



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

February 29, 2012

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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 \$10,971,299 for the year ended June 30, 2011, which included \$537,944 in tax credits from the state. The County forwarded \$7,509,390 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,461,909 of the local tax revenue to finance County operations, a less than 1% increase over the prior year. Other revenues included charges for service of \$468,237, operating grants, contributions and restricted interest of \$2,802,283, capital grants, contributions and restricted interest of \$2,534,245 unrestricted investment earnings of \$26,978, local option sales tax of \$290,899 and other general revenues of \$94,600.

Expenses for County operations totaled \$7,070,100, a less than 1% decrease from the prior year. Expenses included \$3,243,470 for roads and transportation, \$1,013,393 for public safety and legal services and \$796,462 for mental health.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1110-0005-B00F.pdf>.

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AUDUBON COUNTY

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

JUNE 30, 2011

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Audubon County

Officials

(Before January 2011)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bruce Nelson	Board of Supervisors	Jan 2011
Todd M. Nelsen	Board of Supervisors	Jan 2013
Vernon Venteicher	Board of Supervisors	Jan 2013
Lisa Frederiksen	County Auditor	Jan 2013
Peggy Smalley	County Treasurer	Jan 2011
Mary Lou Johansen	County Recorder	Jan 2011
Todd Johnson	County Sheriff	Jan 2013
Francine O'Brien Andersen	County Attorney	Jan 2011
Debra Umland	County Assessor	Jan 2016

(After January 2011)

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
Connie Johnson	County Treasurer	Jan 2015
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

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, 2011, 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.

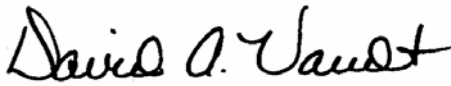
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2011, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

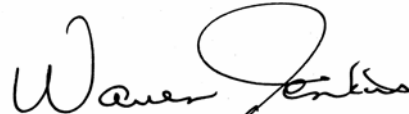
In accordance with Government Auditing Standards, we have also issued our report dated February 1, 2012 on our consideration of Audubon County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 42 through 45 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 nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 1, 2012

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, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

Governmental activities' revenues increased 37%, or approximately \$2,616,000, over fiscal year 2010.

Governmental activities' expenses decreased less than 1%, or approximately \$12,000 from fiscal year 2010.

The County's net assets increased 19.6%, or approximately \$2,609,000, from June 30, 2010 to June 30, 2011.

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 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.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 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 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, 2011.

Net Assets of Governmental Activities		
(Expressed in Thousands)		
	June 30,	
	2011	2010
Current and other assets	\$ 8,276	7,997
Capital assets	12,213	9,859
Total assets	<u>20,489</u>	<u>17,856</u>
Long-term liabilities	813	877
Other liabilities	3,778	3,690
Total liabilities	<u>4,591</u>	<u>4,567</u>
Net assets:		
Invested in capital assets, net of related debt	12,106	9,717
Restricted	3,075	2,471
Unrestricted	717	1,101
Total net assets	<u>\$ 15,898</u>	<u>13,289</u>

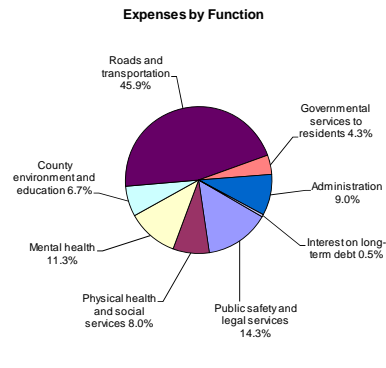
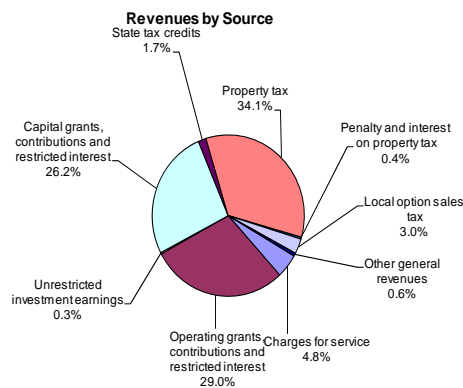
Net assets of Audubon County's governmental activities increased approximately \$2,609,000, or 19.6%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net asset component increased approximately \$2,389,000, or 24.6%, over the prior year. This is primarily due to an increase in road infrastructure and completion of a bank stabilization watershed protection project.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net asset component increased approximately \$604,000, or 24.4%, over the prior year. This increase is primarily due to increased amounts held by the Special Revenue, Secondary Roads Fund for road purposes and a reclassification of funds held in the Special Revenue, Rural Services Fund from unrestricted net assets to restricted net assets.

Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$1,101,000 at June 30, 2010 to approximately \$717,000 at the end of this year, a decrease of 34.9%. The decrease in unrestricted net assets is primarily due to a decrease in the amount held by the General Fund at year end and a reclassification of funds held in the Special Revenue, Rural Services Fund from unrestricted net assets to restricted net assets.

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

	Year ended June 30,	
	2011	2010
Revenues:		
Program revenues:		
Charges for service	\$ 468	436
Operating grants, contributions and restricted interest	2,802	2,705
Capital grants, contributions and restricted interest	2,534	170
General revenues:		
Property tax	3,300	3,270
Penalty and interest on property tax	37	23
State tax credits	162	168
Local option sales tax	291	205
Unrestricted investment earnings	27	52
Other general revenues	58	33
Total revenues	9,679	7,062
Program expenses:		
Public safety and legal services	1,013	1,047
Physical health and social services	567	588
Mental health	796	659
County environment and education	473	408
Roads and transportation	3,243	3,359
Governmental services to residents	301	309
Administration	639	674
Interest on long-term debt	37	37
Total expenses	7,069	7,081
Change in net assets	2,610	(19)
Net assets beginning of year	13,289	13,308
Net assets end of year	\$ 15,899	13,289



The County decreased property tax rates from \$13.33405 per \$1,000 of taxable valuation for fiscal year 2010 to \$11.91335 per \$1,000 of taxable valuation for fiscal year 2011, a 10.7% decrease. The overall rate decreases coupled with an overall increase in taxable valuation of approximately \$36,000,000 increased the County's property tax revenue approximately \$30,000 in fiscal year 2011.

Revenues for governmental activities increased approximately \$2,616,000, or 37%, over the prior year. The largest increase was in capital grants, contributions and restricted interest, an increase of approximately \$2,364,000. This increase is due to increased contributions from the Iowa Department of Transportation for road infrastructure projects and funding from the U.S. Department of Agriculture for a bank stabilization project.

INDIVIDUAL MAJOR FUND ANALYSIS

As Audubon County completed the year, its governmental funds reported a combined fund balance of approximately \$4.5 million, an increase of approximately \$184,000 over last year's total of approximately \$4.3 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

General Fund revenues decreased approximately \$76,000, or 3%, from fiscal year 2010. Expenditures decreased approximately \$76,000, or 2.6%, from fiscal year 2010. The General Fund ending balance decreased approximately \$272,000 to approximately \$1,555,000 at June 30, 2011.

The County has continued to look for ways to effectively manage the cost of mental health services. For the year, revenues totaled approximately \$751,000, a decrease of 30.2% from fiscal year 2010. Expenditures totaled approximately \$796,000, an increase of 20.9% over the prior year. The Special Revenue, Mental Health Fund balance decreased approximately \$45,000 to \$560,157 at June 30, 2011.

Special Revenue, Rural Services Fund revenues and expenditures increased approximately \$667,000 and \$720,000, respectively, primarily due to funds received and spent for a bank stabilization project. The Special Revenue, Rural Services Fund balance increased approximately \$79,000 to \$428,722 at June 30, 2011.

Special Revenue, Secondary Roads Fund expenditures increased approximately \$193,000 over the prior year, mainly due to an increase in FEMA repair work and road projects in the County. Revenues increased approximately \$421,000 over the prior year, primarily due to increased local option sales tax revenue and an increase in funding for FEMA disasters. These changes resulted in an increase in the Special Revenue, Secondary Roads Fund ending balance of approximately \$430,000 to \$1,897,119 at June 30, 2011.

BUDGETARY HIGHLIGHTS

Over the course of the year, Audubon County amended its budget two times. The amendments were made on September 13, 2010 and June 13, 2011 and resulted in a \$662,516 increase in budgeted receipts and a \$1,063,982 increase in budgeted disbursements.

The County's receipts were approximately \$338,000 less than budgeted, a variance of 4.5%.

Total disbursements were approximately \$676,000, or 8.1%, less than the amended budget. Roads and transportation function disbursements were approximately \$220,000 less than budgeted due to new equipment budgeted but not purchased in fiscal year 2011. The equipment will be purchased in fiscal year 2012. Mental health function disbursements were approximately \$254,000 less than budgeted, primarily due to lower mental health service costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, Audubon County had approximately \$12.213 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 \$2,354,000 from June 30, 2010.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2011	2010
Land	\$ 931	931
Construction in progress	1,268	98
Buildings and improvements	761	735
Equipment and vehicles	936	751
Infrastructure, road network and other	8,317	7,344
Total	\$ 12,213	9,859

The County had depreciation expense of \$722,232 for fiscal year 2011 and total accumulated depreciation of \$7,897,508 at June 30, 2011.

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

Long-Term Debt

At June 30, 2011, Audubon County had approximately \$578,000 in loans and general obligation notes/bonds outstanding, compared to approximately \$674,000 at June 30, 2010.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2011	2010
General obligation notes/bonds	\$ 509	589
Conservation loan	69	85
Total	\$ 578	674

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 \$28,755,779 (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 2012 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 7.2% compared to 6.7% a year ago. This compares with the State's unemployment rate of 6.1% and the national rate of 9.6%.

Amounts available for appropriation (budgeted beginning balance plus budgeted receipts) in the fiscal year 2012 operating budget are approximately \$10.16 million, an increase of 7.1% over the final fiscal year 2011 budget. The operating balance is expected to decrease approximately \$850,000 from the re-estimated June 30, 2011 balance. The County has added no major new programs or initiatives to the fiscal year 2012 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Audubon County

Basic Financial Statements

Exhibit A

Audubon County
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,038,448
Receivables:	
Property tax:	
Delinquent	5,347
Succeeding year	3,479,000
Interest and penalty on property tax	12,543
Accounts	5,432
Loan	124,910
Accrued interest	885
Due from other governments	241,270
Inventories	352,030
Prepaid expense	16,346
Capital assets (net of accumulated depreciation)	12,213,094
Total assets	<u>20,489,305</u>
Liabilities	
Accounts payable	130,083
Accrued interest payable	2,695
Salaries and benefits payable	12,291
Due to other governments	154,807
Deferred revenue:	
Succeeding year property tax	3,479,000
Long-term liabilities:	
Portion due or payable within one year:	
Notes payable	55,000
Bonds payable	24,189
Loan payable	17,135
Compensated absences	126,142
Portion due or payable after one year:	
Notes payable	55,000
Bonds payable	375,000
Loan payable	51,676
Compensated absences	83,914
Net OPEB liability	24,769
Total liabilities	<u>4,591,701</u>
Net Assets	
Invested in capital assets, net of related debt	12,106,223
Restricted for:	
Supplemental levy purposes	353,981
Mental health purposes	561,075
Rural services purposes	371,966
Secondary roads purposes	1,748,735
Debt service	4,055
Other purposes	34,530
Unrestricted	717,039
Total net assets	<u>\$ 15,897,604</u>

See notes to financial statements.

Audubon County

Statement of Activities

Year ended June 30, 2011

	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	\$ 1,013,393	90,256	12,692	-	(910,445)
Physical health and social services	567,323	169,809	115,815	-	(281,699)
Mental health	796,462	1,721	306,759	-	(487,982)
County environment and education	473,292	58,873	18,417	742,631	346,629
Roads and transportation	3,243,470	4,394	2,348,600	1,791,614	901,138
Governmental services to residents	300,800	118,072	-	-	(182,728)
Administration	638,579	11,830	-	-	(626,749)
Non-program	61	13,282	-	-	13,221
Interest on long-term debt	36,720	-	-	-	(36,720)
Total	\$ 7,070,100	468,237	2,802,283	2,534,245	(1,265,335)
General Revenues:					
Property and other county tax levied for:					
General purposes					3,292,639
Debt service					7,736
Penalty and interest on property tax					36,994
State tax credits					161,534
Local option sales tax					290,899
Unrestricted investment earnings					26,978
Gain on disposition of capital assets					12,564
Miscellaneous					45,042
Total general revenues					3,874,386
Change in net assets					2,609,051
Net assets beginning of year					13,288,553
Net assets end of year					\$ 15,897,604

See notes to financial statements.

Audubon County
Balance Sheet
Governmental Funds

June 30, 2011

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,409,956	719,033	431,382	1,436,923
Receivables:				
Property tax:				
Delinquent	3,837	919	574	-
Succeeding year	1,984,000	279,000	1,216,000	-
Interest and penalty on property tax	12,543	-	-	-
Accounts	5,300	-	-	-
Loan	124,910	-	-	-
Accrued interest	885	-	-	-
Due from other governments	43,581	-	-	197,689
Inventories	-	-	-	352,030
Prepaid insurance	16,346	-	-	-
Total assets	\$ 3,601,358	998,952	1,647,956	1,986,642
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 28,064	15,576	1,897	84,523
Salaries and benefits payable	7,606	-	763	3,922
Due to other governments	10,429	143,300	-	1,078
Deferred revenue:				
Succeeding year property tax	1,984,000	279,000	1,216,000	-
Other	16,380	919	574	-
Total liabilities	2,046,479	438,795	1,219,234	89,523
Fund balances:				
Nonspendable:				
Inventories	-	-	-	352,030
Prepaid insurance	16,346	-	-	-
Loan receivable	124,910	-	-	-
Restricted for:				
Supplemental levy purposes	310,881	-	56,756	-
Mental health purposes	-	560,157	-	-
Rural services purposes	-	-	371,966	-
Secondary roads purposes	-	-	-	1,545,089
Debt service	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Sheriff	35,733	-	-	-
Park improvements	34,065	-	-	-
Courthouse improvements	115,000	-	-	-
Unassigned	917,944	-	-	-
Total fund balances	1,554,879	560,157	428,722	1,897,119
Total liabilities and fund balances	\$ 3,601,358	998,952	1,647,956	1,986,642

See notes to financial statements.

Nonmajor	Total
41,154	4,038,448
17	5,347
-	3,479,000
-	12,543
132	5,432
-	124,910
-	885
-	241,270
-	352,030
-	16,346
<u>41,303</u>	<u>8,276,211</u>
23	130,083
-	12,291
-	154,807
-	3,479,000
17	17,890
<u>40</u>	<u>3,794,071</u>
-	352,030
-	16,346
-	124,910
-	367,637
-	560,157
-	371,966
-	1,545,089
6,733	6,733
34,530	34,530
-	35,733
-	34,065
-	115,000
-	917,944
<u>41,263</u>	<u>4,482,140</u>
<u>41,303</u>	<u>8,276,211</u>

Audubon County

Audubon County

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

June 30, 2011

Total governmental fund balances (page 19) \$ 4,482,140

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$20,110,602 and the accumulated depreciation is \$7,897,508. 12,213,094

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 17,890

Long-term liabilities, including notes payable, bonds payable, loan 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. (815,520)

Net assets of governmental activities (page 16) \$ 15,897,604

See notes to financial statements.

Audubon County

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

Year ended June 30, 2011

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 1,757,255	421,251	1,115,335	-
Local option sales tax	-	-	-	290,899
Interest and penalty on property tax	29,155	-	-	-
Intergovernmental	370,029	328,228	793,344	2,348,609
Licenses and permits	18,693	-	-	200
Charges for service	257,759	-	-	-
Use of money and property	42,938	-	-	-
Miscellaneous	45,907	1,723	40	25,372
Total revenues	<u>2,521,736</u>	<u>751,202</u>	<u>1,908,719</u>	<u>2,665,080</u>
Expenditures:				
Operating:				
Public safety and legal services	1,005,696	-	34,248	-
Physical health and social services	570,098	-	-	-
Mental health	-	796,462	-	-
County environment and education	212,388	-	1,023,332	-
Roads and transportation	-	-	153,994	2,750,864
Governmental services to residents	300,572	-	1,095	-
Administration	651,234	-	14,873	-
Non-program	61	-	-	-
Debt service	71,835	-	-	-
Capital projects	3,816	-	-	32,531
Total expenditures	<u>2,815,700</u>	<u>796,462</u>	<u>1,227,542</u>	<u>2,783,395</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(293,964)</u>	<u>(45,260)</u>	<u>681,177</u>	<u>(118,315)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	602,455
Operating transfers out	-	-	(602,455)	(55,447)
Sale of capital assets	22,096	-	-	1,300
Total other financing sources (uses)	<u>22,096</u>	<u>-</u>	<u>(602,455)</u>	<u>548,308</u>
Net change in fund balances	(271,868)	(45,260)	78,722	429,993
Fund balances beginning of year, as restated	1,826,747	605,417	350,000	1,467,126
Fund balances end of year	<u>\$ 1,554,879</u>	<u>560,157</u>	<u>428,722</u>	<u>1,897,119</u>

See notes to financial statements.

Nonmajor	Total
7,719	3,301,560
-	290,899
-	29,155
11,753	3,851,963
-	18,893
1,490	259,249
65	43,003
566	73,608
<u>21,593</u>	<u>7,868,330</u>
7,462	1,047,406
-	570,098
-	796,462
13,462	1,249,182
-	2,904,858
2,367	304,034
-	666,107
-	61
61,060	132,895
-	36,347
<u>84,351</u>	<u>7,707,450</u>
<u>(62,758)</u>	<u>160,880</u>
55,447	657,902
-	(657,902)
	<u>23,396</u>
<u>55,447</u>	<u>23,396</u>
(7,311)	184,276
48,574	4,297,864
<u>41,263</u>	<u>4,482,140</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, 2011

Net change in fund balances - Total governmental funds (page 23) \$ 184,276

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	\$ 1,295,522	
Capital assets contributed by the Iowa Department of Transportation	1,791,614	
Depreciation expense	<u>(722,232)</u>	2,364,904

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. (10,832)

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

Property tax	(1,625)	
Other	<u>8,278</u>	6,653

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of 96,189

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	(19,852)	
Interest on long-term debt	(14)	
Other postemployment benefits	<u>(12,273)</u>	<u>(32,139)</u>

Change in net assets of governmental activities (page 17) \$ 2,609,051

See notes to financial statements.

Audubon County
 Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2011

Assets

Cash and pooled investments:	
County Treasurer	\$ 531,931
Other County officials	27,296
Receivables:	
Property tax:	
Delinquent	32,525
Succeeding year	7,116,000
Accounts	9,181
Due from other governments	5,805
Total assets	7,722,738

Liabilities

Accounts payable	881
Due to other governments	7,706,952
Trusts payable	7,905
Compensated absences	7,000
Total liabilities	7,722,738
Net assets	\$ -

See notes to financial statements.

Audubon County

Audubon County

Notes to Financial Statements

June 30, 2011

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues 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 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 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.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

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

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

Fund Equity – In the governmental fund financial statements, 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, 2011 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 \$156,475 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, 2011 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 602,455
Debt Service	Special Revenue: Secondary Roads	55,447
Total		<u>\$ 657,902</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, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 930,886	-	-	930,886
Construction in progress	98,341	2,644,261	1,474,387	1,268,215
Total capital assets not being depreciated	<u>1,029,227</u>	<u>2,644,261</u>	<u>1,474,387</u>	<u>2,199,101</u>
Capital assets being depreciated:				
Buildings	1,186,724	55,683	-	1,242,407
Building improvements	205,035	-	-	205,035
Equipment and vehicles	4,878,008	389,692	92,050	5,175,650
Infrastructure, roads	8,499,033	1,474,387	-	9,973,420
Infrastructure, other	1,314,989	-	-	1,314,989
Total capital assets being depreciated	<u>16,083,789</u>	<u>1,919,762</u>	<u>92,050</u>	<u>17,911,501</u>
Less accumulated depreciation for:				
Buildings	451,506	29,899	-	481,405
Building improvements	205,034	-	-	205,034
Equipment and vehicles	4,127,613	190,793	78,718	4,239,688
Infrastructure, roads	2,234,228	437,042	-	2,671,270
Infrastructure, other	235,613	64,498	-	300,111
Total accumulated depreciation	<u>7,253,994</u>	<u>722,232</u>	<u>78,718</u>	<u>7,897,508</u>
Total capital assets being depreciated, net	<u>8,829,795</u>	<u>1,197,530</u>	<u>13,332</u>	<u>10,013,993</u>
Governmental activities capital assets, net	<u>\$ 9,859,022</u>	<u>3,841,791</u>	<u>1,487,719</u>	<u>12,213,094</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 46,943
County environment and education	73,791
Roads and transportation	577,664
Administration	23,834
Total depreciation expense - governmental activities	<u>\$ 722,232</u>

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 10,429
Special Revenue:		
Mental Health	Services	143,300
Secondary Roads	Services	1,078
		<u>144,378</u>
Total for governmental funds		<u>\$ 154,807</u>
Agency:		
County Offices	Collections	\$ 25,288
Agriculture Extension Education		94,417
County Assessor		216,752
County Hospital		584,819
Schools		4,929,142
Community Colleges		191,751
Corporations		1,132,317
Townships		143,961
Auto License and Use Tax		141,093
All other		247,412
Total for agency funds		<u>\$ 7,706,952</u>

(6) Changes in Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	General Obligation	General Economic Development Bonds	Conser- vation Loan	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 165,000	424,189	85,000	190,204	12,496	876,889
Increases	-	-	-	149,702	12,273	161,975
Decreases	55,000	25,000	16,189	129,850	-	226,039
Balance end of year	<u>\$ 110,000</u>	<u>399,189</u>	<u>68,811</u>	<u>210,056</u>	<u>24,769</u>	<u>812,825</u>
Due within one year	<u>\$ 55,000</u>	<u>24,189</u>	<u>17,135</u>	<u>126,142</u>	<u>-</u>	<u>222,466</u>

General Obligation Notes

In March 2005, the County issued \$1,450,000 of general obligation county purpose and refunding notes with an average interest rate of 2.91% per annum, in part, 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, 2011 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest
2012	3.40%	\$ 55,000	3,822
2013	3.55	55,000	1,953
Total		\$ 110,000	5,775

General Obligation Bonds

In September 2007, the County issued \$500,000 of general obligation economic development bonds. The proceeds of \$500,000 were provided to Valley Business Park Corporation to purchase land for economic development. Audubon County expects to pay \$40,000 annually toward principal and interest on the debt with Valley Business Park Corporation contributing the remainder of the payment. No formal agreement exists between the County and Valley Business Park Corporation detailing the terms for repayment of the debt. However, at June 30, 2011, a loan receivable of \$124,910 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 as of June 30, 2011 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	6.25%	\$ 24,189	25,000	49,189
2013	6.25	30,000	23,437	53,437
2014	6.25	30,000	21,563	51,563
2015	6.25	30,000	19,688	49,688
2016	6.25	35,000	17,815	52,815
2017-2021	6.25	205,000	54,061	259,061
2022	6.25	45,000	2,811	47,811
Total		\$ 399,189	164,375	563,564

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 as of June 30, 2011 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	5.00%	\$ 17,135	3,174	20,309
2013	5.00	17,969	2,283	20,252
2014	5.00	18,897	1,355	20,252
2015	5.00	14,810	379	15,189
Total		\$ 68,811	7,191	76,002

(7) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary for the current year. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$156,679, \$153,259, and \$136,405, 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 and retirees and their spouses. There are 52 active and no 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 would 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, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 25,510
Interest on net OPEB obligation	500
Adjustment to annual required contribution	<u>(723)</u>
Annual OPEB cost (expense)	25,287
Contributions made	<u>(13,014)</u>
Increase in net OPEB obligation	12,273
Net OPEB obligation beginning of year	<u>12,496</u>
 Net OPEB obligation end of year	 <u>\$ 24,769</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, 2011.

For the year ended June 30, 2011, the County contributed \$13,014 to the medical plan. Plan members eligible for benefits contributed \$1,646, or 11% 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
2010	\$ 25,510	51.0%	\$ 12,496
2011	25,287	51.5	24,769

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2011, the actuarial accrued liability was approximately \$218,300, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$218,300. The covered payroll (annual payroll of active employees eligible to be covered by the plan) was approximately \$2,032,000 and the ratio of the UAAL to covered payroll was 11%. As of June 30, 2011, 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, 2009 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 9.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

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

Projected claim costs of the medical plan are \$746 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 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 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, 2011 were \$109,488.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000 such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of the fund type reclassifications is as follows:

	General	Special Revenue - Nonmajor	
		Land Acquisition	Jail Commissary
Balances June 30, 2010, as previously reported	\$ 1,824,838	900	1,009
Change in fund type classification per implementation of GASB Statement No.54	1,909	(900)	(1,009)
Balances July 1, 2010, as restated	\$ 1,826,747	-	-

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, 2011

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 3,572,723	3,566,705	3,562,821	9,902
Interest and penalty on property tax	27,868	-	-	27,868
Intergovernmental	3,804,774	3,004,351	3,640,351	164,423
Licenses and permits	18,043	2,500	2,500	15,543
Charges for service	249,121	164,755	164,755	84,366
Use of money and property	42,867	38,522	38,522	4,345
Miscellaneous	75,697	13,750	44,150	31,547
Total receipts	<u>7,791,093</u>	<u>6,790,583</u>	<u>7,453,099</u>	<u>337,994</u>
Disbursements:				
Public safety and legal services	1,050,246	1,088,160	1,095,160	44,914
Physical health and social services	564,468	616,930	625,130	60,662
Mental health	742,892	997,157	997,157	254,265
County environment and education	1,290,457	451,390	1,290,519	62
Roads and transportation	2,924,470	2,934,862	3,144,515	220,045
Governmental services to residents	313,865	328,736	328,736	14,871
Administration	668,884	717,248	717,248	48,364
Non-program	300	300	300	-
Debt service	81,522	83,110	83,110	1,588
Capital projects	36,150	67,719	67,719	31,569
Total disbursements	<u>7,673,254</u>	<u>7,285,612</u>	<u>8,349,594</u>	<u>676,340</u>
Excess (deficiency) of receipts over (under) disbursements	117,839	(495,029)	(896,495)	1,014,334
Other financing sources, net	23,396	-	-	23,396
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	141,235	(495,029)	(896,495)	1,037,730
Balance beginning of year	<u>3,897,213</u>	<u>2,777,452</u>	<u>3,476,929</u>	<u>420,284</u>
Balance end of year	<u>\$ 4,038,448</u>	<u>2,282,423</u>	<u>2,580,434</u>	<u>1,458,014</u>

See accompanying independent auditor's report.

Audubon County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,791,093	77,237	7,868,330
Expenditures	7,673,254	34,196	7,707,450
Net	117,839	43,041	160,880
Other financing sources, net	23,396	-	23,396
Beginning fund balances	3,897,213	400,651	4,297,864
Ending fund balances	\$ 4,038,448	443,692	4,482,140

See accompanying independent auditor's report.

Audubon County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,063,982. 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, 2011, disbursements did not exceed the amounts budgeted.

Audubon County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2011

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	0.00%	\$ 1,978	11%
2011	July 1, 2009	-	218	218	0.00	2,032	11%

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

Other Supplementary Information

Audubon County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2011

		Special County Recorder's Records Management
Assets		
Cash and pooled investments	\$ 11,592	4,742
Receivables:		
Property tax	-	-
Accounts	-	131
Total assets	\$ 11,592	4,873
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ -	-
Deferred revenue	-	-
Total liabilities	-	-
Fund balances:		
Restricted for:		
Debt service	-	-
Other purposes	11,592	4,873
Total fund balances	11,592	4,873
Total liabilities and fund balances	\$ 11,592	4,873

See accompanying independent auditor's report.

Revenue				
Forfeiture	AAE Task Force	Tax Increment Financing	Debt Service	Total
11,675	6,413	295	6,437	41,154
-	-	-	17	17
-	-	-	1	132
11,675	6,413	295	6,455	41,303
-	23	-	-	23
-	-	-	17	17
-	23	-	17	40
-	-	295	6,438	6,733
11,675	6,390	-	-	34,530
11,675	6,390	295	6,438	41,263
11,675	6,413	295	6,455	41,303

Audubon County

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

Year ended June 30, 2011

	Resource Enhancement and Protection	Special County Recorder's Records Management
Revenues:		
Property and other county tax	\$ -	-
Intergovernmental	11,360	-
Charges for service	-	1,490
Use of money and property	57	4
Miscellaneous	-	-
Total revenues	<u>11,417</u>	<u>1,494</u>
Expenditures:		
Operating:		
Public safety and legal services	-	-
County environment and education	13,462	-
Governmental services to residents	-	2,367
Debt service	-	-
Total expenditures	<u>13,462</u>	<u>2,367</u>
Deficiency of revenues under expenditures	(2,045)	(873)
Other financing sources:		
Operating transfers in	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(2,045)	(873)
Fund balances beginning of year, as restated	<u>13,637</u>	<u>5,746</u>
Fund balances end of year	<u>\$ 11,592</u>	<u>4,873</u>

See accompanying independent auditor's report.

Revenue				
Forfeiture	AAE Task Force	Tax Increment Financing	Debt Service	Total
	-	-	7,719	7,719
-	-	-	393	11,753
-	-	-	-	1,490
-	-	-	4	65
556	10	-	-	566
556	10	-	8,116	21,593
6,500	962	-	-	7,462
-	-	-	-	13,462
-	-	-	-	2,367
-	-	-	61,060	61,060
6,500	962	-	61,060	84,351
(5,944)	(952)	-	(52,944)	(62,758)
-	-	-	55,447	55,447
(5,944)	(952)	-	2,503	(7,311)
17,619	7,342	295	3,935	48,574
11,675	6,390	295	6,438	41,263

Audubon County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	Schools
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,223	66,434	7,613	63,358
Other County officials	27,296	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	194	361	1,206	9,784
Succeeding year	-	93,000	157,000	576,000	4,856,000
Accounts	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 27,296	94,417	223,795	584,819	4,929,142
Liabilities					
Accounts payable	\$ -	-	43	-	-
Due to other governments	25,288	94,417	216,752	584,819	4,929,142
Trusts payable	2,008	-	-	-	-
Compensated absences	-	-	7,000	-	-
Total liabilities	\$ 27,296	94,417	223,795	584,819	4,929,142

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
2,385	19,688	1,884	141,093	228,253	531,931
-	-	-	-	-	27,296
366	10,629	77	-	9,908	32,525
189,000	1,102,000	142,000	-	1,000	7,116,000
-	-	-	-	9,181	9,181
-	-	-	-	5,805	5,805
191,751	1,132,317	143,961	141,093	254,147	7,722,738
-	-	-	-	838	881
191,751	1,132,317	143,961	141,093	247,412	7,706,952
-	-	-	-	5,897	7,905
-	-	-	-	-	7,000
191,751	1,132,317	143,961	141,093	254,147	7,722,738

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

Year ended June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	Schools
Assets and Liabilities					
Balances beginning of year	\$ 16,250	90,068	231,302	560,620	4,608,825
Additions:					
Property and other county tax	-	92,938	156,615	575,389	4,849,346
E911 surcharge	-	-	-	-	-
State tax credits	-	4,531	8,439	28,192	235,230
Office fees and collections	205,087	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Miscellaneous	-	-	725	-	-
Total additions	205,087	97,469	165,779	603,581	5,084,576
Deductions:					
Agency remittances:					
To other funds	89,512	-	-	-	-
To other governments	104,529	93,120	173,286	579,382	4,764,259
Trusts paid out	-	-	-	-	-
Total deductions	194,041	93,120	173,286	579,382	4,764,259
Balances end of year	\$ 27,296	94,417	223,795	584,819	4,929,142

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	Auto License and Use Tax	Other	Total
176,104	1,125,663	146,230	147,492	234,031	7,336,585
188,124	1,127,536	142,015	-	1,017	7,132,980
-	-	-	-	60,839	60,839
8,894	84,538	6,534	-	52	376,410
-	-	-	-	386	205,473
-	-	-	2,086,321	-	2,086,321
-	-	-	-	14,157	14,157
-	-	-	-	74,620	75,345
197,018	1,212,074	148,549	2,086,321	151,071	9,951,525
-	-	-	74,123	-	163,635
181,371	1,205,420	150,818	2,018,597	84,914	9,355,696
-	-	-	-	46,041	46,041
181,371	1,205,420	150,818	2,092,720	130,955	9,565,372
191,751	1,132,317	143,961	141,093	254,147	7,722,738

Audubon County

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

For the Last Ten Years

	2011	2010	2009	2008
Revenues:				
Property and other county tax	\$ 3,301,560	3,260,256	3,165,443	3,339,314
Local option sales tax	290,899	205,436	252,399	364,263
Interest and penalty on property tax	29,155	23,401	18,757	20,466
Intergovernmental	3,851,963	3,317,115	3,042,035	3,546,225
Licenses and permits	18,893	13,324	9,430	7,863
Charges for service	259,249	226,123	243,189	218,088
Use of money and property	43,003	64,827	66,821	176,424
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	73,608	122,386	93,200	302,894
Total	\$ 7,868,330	7,232,868	6,891,274	7,975,537
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,047,406	1,020,955	980,359	894,634
Physical health and social services	570,098	586,559	563,834	544,721
Mental health	796,462	658,737	879,184	917,687
County environment and education	1,249,182	560,321	458,616	922,345
Roads and transportation	2,904,858	2,718,188	2,923,000	3,131,863
Governmental services to residents	304,034	299,890	306,424	263,128
Administration	666,107	716,681	644,180	616,972
Non-program	61	-	-	-
Debt service	132,895	171,571	161,098	411,481
Capital projects	36,347	60,925	440,636	338,024
Total	\$ 7,707,450	6,793,827	7,357,331	8,040,855

See accompanying independent auditor's report.

Modified Accrual Basis					
2007	2006	2005	2004	2003	2002
2,947,792	2,787,515	3,205,924	3,338,129	2,950,977	2,811,885
201,385	203,123	254,776	196,492	59,069	-
23,520	20,609	20,450	845	20,980	22,157
2,892,234	2,777,310	3,714,840	3,018,341	2,930,548	2,919,289
7,154	8,043	6,672	6,576	7,476	7,848
217,759	210,753	255,559	222,763	185,468	152,826
215,182	175,395	93,839	69,443	86,529	124,347
-	-	-	7,765	628	-
110,007	107,614	230,858	100,200	84,765	130,736
6,615,033	6,290,362	7,782,918	6,960,554	6,326,440	6,169,088
860,371	849,610	856,744	756,027	762,680	699,282
486,841	482,623	508,597	479,342	457,745	435,150
984,171	822,787	882,496	752,504	783,792	787,913
456,994	377,990	973,576	459,100	322,272	340,393
2,694,168	2,966,815	3,060,502	2,521,497	2,644,847	2,493,707
278,339	327,444	265,773	232,024	239,967	237,673
620,005	635,940	577,630	535,153	673,327	602,338
-	-	-	208	-	7,568
406,297	407,951	295,207	280,990	281,310	274,980
665,932	242,763	282,835	344,654	410,712	44,018
7,453,118	7,113,923	7,703,360	6,361,499	6,576,652	5,923,022

Audubon County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass- through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Natural Resource Conservation Services:			
Emergency Watershed Protection Program	10.923	69-6114-10-13	\$ 638,956
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative reimbursements:			
State Administrative Matching Grants for the			
Supplemental Nutrition Assistance Program	10.561		5,814
U.S. Department of Health and Human Services:			
Elderbridge Agency on Aging:			
Special programs for the Aging, Title III, Part B -			
Grants for Supportive Services and Senior Centers	93.044	B03RespiteG09020	315
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5881BT305	12,093
Public Health Emergency Preparedness	93.069	5888BT05	9,119
			21,212
Immunization Grants	93.268	5880I405	3,482
ARRA - Immunization	93.712	5880I405	1,555
Iowa Department of Human Services:			
Human Services Administrative reimbursements:			
Refugee and Entrant Assistance -			
State Administered Programs	93.566		4
Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund	93.596		1,424
Foster Care - Title IV-E	93.658		2,304
Adoption Assistance	93.659		559
State Children's Insurance Program	93.767		27
Medical Assistance Program	93.778		5,582
Social Services Block Grant	93.667		24,598
Social Services Block Grant	93.667		1,990
			26,588
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency			
Management Division:			
Disaster Grants - Public Assistance	97.036	FEMA-1930 DR IA	188,326
(Presidentially Declared Disasters)			
Emergency Management Performance Grants	97.042		5,079
Total indirect			262,271
Total			\$ 901,227

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Audubon County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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David A. Vaudt, CPA
Auditor of State

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, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 1, 2012. 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

The management of Audubon County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Audubon County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Audubon County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Audubon County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weakness have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be 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 in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-11 through II-E-11 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.

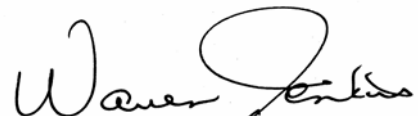
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all 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 identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Audubon County's responses and, accordingly, we express no opinion on them.

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

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 1, 2012

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

Audubon County



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

To the Officials of Audubon County:

We have audited Audubon County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2011. Audubon County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Audubon County's management. Our responsibility is to express an opinion on Audubon County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Audubon County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Audubon County's compliance with those requirements.

In our opinion, Audubon County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

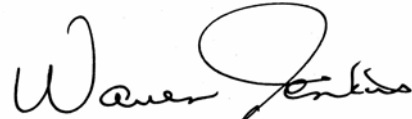
The management of Audubon County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Audubon County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Audubon County's internal control over compliance.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be a material weakness, as defined above.

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, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 1, 2012

Audubon County
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 10.923 – Emergency Watershed Protection Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Audubon County did not qualify as a low-risk auditee.

Audubon County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 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. The individual responsible for preparing the disbursement, check writing, signing, posting and reconciling is also the same individual responsible for receipting. A change fund is shared among employees.
- (2) County Sheriff – Bank reconciliations are not reviewed periodically by an independent person for propriety. Also, one person is responsible for collecting, recording and depositing receipts.
- (3) 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.
- (4) 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 cash recorded.
- (5) Ag Extension – The duties of collecting, depositing, posting, daily reconciliation and initial listing of receipts are not segregated. Additionally, the bank reconciliation is performed by someone who handles or 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 to provide additional control through review of financial transactions, reconciliations and reports.

Audubon County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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.

Each morning a computer report is printed for the previous 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 Sheriff – We are looking at adding additional segregation to the collection, recording and depositing of funds by having the Sheriff's Office Analyst review and sign the bank reconciliation rather than the Chief Deputy. The Sheriff will continue to perform monthly reviews. We have implemented these procedures since the audit.

County Treasurer – Since our office is so small it is hard to segregate a lot of these duties. The Treasurer opens and lists mail receipts and the Deputy performs this duty in the Treasurer's absence. Daily reconciling is a group effort. One person balances drivers licenses, one balances motor vehicle and the Treasurer or Deputy does the overall balancing. This is all done in the front office and everyone helps if something doesn't balance. The County Recorder reviews our bank reconciliation and initials to evidence this review. We all have access to the change fund. However, it is reconciled daily.

County Conservation – With a small staff, we divide the camping revenue duties up the best we can. The Director picks up the receipts and totals what is written on the receipts. The Naturalist opens, counts and deposits the camping revenue.

Ag Extension – The Office Manager collects and receipts cash. The Office Manager now makes the deposits. Our bookkeeping is now outsourced with the bookkeeper not working in our office. The bookkeeper is responsible for all postings to the system. The information to be entered into the system is provided to the bookkeeper by the Office Manager. With limited staff and our bookkeeping outsourced, it is very difficult to segregate duties.

The bank reconciliation is performed by the bookkeeper who posts all receipts to the system. However, there are several other steps we take with the bank reconciliations each month.

1. The Office Manager opens the bank statements and checks all transactions.
2. The Office Manager scans a copy of bank statements and sends to the bookkeeper.
3. The Extension Council Treasurer reviews statements and bank reconciliations each month.
4. The Extension Council reviews all expenditures each month.
5. The bookkeeper is required to send proof of monthly reconciliation to Cougar Mountain Accountant with Iowa State University.

Audubon County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

With our bookkeeping newly outsourced, our fiscal policy will be reviewed by our Financial Committee to attempt to provide additional internal control.

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

- II-B-11 Financial Reporting – During the audit, we identified material amounts of accounts receivables and capital asset additions not recorded in the County's financial statements. 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 capital assets additions are identified and included in the County's financial statements.

Response – Board will review all individual claims over \$5,000 to determine if that item should be listed on financial statements as a capital asset. Board will instruct department heads annually at their June department meeting to inform the County Auditor of any accounts receivable.

Conclusion – Response accepted.

- II-C-11 Bank Reconciliation – The County Treasurer does not perform a complete bank reconciliation which reconciles bank and investment balances to the general ledger balance.

Recommendation – The County Treasurer should develop procedures to ensure a complete bank to book reconciliation is completed monthly. Variances, if any, should be resolved timely.

Response – Since I was new at this position, the State auditors talked to me about doing bank reconciliations every month such as I do for year-end. A form was created and I started doing this in December 2011 after the State auditors were here in November 2011.

Conclusion – Response accepted.

- II-D-11 County Credit Card – During the year, the County paid \$115 of late fees and finance charges for credit card purchases.

Recommendation – The County should develop procedures to ensure the timely payment of all bills and to ensure charges are within credit limits to avoid penalties.

Response – Board will send memo to department heads informing them of this audit comment and request they make a better effort of getting their claims to the Auditor's office to avoid late fees and finance charges.

Conclusion – Response accepted.

Audubon County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- II-E-11 Timesheets – The Conservation Director and salaried personnel in the County Attorney’s Office do not prepare and file timesheets.

Recommendation – Except for elected officials, 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’s immediate supervisor or the County officer or department head prior to submission. The timesheets should support all hours worked, earned and taken as vacation, sick leave, compensatory time, holiday hours and personal days.

Responses –

Conservation – The timesheet problem has been discussed with the Conservation Board and Board of Supervisors and it was agreed by everyone for the Conservation Director to continue as he has and not submit a timesheet. It is not in the best interest of the County for the Director to document the number of hours worked in relation to the number of hours he gets paid for.

County Attorney – You have recommended that, except for the elected official, salaried individuals who are paid by the County part-time for work performed in the County Attorney’s Office complete time-cards supporting all hours worked, earned and taken as vacation, sick leave, compensatory time, holiday hours and personal days before the payroll is processed each payroll period in Paragraph II-E-11 of your Schedule of Findings and Questioned Costs for the year ending June 30, 2011.

Absent provision of clear legal authority that the salary method, adopted upon recommendation by the State Auditor Report for Fiscal Year 2001-2002 and the request by the Board of Supervisors in 2003 to reduce budgets by 10%, is no longer valid, I respectfully decline to adopt this recommendation.

Since 2003, agreed-to yearly amounts are adopted for office allowance, rent, salaries of part-time staff, assistant and county attorney, one family insurance policy and one single-person policy (now one-half of a single person policy) and broken into monthly payments. The trade-off permitting the 10% budget cut was the reduction of time spent in recordkeeping and translating between record-keeping systems and the predictability of expenses, absent extraordinary circumstances. As part of the arrangement, the private law office picked up labor costs exceeding the County salaried amounts for County work including overtime, substitutes, and extra help and the corollary costs of compliance with state and federal law regarding employees. My private law office tracks time worked, overtime, sick days, vacation days and other paid time off for three non-attorneys who regularly perform work for the county Attorney’s Office, only two of whom receive any remuneration from Audubon County. The office is available to, and does, address County calls and other public matters during a full work week and after regular hours as necessary. The arrangement permits the county office the flexibility and accessibility of having trained staff immediately available without paying for dead time, which keeps costs down. By streamlining the non-productive activities to reduce costs, the County was able to continue the level and availability of services and reduce its risks for compliance with labor, employee and tax laws.

Audubon County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

If these are “salaried” employees, what is the basis for requiring them to report “hourly?” It’s either one, or the other. Just as the Internal Revenue Service distinguishes between “contract labor” and “employees” by the amount of controls imposed and more obligations coming with more control, likewise, the more “controls” placed on “salaried employees” the more obligations required of the employer under the Fair Labor Standards Act. For example, the more time worked, the more time paid, including overtime as required by law.

As County Attorney I certify the salary amounts each year in accordance with my budget and personnel policies. I know of no legal reason to change.

Conclusions – Responses acknowledged. Timesheets should be prepared by all salaried personnel to support vacation and other leave time taken.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Audubon County
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

Audubon County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
- IV-B-11 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.
- IV-C-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-11 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Steve Larsen, brother of E911 Director Les Larsen, owner of Steve’s Signs	Materials and labor – Secondary Roads Department	\$ 664
	Materials and labor – E911 Department	1,158
Randall Nelsen, brother of Supervisor Todd Nelsen, owner of City Service and Parts and City Service-Exhaust Pros	Parts and installation	9,136
Jerry Riesgaard, brother of Veteran’s Affairs Director Gary Riesgaard and brother-in-law of Supervisor Bruce Nelson	Township meeting and roadside seed	429
Tyler Thygesen, spouse of Melissa Thygesen, Data Processing Specialist in Sheriff’s office	CPR instruction	250

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Steve’s Signs (for the Secondary Roads Department), Jerry Riesgaard and Tyler Thygesen 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 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 pertaining to the E911 Department do not constitute a conflict of interest since this Department is not subject to Chapter 331.342 of the Code of Iowa.

Audubon County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- IV-E-11 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.
- IV-F-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-11 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.
- IV-H-11 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).
- IV-I-11 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, 2011 for the County Extension Office did not exceed the amount budgeted.

Audubon County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Michael J. Hackett, Senior Auditor
Ann C. McMinimee, Assistant Auditor
Robert W. Endriss, Assistant Auditor
Nancy J. Umsted, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State