



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

March 13, 2013

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$11,090,251 for the year ended June 30, 2012, which included \$557,593 in tax credits from the state. The County forwarded \$7,442,070 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,648,181 of the local tax revenue to finance County operations, a 5.4% increase over the prior year. Other revenues included charges for service of \$449,764, operating grants, contributions and restricted interest of \$2,602,581, capital grants, contributions and restricted interest of \$239,113 unrestricted investment earnings of \$26,305, local option sales tax of \$242,276 and other general revenues of \$134,814.

Expenses for County operations totaled \$7,970,376, a 12.7% increase over the prior year. Expenses included \$3,698,551 for roads and transportation, \$1,060,992 for public safety and legal services and \$1,039,242 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/1210-0005-B00F.pdf>.

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**AUDUBON COUNTY**

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

**JUNE 30, 2012**

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**Audubon County**

**Officials**

| <u>Name</u>                 | <u>Title</u>         | <u>Term Expires</u> |
|-----------------------------|----------------------|---------------------|
| Todd M. Nelsen              | Board of Supervisors | Jan 2013            |
| Vernon Venteicher           | Board of Supervisors | Jan 2013            |
| Gary VanAernam              | Board of Supervisors | Jan 2015            |
| Lisa Frederiksen            | County Auditor       | Jan 2013            |
| Connie Johnson              | County Treasurer     | (Deceased)          |
| Debbie Campbell (Appointed) | 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, 2012, 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.

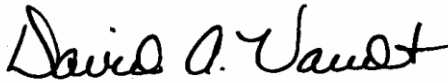
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Audubon County at June 30, 2012, and the respective changes in financial 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 26, 2013 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.


U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to

our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 26, 2013



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

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Audubon County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- Governmental activities' revenues decreased 24.1%, or approximately \$2,335,000, from fiscal year 2011.
- Governmental activities' expenses increased 12.8%, or approximately \$902,000, from fiscal year 2011.
- The County's net assets decreased 4.0%, or approximately \$628,000, from June 30, 2011 to June 30, 2012.

### **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.

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

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 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, 2012.

| Net Assets of Governmental Activities<br>(Expressed in Thousands) |           |        |
|---|-----------|--------|
|   | June 30,  |        |
|   | 2012      | 2011   |
| Current and other assets  | \$ 8,169  | 8,276  |
| Capital assets  | 12,125    | 12,213 |
| Total assets  | 20,294    | 20,489 |
| Long-term liabilities   | 732       | 813    |
| Other liabilities   | 4,292     | 3,778  |
| Total liabilities   | 5,024     | 4,591  |
| Net assets:   |           |        |
| Invested in capital assets, net of related debt                   | 12,054    | 12,106 |
| Restricted  | 2,652     | 3,075  |
| Unrestricted  | 564       | 717    |
| Total net assets  | \$ 15,270 | 15,898 |

Net assets of Audubon County’s governmental activities decreased approximately \$628,000, or 4.0%. 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 decreased approximately \$52,000, or less than 1%, from the prior year.

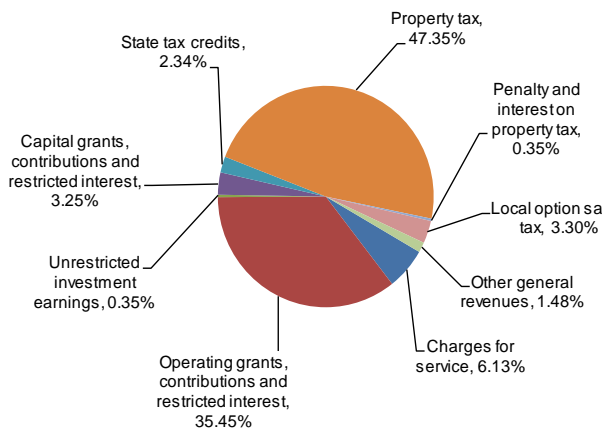
Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net asset component decreased approximately \$423,000, or 13.8%, from the prior year. This decrease is primarily due to a decrease in amounts held for secondary roads and mental health purposes.

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 \$717,000 at June 30, 2011 to approximately \$564,000 at the end of this year, a decrease of 21.3%. The decrease in unrestricted net assets is primarily due to a decrease in the amount held by the General Fund.

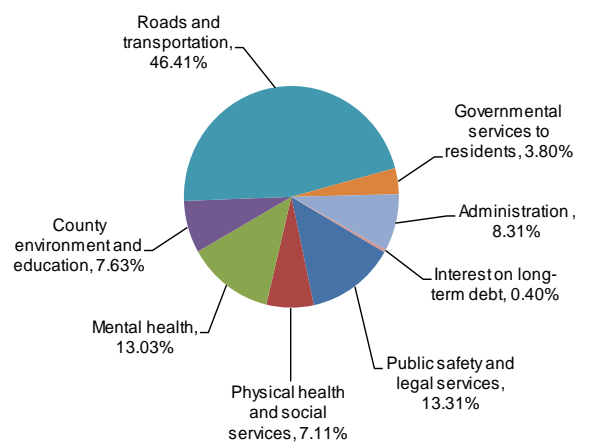
**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

|   | Year ended June 30, |               |
|---|---------------------|---------------|
|   | 2012                | 2011          |
| <b>Revenues:</b>  |                     |               |
| <b>Program revenues:</b>                                |                     |               |
| Charges for service                                     | \$ 450              | 468           |
| Operating grants, contributions and restricted interest | 2,603               | 2,802         |
| Capital grants, contributions and restricted interest   | 239                 | 2,534         |
| <b>General revenues:</b>                                |                     |               |
| Property tax  | 3,476               | 3,300         |
| Penalty and interest on property tax                    | 26                  | 37            |
| State tax credits                                       | 172                 | 162           |
| Local option sales tax                                  | 242                 | 291           |
| Unrestricted investment earnings                        | 26                  | 27            |
| Other general revenues                                  | 109                 | 57            |
| <b>Total revenues</b>                                   | <b>7,343</b>        | <b>9,678</b>  |
| <b>Program expenses:</b>                                |                     |               |
| Public safety and legal services                        | 1,061               | 1,013         |
| Physical health and social services                     | 567                 | 567           |
| Mental health   | 1,039               | 796           |
| County environment and education                        | 608                 | 473           |
| Roads and transportation                                | 3,699               | 3,243         |
| Governmental services to residents                      | 303                 | 301           |
| Administration  | 662                 | 639           |
| Interest on long-term debt                              | 32                  | 37            |
| <b>Total expenses</b>                                   | <b>7,971</b>        | <b>7,069</b>  |
| Change in net assets                                    | (628)               | 2,609         |
| Net assets beginning of year                            | 15,898              | 13,289        |
| Net assets end of year                                  | <b>\$ 15,270</b>    | <b>15,898</b> |

**Revenues by Source**



**Expenses by Function**



The County increased property tax rates from \$11.91335 per \$1,000 of taxable valuation for fiscal year 2011 to \$12.08022 per \$1,000 of taxable valuation for fiscal year 2012, a 1.4% increase. The overall rate increase coupled with an overall increase in taxable valuation of approximately \$13,000,000 increased the County's property tax revenue approximately \$176,000 in fiscal year 2012.

Revenues for governmental activities decreased approximately \$2,335,000, or 24.1%, from the prior year. The largest decrease was in capital grants, contributions and restricted interest, a decrease of approximately \$2,295,000. This decrease is due to decreased 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 in the prior year.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Audubon County completed the year, its governmental funds reported a combined fund balance of approximately \$3.8 million, a decrease of approximately \$689,000 from last year's total of approximately \$4.5 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

The General Fund ending balance decreased approximately \$61,000 to approximately \$1,494,000 at June 30, 2012. General Fund revenues increased approximately \$252,000, or 10%, over fiscal year 2011, primarily due to an increase in property tax revenues. Expenditures increased approximately \$19,000, or less than 1%, over fiscal year 2011.

The County has continued to look for ways to effectively manage the cost of mental health services. The Special Revenue, Mental Health Fund balance decreased approximately \$422,000 to \$138,522 at June 30, 2012. For the year, revenues totaled approximately \$618,000, a decrease of 17.8% from fiscal year 2011. Expenditures totaled approximately \$1,039,000, an increase of 30.5% over the prior year. The decrease in revenue is primarily due to a decrease in the property tax levy rate from \$1.408 per \$1,000 of taxable valuation in fiscal year 2011 to \$.907 per \$1,000 of taxable valuation in fiscal year 2012. The increase in expenditures is primarily due to increased client costs for licensed or certified living arrangements.

The Special Revenue, Rural Services Fund balance increased approximately \$117,000 to \$545,770 at June 30, 2012. Revenues and expenditures decreased approximately \$635,000 and \$673,000, respectively, primarily due to funds received and spent for a bank stabilization project in fiscal year 2011.

The Special Revenue, Secondary Roads Fund expenditures increased approximately \$627,000 over the prior year, mainly due to an increase in road maintenance work and a bridge replacement project undertaken in May of 2012. Revenues decreased approximately \$138,656 from the prior year, primarily due to a decrease in local option sales tax revenue and a decrease in funding for FEMA projects. These changes resulted in a decrease in the Special Revenue, Secondary Roads Fund ending balance of approximately \$340,000 to \$1,556,734 at June 30, 2012.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Audubon County amended its budget two times. The amendments were made on August 15, 2011 and May 7, 2012 and resulted in a \$95,600 increase in budgeted receipts and a \$456,584 increase in budgeted disbursements.

The County's receipts were approximately \$52,000 less than budgeted, a variance of less than 1%.

Total disbursements were approximately \$539,000 or 6.5%, less than the amended budget. Roads and transportation function disbursements were approximately \$238,000 less than budgeted due to new equipment budgeted but not purchased in fiscal year 2012. The equipment will be purchased in fiscal year 2013. Capital projects function disbursements were approximately \$129,000 less than budgeted, primarily due to a bridge replacement project budgeted in fiscal 2012 but not started until the last quarter of the fiscal year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, Audubon County had approximately \$12.125 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$88,000 from June 30, 2011.

| Capital Assets of Governmental Activities at Year End<br>(Expressed in Thousands) |           |        |
|---|-----------|--------|
|   | June 30,  |        |
|   | 2012      | 2011   |
| Land  | \$ 931    | 931    |
| Construction in progress  | 243       | 1,268  |
| Buildings and improvements  | 794       | 761    |
| Equipment and vehicles  | 1,076     | 936    |
| Infrastructure, road network and other  | 9,081     | 8,317  |
| Total   | \$ 12,125 | 12,213 |

The County had depreciation expense of \$801,816 for fiscal year 2012 and total accumulated depreciation of \$8,454,125 at June 30, 2012.

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

### Long-Term Debt

At June 30, 2012, Audubon County had approximately \$481,000 of loans and general obligation notes/bonds outstanding, compared to approximately \$578,000 at June 30, 2011.

| Outstanding Debt of Governmental Activities at Year-End<br>(Expressed in Thousands) |          |      |
|---|----------|------|
|   | June 30, |      |
|   | 2012     | 2011 |
| General obligation notes/bonds  | \$ 429   | 509  |
| Conservation loan   | 52       | 69   |
| Total   | \$ 481   | 578  |

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 \$28,843,537 (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 2013 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 4.0% compared to 7.2% a year ago. This compares with the State's unemployment rate of 5.1% and the national rate of 7.9%.

Amounts available for appropriation (budgeted beginning balance plus budgeted receipts) in the fiscal year 2013 operating budget are approximately \$9.04 million, a decrease of 12.4% from the final fiscal year 2012 budget. The operating balance is expected to decrease approximately \$1.01 million from the re-estimated June 30, 2012 balance. The County has added no major new programs or initiatives to the fiscal year 2013 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, 2012

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                                    |                                    |
| Cash and pooled investments                      | \$ 3,418,493                       |
| Receivables:                                     |                                    |
| Property tax:                                    |                                    |
| Delinquent                                       | 5,329                              |
| Succeeding year                                  | 3,845,000                          |
| Interest and penalty on property tax             | 14,009                             |
| Accounts   | 4,649                              |
| Loan   | 114,910                            |
| Accrued interest                                 | 1,810                              |
| Due from other governments                       | 412,635                            |
| Inventories                                      | 329,536                            |
| Prepaid expense                                  | 23,143                             |
| Capital assets (net of accumulated depreciation) | 12,124,826                         |
| <b>Total assets</b>                              | <u>20,294,340</u>                  |
| <b>Liabilities</b>                               |                                    |
| Accounts payable                                 | 245,223                            |
| Accrued interest payable                         | 2,117                              |
| Salaries and benefits payable                    | 13,771                             |
| Due to other governments                         | 185,794                            |
| Deferred revenue:                                |                                    |
| Succeeding year property tax                     | 3,845,000                          |
| Long-term liabilities:                           |                                    |
| Portion due or payable within one year:          |                                    |
| Notes payable                                    | 55,000                             |
| Bonds payable                                    | 29,189                             |
| Loan payable                                     | 17,969                             |
| Compensated absences                             | 112,178                            |
| Portion due or payable after one year:           |                                    |
| Bonds payable                                    | 345,000                            |
| Loan payable                                     | 33,930                             |
| Compensated absences                             | 101,607                            |
| Net OPEB liability                               | 37,300                             |
| <b>Total liabilities</b>                         | <u>5,024,078</u>                   |
| <b>Net Assets</b>                                |                                    |
| Invested in capital assets, net of related debt  | 12,053,896                         |
| Restricted for:                                  |                                    |
| Supplemental levy purposes                       | 543,725                            |
| Mental health purposes                           | 139,116                            |
| Rural services purposes                          | 432,233                            |
| Secondary roads purposes                         | 1,481,724                          |
| Debt service                                     | 4,634                              |
| Other purposes                                   | 51,428                             |
| Unrestricted                                     | 563,506                            |
| <b>Total net assets</b>                          | <u>\$ 15,270,262</u>               |

See notes to financial statements.

Audubon County

Statement of Activities

Year ended June 30, 2012

|   | Expenses            | Program Revenues    |   |   | Net (Expense) Revenue and Changes in Net Assets |
|---|---------------------|---------------------|---|---|---|
|   |                     | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |   |
| <b>Functions/Programs:</b>                                |                     |                     |   |   |   |
| Governmental activities:                                  |                     |                     |   |   |   |
| Public safety and legal services                          | \$ 1,060,992        | 71,528              | 40,913  | -   | (948,551)                                       |
| Physical health and social services                       | 567,204             | 133,358             | 119,272   | -   | (314,574)                                       |
| Mental health   | 1,039,242           | -                   | 324,084   | -   | (715,158)                                       |
| County environment and education                          | 608,366             | 66,327              | 9,121   | -   | (532,918)                                       |
| Roads and transportation                                  | 3,698,551           | 35,542              | 2,109,191   | 239,113   | (1,314,705)                                     |
| Governmental services to residents                        | 302,376             | 120,724             | -   | -   | (181,652)                                       |
| Administration  | 661,562             | 7,685               | -   | -   | (653,877)                                       |
| Non-program   | -                   | 14,600              | -   | -   | 14,600  |
| Interest on long-term debt                                | 32,083              | -                   | -   | -   | (32,083)  |
| <b>Total</b>  | <b>\$ 7,970,376</b> | <b>449,764</b>      | <b>2,602,581</b>  | <b>239,113</b>  | <b>(4,678,918)</b>                              |
| <b>General Revenues:</b>                                  |                     |                     |   |   |   |
| Property and other county tax levied for general purposes |                     |                     |   |   | 3,476,459                                       |
| Penalty and interest on property tax                      |                     |                     |   |   | 25,983  |
| State tax credits   |                     |                     |   |   | 171,722   |
| Local option sales tax                                    |                     |                     |   |   | 242,276   |
| Unrestricted investment earnings                          |                     |                     |   |   | 26,305  |
| Miscellaneous   |                     |                     |   |   | 108,831   |
| <b>Total general revenues</b>                             |                     |                     |   |   | <b>4,051,576</b>                                |
| Change in net assets                                      |                     |                     |   |   | (627,342)                                       |
| Net assets beginning of year                              |                     |                     |   |   | 15,897,604                                      |
| Net assets end of year                                    |                     |                     |   |   | <b>\$15,270,262</b>                             |

See notes to financial statements.

Audubon County  
Balance Sheet  
Governmental Funds

June 30, 2012

|  | Special Revenue     |                  |                   |                    |
|--|---------------------|------------------|-------------------|--------------------|
|  | General             | Mental<br>Health | Rural<br>Services | Secondary<br>Roads |
| <b>Assets</b>                              |                     |                  |                   |                    |
| Cash and pooled investments                | \$ 1,380,483        | 300,832          | 554,340           | 1,124,584          |
| Receivables:                               |                     |                  |                   |                    |
| Property tax:                              |                     |                  |                   |                    |
| Delinquent                                 | 4,216               | 595              | 503               | -                  |
| Succeeding year                            | 2,013,000           | 500,000          | 1,332,000         | -                  |
| Interest and penalty on property tax       | 14,009              | -                | -                 | -                  |
| Accounts                                   | 4,500               | -                | 30                | -                  |
| Loan                                       | 114,910             | -                | -                 | -                  |
| Accrued interest                           | 1,810               | -                | -                 | -                  |
| Due from other governments                 | 26,688              | 2,006            | -                 | 383,941            |
| Inventories                                | -                   | -                | -                 | 329,536            |
| Prepaid insurance                          | 23,143              | -                | -                 | -                  |
| <b>Total assets</b>                        | <b>\$ 3,582,759</b> | <b>803,433</b>   | <b>1,886,873</b>  | <b>1,838,061</b>   |
| <b>Liabilities and Fund Balances</b>       |                     |                  |                   |                    |
| Liabilities:                               |                     |                  |                   |                    |
| Accounts payable                           | \$ 29,487           | 7,981            | 4,017             | 203,527            |
| Salaries and benefits payable              | 5,996               | -                | 4,583             | 3,192              |
| Due to other governments                   | 22,523              | 156,335          | -                 | 6,936              |
| Deferred revenue:                          |                     |                  |                   |                    |
| Succeeding year property tax               | 2,013,000           | 500,000          | 1,332,000         | -                  |
| Other                                      | 18,225              | 595              | 503               | 67,672             |
| Total liabilities                          | 2,089,231           | 664,911          | 1,341,103         | 281,327            |
| Fund balances:                             |                     |                  |                   |                    |
| Nonspendable:                              |                     |                  |                   |                    |
| Inventories                                | -                   | -                | -                 | 329,536            |
| Loan receivable                            | 114,910             | -                | -                 | -                  |
| Restricted for:                            |                     |                  |                   |                    |
| Supplemental levy purposes                 | 454,655             | -                | 96,348            | -                  |
| Mental health purposes                     | -                   | 138,522          | -                 | -                  |
| Rural services purposes                    | -                   | -                | 449,422           | -                  |
| Secondary roads purposes                   | -                   | -                | -                 | 1,227,198          |
| Debt service                               | -                   | -                | -                 | -                  |
| Other purposes                             | -                   | -                | -                 | -                  |
| Assigned for:                              |                     |                  |                   |                    |
| Sheriff                                    | 38,798              | -                | -                 | -                  |
| Park improvements                          | 42,855              | -                | -                 | -                  |
| Courthouse improvements                    | 50,000              | -                | -                 | -                  |
| Jail commissary                            | 3,072               | -                | -                 | -                  |
| Unassigned                                 | 789,238             | -                | -                 | -                  |
| Total fund balances                        | 1,493,528           | 138,522          | 545,770           | 1,556,734          |
| <b>Total liabilities and fund balances</b> | <b>\$ 3,582,759</b> | <b>803,433</b>   | <b>1,886,873</b>  | <b>1,838,061</b>   |

See notes to financial statements.

| Nonmajor | Total     |
|----------|-----------|
| 58,254   | 3,418,493 |
| 15       | 5,329     |
| -        | 3,845,000 |
| -        | 14,009    |
| 119      | 4,649     |
| -        | 114,910   |
| -        | 1,810     |
| -        | 412,635   |
| -        | 329,536   |
| -        | 23,143    |
| 58,388   | 8,169,514 |
| 211      | 245,223   |
| -        | 13,771    |
| -        | 185,794   |
| -        | 3,845,000 |
| 15       | 87,010    |
| 226      | 4,376,798 |
| -        | 329,536   |
| -        | 114,910   |
| -        | 551,003   |
| -        | 138,522   |
| -        | 449,422   |
| -        | 1,227,198 |
| 6,734    | 6,734     |
| 51,428   | 51,428    |
| -        | 38,798    |
| -        | 42,855    |
| -        | 50,000    |
| -        | 3,072     |
| -        | 789,238   |
| 58,162   | 3,792,716 |
| 58,388   | 8,169,514 |

**Audubon County**

Audubon County

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

June 30, 2012

|  |                             |
|--|-----------------------------|
| <b>Total governmental fund balances (page 19)</b>  | \$ 3,792,716                |
| <b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>   |                             |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$20,578,951 and the accumulated depreciation is \$8,454,125.   | 12,124,826                  |
| Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.  | 87,010                      |
| 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. | <u>(734,290)</u>            |
| <b>Net assets of governmental activities (page 16)</b>   | <u><u>\$ 15,270,262</u></u> |

See notes to financial statements.

Audubon County

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

Year ended June 30, 2012

|  | Special Revenue  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|
|  | General          | Mental Health    | Rural Services   | Secondary Roads  |
| <b>Revenues:</b>   |                  |                  |                  |                  |
| Property and other county tax                                | \$ 1,978,955     | 279,226          | 1,218,014        | -                |
| Local option sales tax                                       | -                | -                | -                | 242,276          |
| Interest and penalty on property tax                         | 24,799           | -                | -                | -                |
| Intergovernmental  | 358,557          | 338,381          | 55,993           | 2,236,157        |
| Licenses and permits   | 21,879           | -                | -                | 3,385            |
| Charges for service  | 243,765          | -                | -                | -                |
| Use of money and property                                    | 45,193           | -                | -                | -                |
| Miscellaneous  | 100,546          | -                | 32               | 44,606           |
| <b>Total revenues</b>  | <b>2,773,694</b> | <b>617,607</b>   | <b>1,274,039</b> | <b>2,526,424</b> |
| <b>Expenditures:</b>   |                  |                  |                  |                  |
| <b>Operating:</b>  |                  |                  |                  |                  |
| Public safety and legal services                             | 856,739          | -                | 188,652          | -                |
| Physical health and social services                          | 560,091          | -                | -                | -                |
| Mental health  | -                | 1,039,242        | -                | -                |
| County environment and education                             | 261,346          | -                | 178,358          | -                |
| Roads and transportation                                     | -                | -                | 174,371          | 3,167,168        |
| Governmental services to residents                           | 312,083          | -                | 945              | -                |
| Administration   | 684,674          | -                | 12,210           | -                |
| Debt service   | 70,250           | -                | -                | -                |
| Capital projects   | 89,862           | -                | -                | 243,299          |
| <b>Total expenditures</b>                                    | <b>2,835,045</b> | <b>1,039,242</b> | <b>554,536</b>   | <b>3,410,467</b> |
| Excess (deficiency) of revenues<br>over (under) expenditures | (61,351)         | (421,635)        | 719,503          | (884,043)        |
| <b>Other financing sources (uses):</b>                       |                  |                  |                  |                  |
| Operating transfers in                                       | -                | -                | -                | 602,455          |
| Operating transfers out                                      | -                | -                | (602,455)        | (59,323)         |
| Sale of capital assets                                       | -                | -                | -                | 526              |
| <b>Total other financing sources (uses)</b>                  | <b>-</b>         | <b>-</b>         | <b>(602,455)</b> | <b>543,658</b>   |
| Change in fund balances                                      | (61,351)         | (421,635)        | 117,048          | (340,385)        |
| Fund balances beginning of year                              | 1,554,879        | 560,157          | 428,722          | 1,897,119        |
| Fund balances end of year                                    | \$ 1,493,528     | 138,522          | 545,770          | 1,556,734        |

See notes to financial statements.



| Nonmajor | Total     |
|----------|-----------|
| -        | 3,476,195 |
| -        | 242,276   |
| -        | 24,799    |
| 9,100    | 2,998,188 |
| -        | 25,264    |
| 1,526    | 245,291   |
| 26       | 45,219    |
| 26,498   | 171,682   |
| 37,150   | 7,228,914 |
| 3,062    | 1,048,453 |
| -        | 560,091   |
| -        | 1,039,242 |
| 11,487   | 451,191   |
| -        | 3,341,539 |
| 5,702    | 318,730   |
| -        | 696,884   |
| 59,323   | 129,573   |
| -        | 333,161   |
| 79,574   | 7,918,864 |
| (42,424) | (689,950) |
| 59,323   | 661,778   |
| -        | (661,778) |
| -        | 526       |
| 59,323   | 526       |
| 16,899   | (689,424) |
| 41,263   | 4,482,140 |
| 58,162   | 3,792,716 |

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, 2012

**Change in fund balances - Total governmental funds (page 23)** \$ (689,424)

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

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

|   |                  |          |
|---|------------------|----------|
| Expenditures for capital assets                                     | \$ 690,712       |          |
| Capital assets contributed by the Iowa Department of Transportation | 44,474           |          |
| Depreciation expense  | <u>(801,816)</u> | (66,630) |

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (21,638)

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 | (18)          |        |
| Other        | <u>69,138</u> | 69,120 |

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 96,912

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          | (3,729)         |                 |
| Interest on long-term debt    | 578             |                 |
| Other postemployment benefits | <u>(12,531)</u> | <u>(15,682)</u> |

**Change in net assets of governmental activities (page 17)** \$ (627,342)

See notes to financial statements.

Audubon County

Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2012

**Assets**

|                              |                  |
|------------------------------|------------------|
| Cash and pooled investments: |                  |
| County Treasurer             | \$ 533,176       |
| Other County officials       | 2,121            |
| Receivables:                 |                  |
| Property tax:                |                  |
| Delinquent                   | 23,114           |
| Succeeding year              | 7,071,000        |
| Accounts                     | 337              |
| Special assessments          | 9,526            |
| <b>Total assets</b>          | <u>7,639,274</u> |

**Liabilities**

|                          |                  |
|--------------------------|------------------|
| Accounts payable         | 658              |
| Due to other governments | 7,576,212        |
| Trusts payable           | 52,563           |
| Compensated absences     | 9,841            |
| <b>Total liabilities</b> | <u>7,639,274</u> |

|                   |                    |
|-------------------|--------------------|
| <b>Net assets</b> | <u><u>\$ -</u></u> |
|-------------------|--------------------|

See notes to financial statements.

**Audubon County**

Audubon County

Notes to Financial Statements

June 30, 2012

**(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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the Statement of Net 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, 2012 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 \$154,392 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, 2012 is as follows:

| Transfer to                         | Transfer from                       | Amount            |
|-------------------------------------|-------------------------------------|-------------------|
| Special Revenue:<br>Secondary Roads | Special Revenue:<br>Rural Services  | \$ 602,455        |
| Debt Service                        | Special Revenue:<br>Secondary Roads | 59,323            |
| Total                               |                                     | <u>\$ 661,778</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, 2012 was as follows:

|   | Balance<br>Beginning<br>of Year | Increases        | Decreases        | Balance<br>End<br>of Year |
|---|---------------------------------|------------------|------------------|---------------------------|
| <b>Governmental activities:</b>             |                                 |                  |                  |                           |
| Capital assets not being depreciated:       |                                 |                  |                  |                           |
| Land  | \$ 930,886                      | -                | -                | 930,886                   |
| Construction in progress                    | 1,268,215                       | 287,773          | 1,312,689        | 243,299                   |
| Total capital assets not being depreciated  | <u>2,199,101</u>                | <u>287,773</u>   | <u>1,312,689</u> | <u>1,174,185</u>          |
| Capital assets being depreciated:           |                                 |                  |                  |                           |
| Buildings                                   | 1,242,407                       | 66,717           | -                | 1,309,124                 |
| Building improvements                       | 205,035                         | -                | -                | 205,035                   |
| Equipment and vehicles                      | 5,175,650                       | 405,434          | 291,575          | 5,289,509                 |
| Infrastructure, roads                       | 9,973,420                       | 1,312,689        | -                | 11,286,109                |
| Infrastructure, other                       | 1,314,989                       | -                | -                | 1,314,989                 |
| Total capital assets being depreciated      | <u>17,911,501</u>               | <u>1,784,840</u> | <u>291,575</u>   | <u>19,404,766</u>         |
| Less accumulated depreciation for:          |                                 |                  |                  |                           |
| Buildings                                   | 481,405                         | 33,235           | -                | 514,640                   |
| Building improvements                       | 205,034                         | -                | -                | 205,034                   |
| Equipment and vehicles                      | 4,239,688                       | 219,449          | 245,199          | 4,213,938                 |
| Infrastructure, roads                       | 2,671,270                       | 484,633          | -                | 3,155,903                 |
| Infrastructure, other                       | 300,111                         | 64,499           | -                | 364,610                   |
| Total accumulated depreciation              | <u>7,897,508</u>                | <u>801,816</u>   | <u>245,199</u>   | <u>8,454,125</u>          |
| Total capital assets being depreciated, net | <u>10,013,993</u>               | <u>983,024</u>   | <u>46,376</u>    | <u>10,950,641</u>         |
| Governmental activities capital assets, net | <u>\$ 12,213,094</u>            | <u>1,270,797</u> | <u>1,359,065</u> | <u>12,124,826</u>         |

Depreciation expense was charged to the following functions:

|  |                   |
|--|-------------------|
| Governmental activities:                             |                   |
| Public safety and legal services                     | \$ 50,143         |
| County environment and education                     | 75,847            |
| Roads and transportation                             | 645,379           |
| Governmental services to residents                   | 3,275             |
| Administration                                       | 27,170            |
|  | <hr/>             |
| Total depreciation expense - governmental activities | <u>\$ 801,814</u> |

**(5) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2012 is as follows:

| Fund                            | Description | Amount              |
|---------------------------------|-------------|---------------------|
| General                         | Services    | \$ 22,523           |
| Special Revenue:                |             |                     |
| Mental Health                   | Services    | 156,335             |
| Secondary Roads                 | Services    | 6,936               |
|                                 |             | <hr/>               |
|                                 |             | 163,271             |
|                                 |             | <hr/>               |
| Total for governmental funds    |             | <u>\$ 185,794</u>   |
| Agency:                         |             |                     |
| County Offices                  | Collections | \$ 11,576           |
| Agriculture Extension Education |             | 99,530              |
| County Assessor                 |             | 224,367             |
| County Hospital                 |             | 612,436             |
| Schools                         |             | 4,873,656           |
| Community Colleges              |             | 207,117             |
| Corporations                    |             | 1,065,277           |
| Townships                       |             | 152,059             |
| Auto License and Use Tax        |             | 140,829             |
| All other                       |             | 189,365             |
|                                 |             | <hr/>               |
| Total for agency funds          |             | <u>\$ 7,576,212</u> |

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

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

|                           | General<br>Obligation<br>Notes | General<br>Economic<br>Development<br>Bonds | Conser-<br>vation<br>Loan | Compen-<br>sated<br>Absences | Net<br>OPEB<br>Liability | Total   |
|---------------------------|--------------------------------|---|---------------------------|------------------------------|--------------------------|---------|
| Balance beginning of year | \$ 110,000                     | 399,189                                     | 68,811                    | 210,056                      | 24,769                   | 812,825 |
| Increases                 | -                              | -   | -                         | 83,228                       | 25,545                   | 108,773 |
| Decreases                 | 55,000                         | 25,000                                      | 16,912                    | 79,499                       | 13,014                   | 189,425 |
|                           | <hr/>                          | <hr/>                                       | <hr/>                     | <hr/>                        | <hr/>                    | <hr/>   |
| Balance end of year       | \$ 55,000                      | 374,189                                     | 51,899                    | 213,785                      | 37,300                   | 732,173 |
|                           | <hr/>                          | <hr/>                                       | <hr/>                     | <hr/>                        | <hr/>                    | <hr/>   |
| Due within one year       | \$ 55,000                      | 29,189                                      | 17,969                    | 112,178                      | -                        | 214,336 |

### 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, 2012 are as follows:

| Year<br>Ending<br>June 30, | Interest<br>Rates | Principal | Interest | Total  |
|----------------------------|-------------------|-----------|----------|--------|
| 2013                       | 3.55%             | \$ 55,000 | 1,953    | 56,953 |

### General Obligation Bonds

In September 2007, the County issued \$500,000 of general obligation economic development bonds. The proceeds were provided to Valley Business Park Corporation to purchase land for economic development. 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, 2012, a loan receivable of \$114,910 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 at June 30, 2012 are as follows:

| Year<br>Ending<br>June 30, | Interest<br>Rates | Principal  | Interest | Total   |
|----------------------------|-------------------|------------|----------|---------|
| 2013                       | 6.25%             | \$ 29,189  | 23,437   | 52,626  |
| 2014                       | 6.25              | 30,000     | 21,563   | 51,563  |
| 2015                       | 6.25              | 30,000     | 19,688   | 49,688  |
| 2016                       | 6.25              | 35,000     | 17,812   | 52,812  |
| 2017                       | 6.25              | 35,000     | 15,625   | 50,625  |
| 2018-2022                  | 6.25              | 215,000    | 41,250   | 256,250 |
| Total                      |                   | \$ 374,189 | 139,375  | 513,564 |

### 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 at June 30, 2011 are as follows:

| Year<br>Ending<br>June 30, | Interest<br>Rates | Principal | Interest | Total  |
|----------------------------|-------------------|-----------|----------|--------|
| 2013                       | 5.00%             | \$ 17,969 | 2,283    | 20,252 |
| 2014                       | 5.00              | 18,897    | 1,355    | 20,252 |
| 2015                       | 5.00              | 15,033    | 379      | 15,412 |
| Total                      |                   | \$ 51,899 | 4,017    | 55,916 |

**(7) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$181,339, \$156,679 and \$153,259, respectively, equal to the required contributions for each year.

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

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

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, 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            | 990              |
| Adjustment to annual required contribution | <u>(955)</u>     |
| Annual OPEB cost (expense)                 | 25,545           |
| Contributions made                         | <u>(13,014)</u>  |
| Increase in net OPEB obligation            | 12,531           |
| Net OPEB obligation beginning of year      | <u>24,769</u>    |
| Net OPEB obligation end of year            | <u>\$ 37,300</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed \$13,014 to the medical plan. Plan members eligible for benefits contributed \$4,910, or 27.4% 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<br>Ended<br>June 30, | Annual<br>OPEB Cost | Percentage of<br>Annual OPEB<br>Cost Contributed | Net<br>OPEB<br>Obligation |
|---------------------------|---------------------|--|---------------------------|
| 2010                      | \$ 25,510           | 51.0%  | \$ 12,496                 |
| 2011                      | 25,287              | 51.5   | 24,769                    |
| 2012                      | 25,545              | 51.0   | 37,300                    |

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$1,769,000 and the ratio of the UAAL to covered payroll was 12%. As of June 30, 2012, 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 9.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

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

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

## **(9) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 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% 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 \$106,763.

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



The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

**Audubon County**

**Required Supplementary Information**

Audubon County

Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2012

|   | Actual       | Budgeted Amounts |             | Final to           |
|---|--------------|------------------|-------------|--------------------|
|   |              | Original         | Final       | Actual<br>Variance |
| <b>Receipts:</b>  |              |                  |             |                    |
| Property and other county tax   | \$ 3,712,826 | 3,734,575        | 3,734,575   | (21,749)           |
| Interest and penalty on property tax  | 22,730       | -                | -           | 22,730             |
| Intergovernmental   | 2,971,750    | 3,048,349        | 3,079,749   | (107,999)          |
| Licenses and permits  | 25,614       | 100              | 100         | 25,514             |
| Charges for service   | 244,812      | 175,590          | 175,590     | 69,222             |
| Use of money and property   | 44,423       | 15,657           | 36,157      | 8,266              |
| Miscellaneous   | 102,922      | 3,480            | 47,180      | 55,742             |
| Total receipts  | 7,125,077    | 6,977,751        | 7,073,351   | 51,726             |
| <b>Disbursements:</b>   |              |                  |             |                    |
| Public safety and legal services  | 1,048,565    | 1,090,329        | 1,122,171   | 73,606             |
| Physical health and social services   | 568,083      | 583,969          | 593,969     | 25,886             |
| Mental health   | 1,033,801    | 1,054,854        | 1,054,854   | 21,053             |
| County environment and education  | 468,036      | 476,173          | 479,673     | 11,637             |
| Roads and transportation  | 3,276,566    | 3,049,577        | 3,514,577   | 238,011            |
| Governmental services to residents  | 317,447      | 327,938          | 330,623     | 13,176             |
| Administration  | 704,664      | 720,344          | 731,389     | 26,725             |
| Debt service  | 79,573       | 79,575           | 79,575      | 2                  |
| Capital projects  | 248,823      | 445,209          | 377,721     | 128,898            |
| Total disbursements   | 7,745,558    | 7,827,968        | 8,284,552   | 538,994            |
| Deficiency of receipts under disbursements  | (620,481)    | (850,217)        | (1,211,201) | 590,720            |
| Other financing sources, net  | 526          | -                | -           | 526                |
| Deficiency of receipts and other financing sources under disbursements and other financing uses | (619,955)    | (850,217)        | (1,211,201) | 591,246            |
| Balance beginning of year   | 4,038,448    | 3,180,018        | 4,038,449   | (1)                |
| Balance end of year   | \$ 3,418,493 | 2,329,801        | 2,827,248   | 591,245            |

See accompanying independent auditor's report.

Audubon County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2012

|                              | Governmental Funds |                             |                              |
|------------------------------|--------------------|-----------------------------|------------------------------|
|                              | Cash<br>Basis      | Accrual<br>Adjust-<br>ments | Modified<br>Accrual<br>Basis |
| Revenues                     | \$ 7,125,077       | 103,837                     | 7,228,914                    |
| Expenditures                 | 7,745,558          | 173,306                     | 7,918,864                    |
| Net                          | (620,481)          | (69,469)                    | (689,950)                    |
| Other financing sources, net | 526                | -                           | 526                          |
| Beginning fund balances      | 4,038,448          | 443,692                     | 4,482,140                    |
| Ending fund balances         | \$ 3,418,493       | 374,223                     | 3,792,716                    |

See accompanying independent auditor's report.

Audubon County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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 \$456,584. 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, 2012, disbursements did not exceed the amounts budgeted.

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Audubon County

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

Required Supplementary Information

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| Year<br>Ended<br>June 30, | Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b - a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((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  |
| 2012                      | July 1, 2009                   | -                                      | 218   | 218                                  | 0.00                     | 1,769                     | 12  |

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

**Audubon County**



## **Supplementary Information**

Audubon County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2012

|  | Resource<br>Enhancement<br>and<br>Protection | County<br>Recorder's<br>Records<br>Management | Special<br>Forfeiture |
|--|--|---|-----------------------|
| <b>Assets</b>                              |  |   |                       |
| Cash and pooled investments                | \$ 9,437                                     | 582   | 35,731                |
| Receivables:                               |  |   |                       |
| Property tax                               | -  | -   | -                     |
| Accounts                                   | -  | 119   | -                     |
| <b>Total assets</b>                        | <b>\$ 9,437</b>                              | <b>701</b>                                    | <b>35,731</b>         |
| <b>Liabilities and Fund Balances</b>       |  |   |                       |
| Liabilities:                               |  |   |                       |
| Accounts payable                           | \$ 211                                       | -   | -                     |
| Deferred revenue                           | -  | -   | -                     |
| Total liabilities                          | 211  | -   | -                     |
| Fund balances:                             |  |   |                       |
| Restricted for:                            |  |   |                       |
| Debt service                               | -  | -   | -                     |
| Other purposes                             | 9,226  | 701   | 35,731                |
| Total fund balances                        | 9,226  | 701   | 35,731                |
| <b>Total liabilities and fund balances</b> | <b>\$ 9,437</b>                              | <b>701</b>                                    | <b>35,731</b>         |

See accompanying independent auditor's report.

| Revenue              |                               |                 |  |        |
|----------------------|-------------------------------|-----------------|--|--------|
| AAE<br>Task<br>Force | Tax<br>Increment<br>Financing | Debt<br>Service |  | Total  |
| 5,770                | 295                           | 6,439           |  | 58,254 |
| -                    | 13                            | 2               |  | 15     |
| -                    | -                             | -               |  | 119    |
| 5,770                | 308                           | 6,441           |  | 58,388 |
| -                    | -                             | -               |  | 211    |
| -                    | 13                            | 2               |  | 15     |
| -                    | 13                            | 2               |  | 226    |
| -                    | 295                           | 6,439           |  | 6,734  |
| 5,770                | -                             | -               |  | 51,428 |
| 5,770                | 295                           | 6,439           |  | 58,162 |
| 5,770                | 308                           | 6,441           |  | 58,388 |

Audubon County

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

Year ended June 30, 2012

|  | Resource<br>Enhancement<br>and<br>Protection | County<br>Recorder's<br>Records<br>Management | Special<br>Forfeiture |
|--|--|---|-----------------------|
| Revenues:  |  |   |                       |
| Intergovernmental  | \$ 9,100                                     | -   | -                     |
| Charges for service  | -  | 1,526   | -                     |
| Use of money and property  | 21   | 4   | -                     |
| Miscellaneous  | -  | -   | 26,398                |
| Total revenues   | <u>9,121</u>                                 | <u>1,530</u>                                  | <u>26,398</u>         |
| Expenditures:  |  |   |                       |
| Operating:   |  |   |                       |
| Public safety and legal services   | -  | -   | 2,342                 |
| County environment and education   | 11,487                                       | -   | -                     |
| Governmental services to residents   | -  | 5,702   | -                     |
| Debt service   | -  | -   | -                     |
| Total expenditures   | <u>11,487</u>                                | <u>5,702</u>                                  | <u>2,342</u>          |
| Excess (deficiency) of revenues<br>over (under) expenditures                             | (2,366)                                      | (4,172)                                       | 24,056                |
| Other financing sources:   |  |   |                       |
| Operating transfers in   | -  | -   | -                     |
| Excess (deficiency) of revenues and other<br>financing sources over (under) expenditures | (2,366)                                      | (4,172)                                       | 24,056                |
| Fund balances beginning of year  | <u>11,592</u>                                | <u>4,873</u>                                  | <u>11,675</u>         |
| Fund balances end of year  | <u>\$ 9,226</u>                              | <u>701</u>                                    | <u>35,731</u>         |

See accompanying independent auditor's report.

| Revenue              |                               |                 |  |          |
|----------------------|-------------------------------|-----------------|--|----------|
| AAE<br>Task<br>Force | Tax<br>Increment<br>Financing | Debt<br>Service |  | Total    |
| -                    | -                             | -               |  | 9,100    |
| -                    | -                             | -               |  | 1,526    |
| -                    | -                             | 1               |  | 26       |
| 100                  | -                             | -               |  | 26,498   |
| 100                  | -                             | 1               |  | 37,150   |
| 720                  | -                             | -               |  | 3,062    |
| -                    | -                             | -               |  | 11,487   |
| -                    | -                             | -               |  | 5,702    |
| -                    | -                             | 59,323          |  | 59,323   |
| 720                  | -                             | 59,323          |  | 79,574   |
| (620)                | -                             | (59,322)        |  | (42,424) |
| -                    | -                             | 59,323          |  | 59,323   |
| (620)                | -                             | 1               |  | 16,899   |
| 6,390                | 295                           | 6,438           |  | 41,263   |
| 5,770                | 295                           | 6,439           |  | 58,162   |

Audubon County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2012

|                              | County<br>Offices | Agricultural<br>Extension<br>Education | County<br>Assessor | County<br>Hospital | County<br>Schools |
|------------------------------|-------------------|--|--------------------|--------------------|-------------------|
| <b>Assets</b>                |                   |  |                    |                    |                   |
| Cash and pooled investments: |                   |  |                    |                    |                   |
| County Treasurer             | \$ 30,479         | 1,331                                  | 51,057             | 8,210              | 69,361            |
| Other County officials       | 2,121             | -                                      | -                  | -                  | -                 |
| Receivables:                 |                   |  |                    |                    |                   |
| Property tax:                |                   |  |                    |                    |                   |
| Delinquent                   | -                 | 199                                    | 335                | 1,226              | 10,295            |
| Succeeding year              | -                 | 98,000                                 | 183,000            | 603,000            | 4,794,000         |
| Accounts                     | -                 | -                                      | -                  | -                  | -                 |
| Special assessments          | -                 | -                                      | -                  | -                  | -                 |
| <b>Total assets</b>          | <b>\$ 32,600</b>  | <b>99,530</b>                          | <b>234,392</b>     | <b>612,436</b>     | <b>4,873,656</b>  |
| <b>Liabilities</b>           |                   |  |                    |                    |                   |
| Accounts payable             | \$ -              | -                                      | 184                | -                  | -                 |
| Due to other governments     | 11,576            | 99,530                                 | 224,367            | 612,436            | 4,873,656         |
| Trusts payable               | 21,024            | -                                      | -                  | -                  | -                 |
| Compensated absences         | -                 | -                                      | 9,841              | -                  | -                 |
| <b>Total liabilities</b>     | <b>\$ 32,600</b>  | <b>99,530</b>                          | <b>234,392</b>     | <b>612,436</b>     | <b>4,873,656</b>  |

See accompanying independent auditor's report.

| Community Colleges | Corporations | Townships | Auto License and Use Tax | Other   | Total     |
|--------------------|--------------|-----------|--------------------------|---------|-----------|
| 2,725              | 16,671       | 2,000     | 140,829                  | 210,513 | 533,176   |
| -                  | -            | -         | -                        | -       | 2,121     |
| 392                | 10,606       | 59        | -                        | 2       | 23,114    |
| 204,000            | 1,038,000    | 150,000   | -                        | 1,000   | 7,071,000 |
| -                  | -            | -         | -                        | 337     | 337       |
| -                  | -            | -         | -                        | 9,526   | 9,526     |
| 207,117            | 1,065,277    | 152,059   | 140,829                  | 221,378 | 7,639,274 |
| -                  | -            | -         | -                        | 474     | 658       |
| 207,117            | 1,065,277    | 152,059   | 140,829                  | 189,365 | 7,576,212 |
| -                  | -            | -         | -                        | 31,539  | 52,563    |
| -                  | -            | -         | -                        | -       | 9,841     |
| 207,117            | 1,065,277    | 152,059   | 140,829                  | 221,378 | 7,639,274 |

Audubon County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2012

|                                    | Agricultural      |                        |                    |                    |           |
|------------------------------------|-------------------|------------------------|--------------------|--------------------|-----------|
|                                    | County<br>Offices | Extension<br>Education | County<br>Assessor | County<br>Hospital | Schools   |
| <b>Assets and Liabilities</b>      |                   |                        |                    |                    |           |
| Balances beginning of year         | \$ 27,296         | 94,417                 | 223,795            | 584,819            | 4,929,142 |
| Additions:                         |                   |                        |                    |                    |           |
| Property and other county tax      | -                 | 98,422                 | 183,369            | 603,090            | 4,787,762 |
| E911 surcharge                     | -                 | -                      | -                  | -                  | -         |
| State tax credits                  | -                 | 4,783                  | 8,059              | 29,496             | 250,420   |
| Office fees and collections        | 220,345           | -                      | -                  | -                  | -         |
| Auto licenses, use tax and postage | -                 | -                      | -                  | -                  | -         |
| Assessments                        | -                 | -                      | -                  | -                  | -         |
| Trusts                             | -                 | -                      | -                  | -                  | -         |
| Miscellaneous                      | -                 | -                      | 221                | -                  | -         |
| Total additions                    | 220,345           | 103,205                | 191,649            | 632,586            | 5,038,182 |
| Deductions:                        |                   |                        |                    |                    |           |
| Agency remittances:                |                   |                        |                    |                    |           |
| To other funds                     | 86,322            | -                      | -                  | -                  | -         |
| To other governments               | 128,719           | 98,092                 | 181,052            | 604,969            | 5,093,668 |
| Trusts paid out                    | -                 | -                      | -                  | -                  | -         |
| Total deductions                   | 215,041           | 98,092                 | 181,052            | 604,969            | 5,093,668 |
| Balances end of year               | \$ 32,600         | 99,530                 | 234,392            | 612,436            | 4,873,656 |

See accompanying independent auditor's report.



| Community Colleges | Corporations | Townships | Auto License and Use Tax | Other   | Total      |
|--------------------|--------------|-----------|--------------------------|---------|------------|
| 191,751            | 1,132,317    | 143,961   | 141,093                  | 254,147 | 7,722,738  |
| 203,946            | 1,026,683    | 151,931   | -                        | 996     | 7,056,199  |
| -                  | -            | -         | -                        | 44,158  | 44,158     |
| 9,752              | 78,405       | 4,905     | -                        | 51      | 385,871    |
| -                  | -            | -         | -                        | -       | 220,345    |
| -                  | -            | -         | 2,171,933                | -       | 2,171,933  |
| -                  | -            | -         | -                        | 10,492  | 10,492     |
| -                  | -            | -         | -                        | 58,810  | 58,810     |
| -                  | -            | -         | -                        | 62,455  | 62,676     |
| 213,698            | 1,105,088    | 156,836   | 2,171,933                | 176,962 | 10,010,484 |
| -                  | -            | -         | 74,643                   | -       | 160,965    |
| 198,332            | 1,172,128    | 148,738   | 2,097,554                | 113,682 | 9,836,934  |
| -                  | -            | -         | -                        | 96,049  | 96,049     |
| 198,332            | 1,172,128    | 148,738   | 2,172,197                | 209,731 | 10,093,948 |
| 207,117            | 1,065,277    | 152,059   | 140,829                  | 221,378 | 7,639,274  |

Audubon County

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

For the Last Ten Years

|                                      | 2012                | 2011             | 2010             | 2009             |
|--------------------------------------|---------------------|------------------|------------------|------------------|
| <b>Revenues:</b>                     |                     |                  |                  |                  |
| Property and other county tax        | \$ 3,476,195        | 3,301,560        | 3,260,256        | 3,165,443        |
| Local option sales tax               | 242,276             | 290,899          | 205,436          | 252,399          |
| Interest and penalty on property tax | 24,799              | 29,155           | 23,401           | 18,757           |
| Intergovernmental                    | 2,998,188           | 3,851,963        | 3,317,115        | 3,042,035        |
| Licenses and permits                 | 25,264              | 18,893           | 13,324           | 9,430            |
| Charges for service                  | 245,291             | 259,249          | 226,123          | 243,189          |
| Use of money and property            | 45,219              | 43,003           | 64,827           | 66,821           |
| Fines, forfeitures and defaults      | -                   | -                | -                | -                |
| Miscellaneous                        | 171,682             | 73,608           | 122,386          | 93,200           |
| <b>Total</b>                         | <b>\$ 7,228,914</b> | <b>7,868,330</b> | <b>7,232,868</b> | <b>6,891,274</b> |
| <b>Expenditures:</b>                 |                     |                  |                  |                  |
| <b>Operating:</b>                    |                     |                  |                  |                  |
| Public safety and legal services     | \$ 1,048,453        | 1,047,406        | 1,020,955        | 980,359          |
| Physical health and social services  | 560,091             | 570,098          | 586,559          | 563,834          |
| Mental health                        | 1,039,242           | 796,462          | 658,737          | 879,184          |
| County environment and education     | 451,191             | 1,249,182        | 560,321          | 458,616          |
| Roads and transportation             | 3,341,539           | 2,904,858        | 2,718,188        | 2,923,000        |
| Governmental services to residents   | 318,730             | 304,034          | 299,890          | 306,424          |
| Administration                       | 696,884             | 666,107          | 716,681          | 644,180          |
| Non-program                          | -                   | 61               | -                | -                |
| Debt service                         | 129,573             | 132,895          | 171,571          | 161,098          |
| Capital projects                     | 333,161             | 36,347           | 60,925           | 440,636          |
| <b>Total</b>                         | <b>\$ 7,918,864</b> | <b>7,707,450</b> | <b>6,793,827</b> | <b>7,357,331</b> |

See accompanying independent auditor's report.

| Modified Accrual Basis |           |           |           |           |           |
|------------------------|-----------|-----------|-----------|-----------|-----------|
| 2008                   | 2007      | 2006      | 2005      | 2004      | 2003      |
| 3,339,314              | 2,947,792 | 2,787,515 | 3,205,924 | 3,338,129 | 2,950,977 |
| 364,263                | 201,385   | 203,123   | 254,776   | 196,492   | 59,069    |
| 20,466                 | 23,520    | 20,609    | 20,450    | 845       | 20,980    |
| 3,546,225              | 2,892,234 | 2,777,310 | 3,714,840 | 3,018,341 | 2,930,548 |
| 7,863                  | 7,154     | 8,043     | 6,672     | 6,576     | 7,476     |
| 218,088                | 217,759   | 210,753   | 255,559   | 222,763   | 185,468   |
| 176,424                | 215,182   | 175,395   | 93,839    | 69,443    | 86,529    |
| -                      | -         | -         | -         | 7,765     | 628       |
| 302,894                | 110,007   | 107,614   | 230,858   | 100,200   | 84,765    |
| 7,975,537              | 6,615,033 | 6,290,362 | 7,782,918 | 6,960,554 | 6,326,440 |
| 894,634                | 860,371   | 849,610   | 856,744   | 756,027   | 762,680   |
| 544,721                | 486,841   | 482,623   | 508,597   | 479,342   | 457,745   |
| 917,687                | 984,171   | 822,787   | 882,496   | 752,504   | 783,792   |
| 922,345                | 456,994   | 377,990   | 973,576   | 459,100   | 322,272   |
| 3,131,863              | 2,694,168 | 2,966,815 | 3,060,502 | 2,521,497 | 2,644,847 |
| 263,128                | 278,339   | 327,444   | 265,773   | 232,024   | 239,967   |
| 616,972                | 620,005   | 635,940   | 577,630   | 535,153   | 673,327   |
| -                      | -         | -         | -         | 208       | -         |
| 411,481                | 406,297   | 407,951   | 295,207   | 280,990   | 281,310   |
| 338,024                | 665,932   | 242,763   | 282,835   | 344,654   | 410,712   |
| 8,040,855              | 7,453,118 | 7,113,923 | 7,703,360 | 6,361,499 | 6,576,652 |

**Audubon County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

To the Officials of Audubon County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Audubon County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 26, 2013. 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 weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control over financial reporting we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

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 the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

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

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 which 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, 2012 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. 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 and 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 26, 2013

Audubon County

Schedule of Findings

Year ended June 30, 2012

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. One or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:
- (1) County Recorder – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. Bank accounts are not reconciled monthly by an individual who does not handle cash. The individual responsible for preparing disbursements, check writing, signing, posting and reconciling is the same individual responsible for receipting. A change fund is shared among employees.
  - (2) County Treasurer – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. Bank accounts are not reconciled monthly by an individual who does not handle cash. One individual in the County Treasurer's office has custody of receipts and performs all investment record keeping and reconciling functions for the office. A change fund for the County Treasurer's Office is shared among employees.
  - (3) County Conservation – The duties of collecting and listing receipts for camping fees are not segregated and an initial listing is not completed to reconcile the amount collected to the cash recorded.
  - (4) Ag Extension Office – The bank reconciliation is performed by someone who handles and records cash.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

County Recorder – With only the Recorder and Deputy in the office it is not possible to segregate the duties. As Recorder I oversee everything my Deputy does.

County Treasurer – With a small office and new help, it is hard to segregate a lot of the duties. The Treasurer opens the mail receipts and the Deputy performs this duty in the Treasurer's absence. Daily reconciling is done by different individuals with the Treasurer balancing end of day reports for the office and either the Deputy or Clerk balancing the motor vehicle and driver license. This is done in the front office and everyone helps if something doesn't balance. More duties will be put on the Deputy and

Audubon County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Clerk after they become more familiar with it. We all have access to the change fund. However, it is reconciled daily. In addition, we will begin having the County Recorder review our monthly bank account reconciliation for accuracy.

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

Ag Extension Office – The bank reconciliation is not performed by someone who does not handle or record cash.

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

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

Conclusions – County Treasurer response accepted. The County Recorder and County Conservation should utilize current personnel, including personnel from other offices, to provide additional control through review of financial transactions, reconciliations and reports. The Ag Extension Office should ensure all reviews by the Office Manager, Extension Council Treasurer and the Extension Council are evidenced with the reviewer's signature or initials and the date of the review.

- (B) Financial Reporting – During the audit, we identified material amounts of accounts receivable and accounts payable 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 payables are identified and included in the County's financial statements.



Audubon County

Schedule of Findings

Year ended June 30, 2012

Response – The Board will have an agenda item for the department head meeting in July to discuss the need to identify all receivables and payables. We will also set up one on one meetings with departments that have a need for it.

Conclusion – Response accepted.

- (C) 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 – Being new at this position, I have struggled with balancing the bank reconciliation and I am going to solve this. I have had help from the Deputy with the bank reconciliation and between the two of us, we will work to ensure the bank account reconciliation balances each month.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Audubon County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

| Name, Title, and<br>Business Connection   | Transaction<br>Description   | Amount          |
|---|--|-----------------|
| Steve Larsen, brother of E-911<br>Director Les Larsen, owner of<br>Steve's Signs  | Materials and labor -<br>Secondary Roads Department<br>E-911 Department                | \$ 795<br>1,864 |
| Randall Nelsen, brother of Supervisor<br>Todd Nelsen, owner of City Service and<br>Parts and City Service-Exhaust Pros                  | Parts and installation   | 9,396           |
| Jerry Riesgaard, brother of Veteran's<br>Affairs Director Gary Riesgaard and<br>brother-in-law of Supervisor<br>Bruce Nelson            | Township meetings and<br>moving fence  | 712             |
| Tyler Thygesen, spouse of Melissa<br>Thygesen, Data Processing Specialist<br>in Sheriff's office  | Cleaning Sheriff vehicles  | 586             |
| Dave Witt, brother of Chris Hemmingsen,<br>Office Manager in Secondary Roads<br>office, Owner of Ace Hardware                           | Various parts and supplies -<br>Secondary Roads Department<br>Other County Departments | 1,413<br>5,002  |
| Brad Hemmingsen, husband of Chris<br>Hemmingsen, Office Manager in<br>Secondary Roads office, works at<br>Rustvold Plumbing and Heating | Plumbing parts and labor   | 136             |
| Larry Sorensen, Road side<br>Supervisor for Secondary Roads,<br>sister-in-law owns Option Ink   | Signage for Secondary Roads  | 58              |

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, Tyler Thygesen, Ace Hardware (for the Secondary Roads Department), Rustvold Plumbing and Heating and Option Ink 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

Audubon County

Schedule of Findings

Year ended June 30, 2012

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 E-911 Department do not constitute a conflict of interest since this Department is not subject to Chapter 331.342 of the Code of Iowa.

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

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.

Audubon County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Steven O. Fuqua, Senior Auditor II  
Jamie T. Reuter, Staff Auditor  
Robert W. Endriss, CPA Assistant Auditor  
Kaylynn D. Short, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State