>

(6) Changes in Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Capital Lease Purchase Agreement	Refunding Notes	Loan Agreement	Compen- sated Absences	Total
Balance beginning of year	\$ 36,162	1,450,000	40,181	139,816	1,666,159
Increases	-	-	-	96,453	96,453
Decreases	36,162	345,000	12,738	92,037	485,937
Balance end of year	\$ -	1,105,000	27,443	144,232	1,276,675
Due within one year	\$ -	360,000	13,387	73,260	446,647

Refunding Notes

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

Details of the refunding notes outstanding at June 30, 2006 are as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2007	2.60%	\$ 360,000	31,386	391,386
2008	2.75	375,000	22,026	397,026
2009	2.90	100,000	11,712	111,712
2010	3.05	105,000	8,812	113,812
2011	3.25	55,000	5,610	60,610
2012-2013	3.40	110,000	5,774	115,774
Total		\$ 1,105,000	85,320	1,190,320

Loan Agreement

On June 28, 2004, the County entered into a loan agreement for \$52,300 to pay for a shortfall of funds received for the bike trail. The loan is for four years with interest at 5.00% per annum and requires quarterly payments of \$3,628.

(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 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$109,940, \$110,196 and \$109,624, respectively, equal to the required contributions for each year.

(8) Risk Management

Audubon County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 531 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2006 were \$97,408.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Loan Receivable

The County has a loan receivable totaling \$2,500 as of June 30, 2006 due from the City of Brayton. The loan, for the purchase of a fire truck, is to be paid at a minimum rate of \$2,500 annually. The loan is interest free unless a payment is not made timely, in which case a rate of 9% per annum will be assessed.

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, 2006

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 3,006,861	2,948,953	3,028,953	(22,092)
Interest and penalty on property tax	17,458	-	-	17,458
Intergovernmental	2,756,561	2,761,775	2,817,400	(60,839)
Licenses and permits	7,687	5,050	15,050	(7,363)
Charges for service	207,087	198,805	198,805	8,282
Use of money and property	165,798	50,035	50,035	115,763
Miscellaneous	139,286	37,695	37,695	101,591
Total receipts	<u>6,300,738</u>	<u>6,002,313</u>	<u>6,147,938</u>	<u>152,800</u>
Disbursements:				
Public safety and legal services	836,593	919,903	919,903	83,310
Physical health and social services	482,908	548,194	570,194	87,286
Mental health	858,011	777,000	902,000	43,989
County environment and education	384,646	495,423	495,413	110,767
Roads and transportation	3,022,520	2,926,765	3,158,275	135,755
Governmental services to residents	327,128	305,127	347,627	20,499
Administration	649,002	622,803	691,603	42,601
Non-program	-	1,235	1,235	1,235
Debt service	407,951	408,053	408,053	102
Capital projects	218,027	957,000	827,000	608,973
Total disbursements	<u>7,186,786</u>	<u>7,961,503</u>	<u>8,321,303</u>	<u>1,134,517</u>
Excess (deficiency) of receipts over (under) disbursements	(886,048)	(1,959,190)	(2,173,365)	1,287,317
Other financing sources, net	6,793	-	-	6,793
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(879,255)	(1,959,190)	(2,173,365)	1,294,110
Balance beginning of year	5,288,243	4,695,156	5,270,186	18,057
Balance end of year	<u>\$ 4,408,988</u>	<u>2,735,966</u>	<u>3,096,821</u>	<u>1,312,167</u>

See accompanying independent auditor's report.

Audubon County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 6,300,738	(10,376)	6,290,362
Expenditures	7,186,786	(72,863)	7,113,923
Net	(886,048)	62,487	(823,561)
Other financing sources, net	6,793	(3,986)	2,807
Beginning fund balances	5,288,243	168,748	5,456,991
Ending fund balances	\$ 4,408,988	227,249	4,636,237

See accompanying independent auditor's report.

Audubon County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, four budget amendments increased budgeted disbursements by \$359,800. 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, 2006, disbursements did not exceed the amounts budgeted or the amounts appropriated.

Other Supplementary Information

Audubon County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

	Resource Enhancement and Protection	County Recorder's Records Management	Conservation Land Acquisition	Special Jail Commissary
Assets				
Cash and pooled investments	\$ 782	7,716	900	4,015
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	67
Accrued interest	3	11	-	-
Total assets	\$ 785	7,727	900	4,082
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	18
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	-	-	-	18
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved, reported in:				
Special revenue funds	785	7,727	900	4,064
Capital projects fund	-	-	-	-
Total fund equity	785	7,727	900	4,064
Total liabilities and fund equity	\$ 785	7,727	900	4,082

See accompanying independent auditor's report.

Revenue							
Forfeiture Funds	AAE Task Force	Tax Increment Financing	County Recorder's Electronic Transaction Fees	Debt Service	Capital Projects	Total	
12,521	8,403	295	6,263	16,189	569,164	626,248	
-	-	-	-	2,103	-	2,103	
-	-	-	-	314,000	-	314,000	
-	-	-	-	-	-	67	
-	-	-	23	593	-	630	
12,521	8,403	295	6,286	332,885	569,164	943,048	
-	5	-	-	-	35,636	35,659	
-	-	-	-	314,000	-	314,000	
-	-	-	-	1,750	-	1,750	
-	5	-	-	315,750	35,636	351,409	
-	-	-	-	17,135	-	17,135	
12,521	8,398	295	6,286	-	-	40,976	
-	-	-	-	-	533,528	533,528	
12,521	8,398	295	6,286	17,135	533,528	591,639	
12,521	8,403	295	6,286	332,885	569,164	943,048	

Audubon County

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

Year ended June 30, 2006

	Special Revenue			
	Resource Enhancement and Protection	County Recorder's Records Management	Conservation Land Acquisition	Jail Commissary
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	4,149	-	-	-
Charges for service	-	1,482	-	-
Use of money and property	29	41	-	3,037
Miscellaneous	-	-	-	-
Total revenues	4,178	1,523	-	3,037
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	1,129
Administration	7,126	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	7,126	-	-	1,129
Excess (deficiency) of revenues over (under) expenditures	(2,948)	1,523	-	1,908
Other financing sources:				
Operating transfers in	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(2,948)	1,523	-	1,908
Fund balances beginning of year	3,733	6,204	900	2,156
Fund balances end of year	\$ 785	7,727	900	4,064

See accompanying independent auditor's report.

Forfeiture Funds	AAE Task Force	Tax Increment Financing	County Recorder's Electronic Transaction Fees	Debt Service	Capital Projects	Total
-	-	-	-	301,044	-	301,044
-	-	-	-	22,779	-	26,928
-	-	-	5	-	-	1,487
-	-	-	102	5,965	33,357	42,531
3,383	200	-	-	-	-	3,583
3,383	200	-	107	329,788	33,357	375,573
338	101	-	-	-	-	1,568
-	-	-	-	-	-	7,126
-	-	-	-	393,438	-	393,438
-	-	-	-	-	103,613	103,613
338	101	-	-	393,438	103,613	505,745
3,045	99	-	107	(63,650)	(70,256)	(130,172)
-	-	-	-	59,590	-	59,590
3,045	99	-	107	(4,060)	(70,256)	(70,582)
9,476	8,299	295	6,179	21,195	603,784	662,221
12,521	8,398	295	6,286	17,135	533,528	591,639

Audubon County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	County Hospital
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,108	75,449	6,638
Other County officials	7,342	-	-	-
Receivables:				
Property tax:				
Delinquent	-	462	1,018	2,940
Succeeding year	-	68,000	149,000	440,000
Accounts	-	-	-	-
Total assets	\$ 7,342	69,570	225,467	449,578
Liabilities				
Accounts payable	\$ -	-	2,632	-
Due to other governments	2,728	69,570	217,289	449,578
Trusts payable	4,614	-	-	-
Compensated absences	-	-	5,546	-
Total liabilities	\$ 7,342	69,570	225,467	449,578

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
52,264	2,593	13,612	1,549	103,794	312,069	569,076
-	-	-	-	-	-	7,342
20,957	1,056	2,843	781	-	6	30,063
3,154,000	155,000	805,000	92,000	-	1,000	4,864,000
-	-	-	-	-	10,004	10,004
3,227,221	158,649	821,455	94,330	103,794	323,079	5,480,485
-	-	-	-	-	798	3,430
3,227,221	158,649	821,455	94,330	103,794	316,242	5,460,856
-	-	-	-	-	6,039	10,653
-	-	-	-	-	-	5,546
3,227,221	158,649	821,455	94,330	103,794	323,079	5,480,485

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

Year ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	Schools
Assets and Liabilities					
Balances beginning of year	\$ 13,629	66,583	203,424	400,098	3,125,155
Additions:					
Property and other county tax	-	67,932	148,767	439,518	3,143,303
E911 surcharge	-	-	-	-	-
State tax credits	-	4,941	11,027	29,601	233,309
Drivers license fees	-	-	-	-	-
Office fees and collections	143,842	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Trusts	24,176	-	-	-	-
Miscellaneous	-	-	2,218	-	-
Total additions	168,018	72,873	162,012	469,119	3,376,612
Deductions:					
Agency remittances:					
To other funds	80,620	-	139,969	-	-
To other governments	64,597	69,886	-	419,639	3,274,546
Trusts paid out	29,088	-	-	-	-
Total deductions	174,305	69,886	139,969	419,639	3,274,546
Balances end of year	\$ 7,342	69,570	225,467	449,578	3,227,221

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
155,740	834,924	88,637	115,456	329,730	5,333,376
154,617	782,146	93,888	-	877	4,831,048
-	-	-	-	70,219	70,219
11,566	86,592	5,922	-	67	383,025
-	-	-	9,444	-	9,444
-	-	-	-	-	143,842
-	-	-	1,586,016	-	1,586,016
-	-	-	-	-	24,176
-	-	-	-	158,082	160,300
166,183	868,738	99,810	1,595,460	229,245	7,208,070
-	-	-	62,753	-	283,342
163,274	882,207	94,117	1,544,369	235,896	6,748,531
-	-	-	-	-	29,088
163,274	882,207	94,117	1,607,122	235,896	7,060,961
158,649	821,455	94,330	103,794	323,079	5,480,485

Schedule 5

Audubon County

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

For the Last Six Years

	Modified Accrual Basis					
	2006	2005	2004	2003	2002	2001
Revenues:						
Property and other county tax	\$ 2,990,638	3,460,700	3,534,621	3,010,046	2,811,885	2,581,094
Interest and penalty on property tax	20,609	20,450	845	20,980	22,157	19,822
Intergovernmental	2,777,310	3,714,840	3,018,341	2,930,548	2,919,289	2,793,354
Licenses and permits	8,043	6,672	6,576	7,476	7,848	8,016
Charges for service	210,753	255,559	222,763	185,468	152,826	137,629
Use of money and property	175,395	93,839	69,443	86,529	124,347	238,013
Fines, forfeitures and defaults	-	-	7,765	628	-	-
Miscellaneous	107,614	230,858	100,200	84,765	130,736	171,418
Total	\$ 6,290,362	7,782,918	6,960,554	6,326,440	6,169,088	5,949,346
Expenditures:						
Operating:						
Public safety and legal services	\$ 849,610	856,744	756,027	762,680	699,282	638,479
Physical health and social services	482,623	508,597	479,342	457,745	435,150	429,974
Mental health	822,787	882,496	752,504	783,792	787,913	712,072
County environment and education	377,990	973,576	459,100	322,272	340,393	630,831
Roads and transportation	2,966,815	3,060,502	2,521,497	2,644,847	2,493,707	3,120,572
Governmental services to residents	327,444	265,773	232,024	239,967	237,673	201,179
Administration	635,940	577,630	535,153	673,327	602,338	587,952
Non-program	-	-	208	-	7,568	15,402
Debt service	407,951	295,207	280,990	281,310	274,980	273,305
Capital projects	242,763	282,835	344,654	410,712	44,018	68,092
Total	\$ 7,113,923	7,703,360	6,361,499	6,576,652	5,923,022	6,677,858

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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

To the Officials of Audubon County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Audubon County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated November 29, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Audubon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of

non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

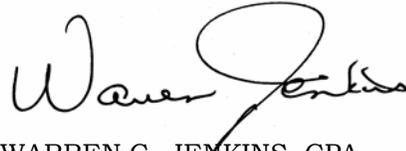
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all 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.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 29, 2006

Audubon County

Schedule of Findings

Year ended June 30, 2006

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

- (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 reconciliations are not reviewed periodically by an independent person for propriety.
 - (2) Sheriff – Bank reconciliations are not reviewed periodically by an independent person for propriety.
 - (3) Treasurer – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. Bank accounts are not reconciled monthly by an individual who does not handle cash. One individual in the County Treasurer's office has custody of receipts and performs all investment record-keeping and reconciling functions for the office. A change fund for the Treasurer's Office is shared among employees.
 - (4) Conservationist – The duties of collecting and listing receipts for camping fees are not segregated, an initial listing is not completed to reconcile the amount collected to the cash recorded and a restrictive endorsement was not placed on checks immediately upon receipt.

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 officials should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Response –

Recorder – With a two person office, this is the only way to handle receipts. The bank reconciliation was reviewed in September by an independent person. Will have someone more often if possible.

Sheriff – At this time there is not an independent person to do this job. One would need to be hired for this.

Audubon County

Schedule of Findings

Year ended June 30, 2006

Treasurer – We try to review work done by others as well as possible. I do keep a list of mail periodically to verify completion.

Conservationist – Will review existing controls to determine if additional compensating controls or independent reviews can be obtained and periodically administered. I will count receipts and keep a separate ledger of deposit amount to make sure they match the amount deposited at the Treasurers Office. We will obtain a stamp and mark all checks when acquired “For Deposit Only Audubon County”.

Conclusion –

Recorder - Response accepted for independent review of bank reconciliation and acknowledged for daily receipts. Someone other than the person receipting should perform daily reconciliation and evidence of independent review should be documented.

Sherriff - Response acknowledged. Evidence of independent review should be documented.

Treasurer – Response accepted.

Conservationist – Response accepted.

- (B) Monthly Treasurer Reconciliation – The County Treasurer receipted interest earned on an investment twice. The overstated balance remained undetected for several months since a month end reconciliation of fund balances to bank balances was not properly supported. This matter was resolved for audit purposes.

Recommendation – The County Treasurer should ensure a month end reconciliation of fund balances to bank balances is documented and all reconciling items are resolved.

Response – We need to perform a more careful monthly review, which includes a review of all interest received and reconcile these receipts to the daily posting so this type of error does not occur again.

Conclusion – Response accepted.

- (C) Accounts Receivable Reconciliation – The County Public Health Office monthly billings, collections and unpaid accounts were not reconciled throughout the year.

Recommendation – The County Public Health Office monthly billings, collections and unpaid accounts should be reconciled for each billing period.

Response – Receipts for Medicare reimbursement are extremely difficult to reconcile on a monthly basis because payments are determined by diagnosis and for a sixty day episode of care. Audubon County Public Health does reconcile other receipts

Audubon County

Schedule of Findings

Year ended June 30, 2006

on a monthly basis. An effort will be made to reconcile Medicare receipts, however this may require more time and effort than the end result justifies.

Conclusion – Response acknowledged. Accounts receivable should be reconciled to ensure all receipts are properly accounted for.

- (D) Capital Assets Inventory – The capital assets listing was not reviewed periodically during the year ended June 30, 2006 to verify whether assets on the listing existed or all assets were included on the capital asset list.

Recommendation – A person who does not have responsibility for capital assets or maintenance of the capital asset listing should periodically verify assets on the list to ensure they exist and all capital assets are included on the list.

Response – We have instituted a method of verifying capital assets listing of each department on a random basis.

Conclusion – Response accepted.

- (E) Competitive Bidding – Bids were not received at a public hearing for a Secondary Roads project exceeding the \$67,000 bid threshold required by Chapters 331.341, 314.1B and 309.40 of the Code of Iowa. Also, certain contracts entered into by the Secondary Roads Department were not signed by the Board of Supervisors.

Recommendation – Chapters 331.341, 314.1B and 309.40 of the Code of Iowa, require Secondary Roads projects exceeding \$67,000 to be advertised for bids and let at a public hearing. Also, all contracts entered into by the Secondary Roads Department should be signed by the Board of Supervisors.

Response – Portions of project were bid, however, inaccurate information regarding the \$67,000 threshold being in addition to the portions bid led to total project costs exceeding \$67,000. Code sections will be followed. All contracts will be presented to Board for approval.

Conclusion – Response accepted.

- (F) Jail Meal Contract – A contract between the Sheriff's Office and Audubon Food Pride for meals provided to the jail was approved in the minutes on January 3, 2006. However, as of August 28, 2006, the contract had not been signed.

Recommendation – All contracts should be signed before being placed into effect and any goods or services are exchanged.

Response – On August 29, 2006 the contract with Audubon Food Pride was signed.

Conclusion – Response acknowledged. However, contracts should be signed before being placed in effect and any goods or services are exchanged. Also, this contract should be signed by the Board of Supervisors.

Audubon County

Schedule of Findings

Year ended June 30, 2006

- (G) County Board of Supervisors – Certain salaried personnel of the County did not prepare and file timesheets.

Recommendation – Timesheets should be prepared by all personnel in all departments, salaried as well as hourly, and should be submitted to the County Auditor's office prior to the processing of payroll each pay period. The timesheets should be signed by the employee and should be reviewed and signed by the employee's immediate supervisor or the County officer or department head prior to submission. The timesheets should support all hours worked and all hours taken as vacation, sick leave, compensatory time, holiday hours and personal days.

Response – Recommendation so noted. Implementation of recommendation has started. Appropriate approvals will be obtained.

Conclusion – Response accepted.

- (H) Receipt Deposits – The Assessor's office collects and remits receipts to the County Treasurer's Office intact but on a monthly basis.

Recommendation – Receipts should be deposited on a timely basis.

Response – Our office will make deposits on approximately the 15th and 30th of each month.

Conclusion – Response accepted.

- (I) Disposal of Capital Assets – The capital assets policy requires Board of Supervisor approval prior to the disposal of capital assets. Certain assets disposed of by the Engineer's Office were disposed of without approval prior to the removal of the assets.

Recommendation – Written documentation should be sent to the Board of Supervisors before assets are disposed as required by the asset policy established by the County.

Response – The assets referred to above were discussed on numerous occasions with the Board in session. Official action as recommended was inadvertently overlooked by Secondary Road Department, Board of Supervisors and Board secretary.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Audubon County

Schedule of Findings

Year ended June 30, 2006

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted or the amounts appropriated.
- (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
Les Larsen, E911 Director, son owns Steve’s Sign Shop	Parts and installation	\$ 1,002
Les Larsen, E911 Director, Owner of Larsen Glass	Materials and labor	88
Carolyn Bruun, Employee, husband owns Countryside Motors, Inc.	Parts and installation	2,726

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Steve’s Sign Shop and Larsen Glass do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year. The Countryside Motors, Inc. transactions may represent a conflict of interest.

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

Response – We will consult with County Attorney in these matters.

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.

Audubon County

Schedule of Findings

Year ended June 30, 2006

- (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, 2006 for the County Extension Office did not exceed the amount budgeted.

- (10) Outstanding Checks and Warrants – All checks and warrants outstanding for longer than one year should be cancelled, removed from the list of outstanding checks and warrants, deposited to the account from which the check or warrant was written and credited as unclaimed fees and trusts.

Certain outstanding checks for the County Recorder and County Sheriff were outstanding for longer than one year.

Recommendation – All checks and warrants outstanding for more than one year should be processed as required by Chapter 331.554(6) and (7) of the Code of Iowa.

Response –

Recorder – Will check on how to proceed and deposit money with the County Treasurer.

Sheriff – On November 27, 2006 a check was written to the County Treasurer.

Conclusion – Response accepted.

- (11) County Recorder's Electronic Transaction Fees Fund – The County Recorder was authorized to collect electronic transactions fees in accordance with Chapter 331.605C of the Code of Iowa. However, in accordance with the 2005 Acts Chapter 179 Section 98, only interest shall be retained in the County Recorder's Electronic Transaction Fees Fund after July 1, 2005. As of June 30, 2006, amounts other than interest are being held in this account.

Recommendation – All amounts, except interest earned by the County Recorder's Electronic Transaction Fees Fund, should be remitted to the Treasurer of State.

Response – When the County Recorder Office purchased the Iowa Land System, the proper amount received from the State of Iowa in the County Recorder's Electronic Transaction Fee Fund was not used. The County used funding from the Capital Projects Fund. To correct this issue, we will make a transfer from the Capital Projects Fund to the County Recorders Electronic Transaction Fee Fund.

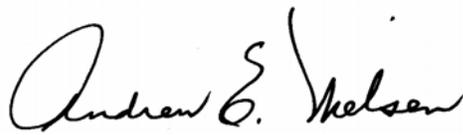
Conclusion – Response accepted.

Audubon County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Timothy D. Houlette, CPA, Senior Auditor II
Donald J. Lewis, Staff Auditor
Andrew N. Pulford, Staff Auditor
Patrick M. Garaghty, Auditor Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State