



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 5, 2008

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$8,353,843 for the year ended June 30, 2007, which included \$569,628 in tax credits from the state. The County forwarded \$5,234,760 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,119,083 of the local tax revenue to finance County operations, a 4% increase over the prior year. Other revenues included charges for service of \$430,181, operating grants, contributions and restricted interest of \$2,475,099, capital grants, contributions and restricted interest of \$488,565, unrestricted investment earnings of \$192,499, local option sales tax of \$201,385 and other general revenues of \$78,139.

Expenses for County operations totaled \$7,192,206, a 4% increase over the prior year. Expenses included \$3,322,758 for roads and transportation, \$984,171 for mental health and \$855,672 for public safety and legal services.

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

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AUDUBON COUNTY

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

JUNE 30, 2007

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Audubon County

Officials

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

<u>Name</u>	<u>Title</u>	<u>Expires</u>
(After January 2007)		
Todd M. Nelson	Board of Supervisors	Jan 2009
Vernon Venteicher	Board of Supervisors	Jan 2009
Bruce Nelson	Board of Supervisors	Jan 2011
Lisa Frederiksen	County Auditor	Jan 2009
Peggy Smalley	County Treasurer	Jan 2011
Mary Lou Johansen	County Recorder	Jan 2011
Todd Johnson	County Sheriff	Jan 2009
Francine O'Brien Andersen	County Attorney	Jan 2011
Debra Umland	County Assessor	Jan 2010

Audubon County



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Independent Auditor's Report

To the Officials of Audubon County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Audubon County, Iowa, as of and for the year ended June 30, 2007, 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.

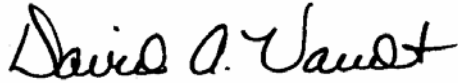
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2007, 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 5, 2008 on our consideration of Audubon County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Audubon County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 5, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Audubon County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Governmental activities revenues decreased 16.7%, or approximately \$1,396,000, from fiscal 2006 to fiscal 2007. Property and other county tax increased 4.9%, or approximately \$135,000.
- Governmental activities expenses increased 4.1%, or approximately \$281,000. Mental health expenses increased approximately \$161,000 and administration expenses increased approximately \$99,000.
- The County's net assets decreased 1.5%, or approximately \$207,000, from June 30, 2006 to June 30, 2007.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration 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, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for 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, 2007.

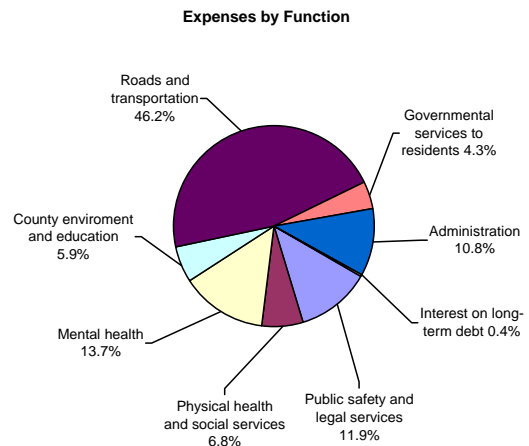
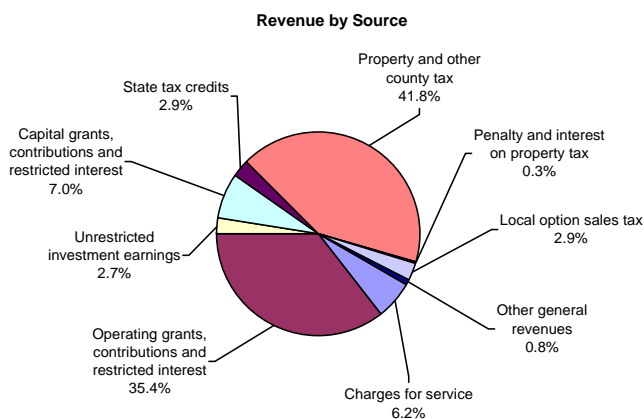
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2007	2006
Current and other assets	\$ 7,625	7,962
Capital assets	10,499	10,329
Total assets	18,124	18,291
Long-term liabilities	914	1,277
Other liabilities	3,698	3,295
Total liabilities	4,612	4,572
Net assets:		
Invested in capital assets, net of related debt	10,227	9,917
Restricted	1,869	2,103
Unrestricted	1,416	1,699
Total net assets	\$ 13,512	13,719

Two of the categories which comprise net assets at June 30, 2006 have been restated to properly reflect the non-capital portion of the 2005 general obligation notes. Unrestricted net assets decreased \$722,670 and net assets invested in capital assets, net of related debt increased \$722,670. In addition, the net assets invested in capital assets, net of related debt decreased \$298,823 as a result of the County increasing the capitalization thresholds for land, buildings and improvements from \$1,500 to \$25,000 and equipment and vehicles from \$1,500 to \$5,000.

Net assets of Audubon County's governmental activities decreased approximately \$207,000. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$1,699,000 at June 30, 2006 to approximately \$1,416,000 at the end of this year, a decrease of 16.7%. This reduction of approximately \$283,000 in unrestricted net assets was primarily due to an increase of \$161,000 in mental health expenditures, which contributed to a deficit fund balance in the Mental Health Fund.

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

	Year ended June 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for service	\$ 430	473
Operating grants, contributions and restricted interest	2,475	2,268
Capital grants, contributions and restricted interest	489	2,219
General revenues:		
Property and other county tax	2,917	2,782
Penalty and interest on property tax	24	24
State tax credits	202	203
Local option sales tax	201	203
Unrestricted investment earnings	192	160
Other general revenues	55	49
Total revenues	<u>6,985</u>	<u>8,381</u>
Program expenses:		
Public safety and legal services	856	859
Physical health and social services	490	478
Mental health	984	823
County environment and education	421	414
Roads and transportation	3,323	3,299
Governmental services to residents	306	309
Administration	780	681
Interest on long-term debt	32	48
Total expenses	<u>7,192</u>	<u>6,911</u>
Change in net assets	(207)	1,470
Net assets beginning of year, as restated	13,719	12,249
Net assets end of year	<u>\$ 13,512</u>	<u>13,719</u>



The County increased property tax rates for 2007 by an average of 3.1%. The largest increase was in the rural basic levy due to levying the maximum dollars to maintain a sufficient ending balance. The overall rate increase along with a slight increase in valuations raised the County's property tax revenue approximately \$159,000 in 2007. Based on increases in the total assessed valuation and higher rural levy rates, property tax revenue is budgeted to increase approximately \$394,000 next year.

INDIVIDUAL MAJOR FUND ANALYSIS

As Audubon County completed the year, its governmental funds reported a combined fund balance of \$3.8 million, a decrease of approximately \$800,000 from last year's total of \$4.6 million. The decrease in fund balance is primarily attributable to spending down fund balances. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased \$171,396 and expenditures remained fairly consistent when compared to the prior year. The revenue increase is primarily attributable to the increases in property and other county tax and interest income. The property tax increase was due to an increase in the general supplemental levy. The ending fund balance increased \$45,720 over the prior year to \$2,458,956.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$984,171, an increase of 20% over the prior year. The Mental Health Fund balance decreased approximately \$457,000 from the prior year. The decrease was due to the increases in expenditures and a 56% decrease in the tax levy rate upon the advice of the CPC to spend down reserves.
- Rural Services Fund revenues increased approximately \$280,000 because of a 19% increase in the tax levy rate. Expenditures increased approximately \$102,000 over the prior year.
- Secondary Roads Fund expenditures decreased \$338,459 from the prior year, mainly in the areas of road expenses, equipment and buildings. Revenues increased approximately \$180,000 from the prior year through monies received from Hungry Canyons projects and FEMA. These changes and increases in the transfers received from the Rural Services Fund resulted in an increase in the Secondary Roads Fund ending balance of approximately \$163,000, or 16%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Audubon County amended its budget four times. The first amendment was made on December 11, 2006 and resulted in an increase in budgeted disbursements of \$27,000. The second amendment was made on April 2, 2007 and resulted in an \$8,000 increase in receipts and a \$22,300 increase in disbursements. The third amendment, made on May 29, 2007, increased total disbursements \$102,000, mainly in the roads and transportation function. The fourth amendment, made on June 28, 2007, increased disbursements in the mental health function \$90,000. The increase was financed by an interfund loan from the General Fund to the Mental Health Fund.

The County's receipts were \$484,343 more than budgeted, a variance of 7.9%. The most significant variances resulted from the County receiving more interest on investments and intergovernmental receipts than anticipated. Intergovernmental receipt increases included Hungry Canyons grants, road use tax, FEMA and trail grants.

Total disbursements were \$414,503 less than the final amended budget. Actual disbursements for the physical health and social services and roads and transportation functions were \$70,199 and \$106,053 less than budgeted, respectively. This was primarily due to unspent budgeted monies for inpatient substance abuse, adult day care, part time public health wages, roadway maintenance and bridges/culverts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, Audubon County had approximately \$10.5 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$170,000.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2007	2006
Land	\$ 931	930
Construction in progress	16	360
Buildings and improvements	697	289
Equipment and vehicles	1,154	1,404
Infrastructure, road network	7,701	7,346
Total	\$ 10,499	10,329

The County decreased capital assets at June 30, 2006 by \$298,823 as a result of increasing the County's capitalization thresholds, as previously discussed. The County had depreciation expense of \$763,276 in FY2007 and total accumulated depreciation of \$5,324,782 at June 30, 2007.

More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2007, Audubon County had approximately \$759,000 in general obligation notes and other debt outstanding, compared to approximately \$1,132,000 at June 30, 2006, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2007	2006
General obligation notes	\$ 745	1,105
Conservation trail loan agreement	14	27
Total	\$ 759	1,132

Debt decreased as a result of continuing to pay off the general obligation notes used for capital projects and for refunding debt for the Audubon County Memorial Hospital expansion. In addition, the County made an additional payment on the conservation trail loan agreement, leaving the final payment due next year.

The County continues to carry a general obligation bond rating of Aaa assigned by national rating agencies to the County's debt since 1995. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Audubon County's outstanding general obligation debt is significantly below its constitutional debt limit of \$18,647,407.

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 2008 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.8%, nearly the same as a year ago. This compares with the State's unemployment rate of 3.8% and the national rate of 4.5%.

Amounts available for appropriation in the fiscal year 2008 operating budget are approximately \$7.5 million, a decrease of 3.8% from the final 2007 budget. The County has added no major new programs or initiatives to the fiscal year 2008 budget.

If the estimates are realized, the County's budgetary operating balance is expected to decrease approximately \$677,000 by June 30, 2008.

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, 2007

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,673,898
Receivables:	
Property tax:	
Delinquent	1,724
Succeeding year	3,332,000
Interest and penalty on property tax	651
Accounts	22,751
Accrued interest	10,668
Due from other governments	220,596
Inventories	344,252
Prepaid insurance	18,735
Capital assets (net of accumulated depreciation)	<u>10,498,513</u>
Total assets	<u>18,123,788</u>
Liabilities	
Accounts payable	109,203
Accrued interest payable	1,835
Salaries and benefits payable	7,684
Due to other governments	247,839
Deferred revenue:	
Succeeding year property tax	3,332,000
Long-term liabilities:	
Portion due or payable within one year:	
Notes payable	375,000
Loan agreement	14,010
Compensated absences	82,255
Portion due or payable after one year:	
Notes payable	370,000
Compensated absences	<u>72,293</u>
Total liabilities	<u>4,612,119</u>
Net Assets	
Invested in capital assets, net of related debt	10,226,733
Restricted for:	
Supplemental levy purposes	495,695
Secondary roads purposes	1,252,423
Debt service	23,002
Capital projects	58,855
Other purposes	38,574
Unrestricted	<u>1,416,387</u>
Total net assets	<u>\$ 13,511,669</u>

See notes to financial statements.

Audubon County
Statement of Activities
Year ended June 30, 2007

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 855,672	67,868	6,385	-	(781,419)
Physical health and social services	490,156	178,764	145,009	-	(166,383)
Mental health	984,171	2,338	326,244	-	(655,589)
County environment and education	421,930	58,187	16,894	106,831	(240,018)
Roads and transportation	3,322,758	2,436	1,968,341	381,734	(970,247)
Governmental services to residents	305,806	107,779	1,237	-	(196,790)
Administration	779,629	12,809	4,000	-	(762,820)
Interest on long-term debt	32,084	-	6,989	-	(25,095)
Total	\$ 7,192,206	430,181	2,475,099	488,565	(3,798,361)
General Revenues:					
Property and other county tax levied for:					
General purposes					2,604,634
Debt service					312,437
Penalty and interest on property tax					23,520
State tax credits					202,012
Local option sales tax					201,385
Unrestricted investment earnings					192,499
Miscellaneous					54,619
Total general revenues					3,591,106
Change in net assets					(207,255)
Net assets beginning of year, as restated					13,718,924
Net assets end of year					\$ 13,511,669

See notes to financial statements.

Audubon County
Balance Sheet
Governmental Funds

June 30, 2007

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,338,376	29,247	352,233	832,658
Receivables:				
Property tax:				
Delinquent	1,102	140	240	-
Succeeding year	1,438,000	557,000	1,027,000	-
Interest and penalty on property tax	651	-	-	-
Accounts	21,959	-	20	345
Accrued interest	10,426	-	-	-
Due from other governments	27,491	792	-	192,313
Advance to other funds	90,000	-	-	-
Inventories	-	-	3,182	341,070
Prepaid insurance	12,438	-	6,297	-
Total assets	\$ 3,940,443	587,179	1,388,972	1,366,386
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 28,645	54,470	3,273	22,786
Salaries and benefits payable	5,097	-	1,057	1,530
Due to other governments	7,991	233,733	760	5,355
Deferred revenue:				
Succeeding year property tax	1,438,000	557,000	1,027,000	-
Other	1,754	140	240	128,654
Advance from other funds	-	90,000	-	-
Total liabilities	1,481,487	935,343	1,032,330	158,325
Fund balances:				
Reserved for:				
Supplemental levy purposes	436,496	-	80,882	-
Debt service	-	-	-	-
Advances to other funds	90,000	-	-	-
Unreserved, designated for:				
Court house improvements	150,000	-	-	-
Economic development	5,481	-	-	-
Park improvements	41,389	-	-	-
Unreserved, undesignated, reported in:				
General fund	1,735,590	-	-	-
Special revenue funds	-	(348,164)	275,760	1,208,061
Capital projects fund	-	-	-	-
Total fund balances	2,458,956	(348,164)	356,642	1,208,061
Total liabilities and fund balances	\$ 3,940,443	587,179	1,388,972	1,366,386

See notes to financial statements.

Nonmajor	Total
121,384	3,673,898
242	1,724
310,000	3,332,000
-	651
427	22,751
242	10,668
-	220,596
-	90,000
-	344,252
-	18,735
<u>432,295</u>	<u>7,715,275</u>
29	109,203
-	7,684
-	247,839
310,000	3,332,000
242	131,030
-	90,000
<u>310,271</u>	<u>3,917,756</u>
-	517,378
24,595	24,595
-	90,000
-	150,000
-	5,481
-	41,389
-	1,735,590
38,574	1,174,231
58,855	58,855
<u>122,024</u>	<u>3,797,519</u>
<u>432,295</u>	<u>7,715,275</u>

Audubon County

Audubon County

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

June 30, 2007

Total governmental fund balances (page 19)	\$	3,797,519
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$15,823,295 and the accumulated depreciation is \$5,324,782.		10,498,513
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.		131,030
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Long-term liabilities, including loan agreement payable, notes payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(915,393)
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Net assets of governmental activities (page 16)	\$	13,511,669
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See notes to financial statements.

Audubon County

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

Year ended June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 1,455,908	184,914	993,025	201,385
Interest and penalty on property tax	23,520	-	-	-
Intergovernmental	427,938	339,502	136,995	1,954,855
Licenses and permits	6,674	-	-	480
Charges for service	216,264	-	-	15
Use of money and property	202,183	-	-	-
Miscellaneous	84,940	2,338	923	18,904
Total revenues	<u>2,417,427</u>	<u>526,754</u>	<u>1,130,943</u>	<u>2,175,639</u>
Expenditures:				
Operating:				
Public safety and legal services	658,317	-	201,075	-
Physical health and social services	486,841	-	-	-
Mental health	-	984,171	-	-
County environment and education	212,140	-	237,355	-
Roads and transportation	95,946	-	218,579	2,379,643
Governmental services to residents	277,789	-	550	-
Administration	604,186	-	15,819	-
Debt service	14,512	-	-	-
Capital projects	21,976	-	454	154,545
Total expenditures	<u>2,371,707</u>	<u>984,171</u>	<u>673,832</u>	<u>2,534,188</u>
Excess (deficiency) of revenues over (under) expenditures	45,720	(457,417)	457,111	(358,549)
Other financing sources (uses):				
Operating transfers in	-	-	-	577,455
Operating transfers out	-	-	(577,455)	(55,968)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(577,455)</u>	<u>521,487</u>
Net change in fund balances	45,720	(457,417)	(120,344)	162,938
Fund balances beginning of year	<u>2,413,236</u>	<u>109,253</u>	<u>476,986</u>	<u>1,045,123</u>
Fund balances end of year	<u>\$ 2,458,956</u>	<u>(348,164)</u>	<u>356,642</u>	<u>1,208,061</u>

See notes to financial statements.

Nonmajor	Total
313,945	3,149,177
-	23,520
32,944	2,892,234
-	7,154
1,480	217,759
12,999	215,182
2,902	110,007
<u>364,270</u>	<u>6,615,033</u>
979	860,371
-	486,841
-	984,171
7,499	456,994
-	2,694,168
633	278,972
-	620,005
391,785	406,297
488,957	665,932
<u>889,853</u>	<u>7,453,751</u>
<u>(525,583)</u>	<u>(838,718)</u>
62,440	639,895
(6,472)	(639,895)
<u>55,968</u>	-
(469,615)	(838,718)
<u>591,639</u>	<u>4,636,237</u>
<u>122,024</u>	<u>3,797,519</u>

Audubon County

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

Year ended June 30, 2007

Net change in fund balances - Total governmental funds (page 23) \$ (838,718)**Amounts reported for governmental activities in the Statement of Activities
are different because:**

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

Expenditures for capital assets	\$ 660,924	
Capital assets contributed by the Iowa Department of Transportation	271,985	
Depreciation expense	<u>(763,276)</u>	169,633

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

Property tax	(30,721)	
Other	<u>128,654</u>	97,933

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

373,433

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	(10,316)	
Interest on long-term debt	<u>780</u>	<u>(9,536)</u>

Change in net assets of governmental activities (page 17)**\$ (207,255)**

See notes to financial statements.

Audubon County
 Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2007

Assets

Cash and pooled investments:	
County Treasurer	\$ 624,848
Other County officials	7,133
Receivables:	
Property tax:	
Delinquent	4,909
Succeeding year	4,905,000
Accounts	9,469
Total assets	5,551,359

Liabilities

Accounts payable	555
Due to other governments	5,509,505
Trusts payable	35,833
Compensated absences	5,466
Total liabilities	5,551,359

Net assets	\$ -
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See notes to financial statements.

Audubon County

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

Audubon County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Audubon County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission, County Public Safety Commission and County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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.

Advances to/from Other Funds – Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account for Governmental Funds which indicates they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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

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

Asset Class	Amount
Infrastructure, roads	\$ 50,000
Land, buildings and improvements	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
Equipment	3 - 20
Vehicles	5 - 10

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of 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, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the mental health function and appropriated to the mental health department prior to the June, 2007 budget amendment.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,616,742 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) Advances To and From Other Funds

The detail of advances to and from other funds is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Mental Health	<u>\$ 90,000</u>

The advances to/from other funds resulted from borrowing General Fund revenues to supplement Mental Health Fund operations. The advance will be repaid in the year ending June 30, 2009.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 577,455
Debt Service	Secondary Roads	55,968
Capital Projects	County Recorder's Electronic Transaction Fees	6,472
Total		<u>\$ 639,895</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 930,886	-	-	930,886
Construction in progress	359,940	799,740	1,143,476	16,204
Total capital assets not being depreciated	<u>1,290,826</u>	<u>799,740</u>	<u>1,143,476</u>	<u>947,090</u>
Capital assets being depreciated:				
Buildings	621,580	438,113	-	1,059,693
Building improvements	205,035	-	-	205,035
Equipment and vehicles	4,748,747	58,118	6,925	4,799,940
Infrastructure, roads	8,031,123	780,414	-	8,811,537
Total capital assets being depreciated	<u>13,606,485</u>	<u>1,276,645</u>	<u>6,925</u>	<u>14,876,205</u>
Less accumulated depreciation for:				
Buildings	341,349	27,258	-	368,607
Building improvements	196,914	2,030	-	198,944
Equipment and vehicles	3,345,092	308,237	6,925	3,646,404
Infrastructure, roads	685,076	425,751	-	1,110,827
Total accumulated depreciation	<u>4,568,431</u>	<u>763,276</u>	<u>6,925</u>	<u>5,324,782</u>
Total capital assets being depreciated, net	<u>9,038,054</u>	<u>513,369</u>	-	<u>9,551,423</u>
Governmental activities capital assets, net	<u>\$ 10,328,880</u>	<u>1,313,109</u>	<u>1,143,476</u>	<u>10,498,513</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 49,592
County environment and education		39,987
Roads and transportation		619,434
Governmental services to residents		28,370
Administration		<u>25,893</u>
Total depreciation expense - governmental activities		<u>\$ 763,276</u>

The beginning governmental activities capital assets, net was restated as a result of the County increasing capitalization thresholds for land, buildings and improvements from \$1,500 to \$25,000 and equipment and vehicles from \$1,500 to \$5,000. As a result, the governmental capital assets, net decreased \$298,823 as of June 30, 2006.

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	<u>\$ 7,991</u>
Special Revenue:		
Mental Health	Services	233,733
Rural Services	Services	760
Secondary Roads	Services	<u>5,355</u>
		<u>239,848</u>
Total for governmental funds		<u>\$ 247,839</u>
Agency:		
County Offices	Collections	\$ 2,557
Agriculture Extension Education		70,192
County Assessor		227,445
County Hospital		448,723
Schools		3,229,191
Community Colleges		145,724
Corporations		848,549
Townships		91,606
Auto License and Use Tax		130,548
All other		<u>314,970</u>
Total for agency funds		<u>\$ 5,509,505</u>

(7) Changes in Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	General Obligation Notes	Loan Agreement	Compen- sated Absences	Total
Balance beginning of year	\$ 1,105,000	27,443	144,232	1,276,675
Increases	-	-	106,677	106,677
Decreases	360,000	13,433	96,361	469,794
Balance end of year	\$ 745,000	14,010	154,548	913,558
Due within one year	\$ 375,000	14,010	82,255	471,265

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 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, 2007 are as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2008	2.75%	\$ 375,000	22,025	397,025
2009	2.90	100,000	11,712	111,712
2010	3.05	105,000	8,812	113,812
2011	3.25	55,000	5,610	60,610
2012	3.40	55,000	3,822	58,822
2013	3.55	55,000	1,953	56,953
Total		\$ 745,000	53,934	798,934

Loan Agreement

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

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$118,915, \$109,940, and \$110,196, respectively, equal to the required contributions for each year.

(9) Risk Management

Audubon County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 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 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2007 were \$109,569.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the

respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

(10) Deficit Balance

The Mental Health Fund had a deficit fund balance of \$348,164 at June 30, 2007. The deficit will be eliminated through increases in property tax and intergovernmental revenues.

(11) Subsequent Event

The County entered into a loan agreement on August 31, 2007 providing for the issuance of a \$500,000 general obligation economic development bond. The bond will finance a project in the Valley Business Park Urban Renewal Area consisting of a loan to the Cass/Atlantic Development Corporation to acquire certain real estate to be used for economic development.

(12) Restatement

Beginning net assets for governmental activities were restated for a change in the County's capitalization thresholds for capital assets, as follows:

Net assets, June 30, 2006, as previously reported	\$ 14,017,747
Decrease due to change in capitalization thresholds	<u>(298,823)</u>
Net assets, July 1, 2006, as restated	<u>\$ 13,718,924</u>

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, 2007

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 3,130,943	3,110,950	3,110,950	19,993
Interest and penalty on property tax	24,323	-	-	24,323
Intergovernmental	2,912,691	2,737,066	2,745,066	167,625
Licenses and permits	7,566	50	50	7,516
Charges for service	216,517	193,940	193,940	22,577
Use of money and property	214,000	62,754	62,754	151,246
Miscellaneous	111,708	20,645	20,645	91,063
Total receipts	6,617,748	6,125,405	6,133,405	484,343
Disbursements:				
Public safety and legal services	876,840	942,492	942,492	65,652
Physical health and social services	489,019	550,218	559,218	70,199
Mental health	892,440	804,500	894,500	2,060
County environment and education	460,245	482,022	482,352	22,107
Roads and transportation	2,747,127	2,720,965	2,853,180	106,053
Governmental services to residents	266,760	268,108	285,408	18,648
Administration	619,763	660,647	680,647	60,884
Non-program	-	1,235	1,235	1,235
Debt service	406,298	406,399	406,399	101
Capital projects	594,346	689,455	661,910	67,564
Total disbursements	7,352,838	7,526,041	7,767,341	414,503
Excess (deficiency) of receipts over (under) disbursements	(735,090)	(1,400,636)	(1,633,936)	898,846
Balance beginning of year	4,408,988	3,925,982	4,395,023	13,965
Balance end of year	\$ 3,673,898	2,525,346	2,761,087	912,811

See accompanying independent auditor's report.

Audubon County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 6,617,748	(2,715)	6,615,033
Expenditures	7,352,838	100,913	7,453,751
Net	(735,090)	(103,628)	(838,718)
Beginning fund balances	4,408,988	227,249	4,636,237
Ending fund balances	\$ 3,673,898	123,621	3,797,519

See accompanying independent auditor's report.

Audubon County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, four budget amendments increased budgeted disbursements by \$241,300. 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, 2007, disbursements exceeded the amounts budgeted in the mental health function and appropriated to the mental health department prior to the June, 2007 budget amendment.

Other Supplementary Information

Audubon County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

	Resource Enhancement and Protection	County Recorder's Records Management	Conservation Land Acquisition	Special Jail Commissary
Assets				
Cash and pooled investments	\$ 3,937	8,610	900	4,466
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	-
Accrued interest	7	14	-	-
Total assets	\$ 3,944	8,624	900	4,466
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	26
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	-	-	-	26
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved, reported in:				
Special revenue funds	3,944	8,624	900	4,440
Capital projects fund	-	-	-	-
Total fund equity	3,944	8,624	900	4,440
Total liabilities and fund equity	\$ 3,944	8,624	900	4,466

See accompanying independent auditor's report.

Revenue					
Forfeiture Funds	AAE Task Force	Tax Increment Financing	Debt Service	Capital Projects	Total
12,521	7,853	295	24,374	58,428	121,384
-	-	-	242	-	242
-	-	-	310,000	-	310,000
-	-	-	-	427	427
-	-	-	221	-	242
12,521	7,853	295	334,837	58,855	432,295
-	3	-	-	-	29
-	-	-	310,000	-	310,000
-	-	-	242	-	242
-	3	-	310,242	-	310,271
-	-	-	24,595	-	24,595
12,521	7,850	295	-	-	38,574
-	-	-	-	58,855	58,855
12,521	7,850	295	24,595	58,855	122,024
12,521	7,853	295	334,837	58,855	432,295

Audubon County

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

Year ended June 30, 2007

	Special Revenue			
	Resource Enhancement and Protection	County Recorder's Records Management	Conservation Land Acquisition	Jail Commissary
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	10,600	-	-	-
Charges for service	-	1,480	-	-
Use of money and property	58	50	-	731
Miscellaneous	-	-	-	-
Total revenues	10,658	1,530	-	731
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	355
County environment and education	7,499	-	-	-
Governmental services to residents	-	633	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	7,499	633	-	355
Excess (deficiency) of revenues over (under) expenditures	3,159	897	-	376
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	3,159	897	-	376
Fund balances beginning of year	785	7,727	900	4,064
Fund balances end of year	\$ 3,944	8,624	900	4,440

See accompanying independent auditor's report.

Forfeiture Funds	AAE Task Force	Tax Increment Financing	County Recorder's Electronic Transaction Fees	Debt Service	Capital Projects	Total
-	-	-	-	313,945	-	313,945
-	-	-	-	22,344	-	32,944
-	-	-	-	-	-	1,480
-	-	-	186	6,988	4,986	12,999
-	76	-	-	-	2,826	2,902
-	76	-	186	343,277	7,812	364,270
-	624	-	-	-	-	979
-	-	-	-	-	-	7,499
-	-	-	-	-	-	633
-	-	-	-	391,785	-	391,785
-	-	-	-	-	488,957	488,957
-	624	-	-	391,785	488,957	889,853
-	(548)	-	186	(48,508)	(481,145)	(525,583)
-	-	-	-	55,968	6,472	62,440
-	-	-	(6,472)	-	-	(6,472)
-	-	-	(6,472)	55,968	6,472	55,968
-	(548)	-	(6,286)	7,460	(474,673)	(469,615)
12,521	8,398	295	6,286	17,135	533,528	591,639
12,521	7,850	295	-	24,595	58,855	122,024

Audubon County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	Schools
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,141	77,959	7,390	52,972
Other County officials	7,133	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	51	113	333	2,219
Succeeding year	-	69,000	155,000	441,000	3,174,000
Accounts	-	-	-	-	-
Total assets	\$ 7,133	70,192	233,072	448,723	3,229,191
Liabilities					
Accounts payable	\$ -	-	161	-	-
Due to other governments	2,557	70,192	227,445	448,723	3,229,191
Trusts payable	4,576	-	-	-	-
Compensated absences	-	-	5,466	-	-
Total liabilities	\$ 7,133	70,192	233,072	448,723	3,229,191

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
2,606	14,531	1,574	130,548	336,127	624,848
-	-	-	-	-	7,133
118	2,018	32	-	25	4,909
143,000	832,000	90,000	-	1,000	4,905,000
-	-	-	-	9,469	9,469
145,724	848,549	91,606	130,548	346,621	5,551,359
-	-	-	-	394	555
145,724	848,549	91,606	130,548	314,970	5,509,505
-	-	-	-	31,257	35,833
-	-	-	-	-	5,466
145,724	848,549	91,606	130,548	346,621	5,551,359

Audubon County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	Schools
Assets and Liabilities					
Balances beginning of year	\$ 7,342	69,570	225,467	449,578	3,227,221
Additions:					
Property and other county tax	-	68,713	154,592	439,830	3,164,347
E911 surcharge	-	-	-	-	-
State tax credits	-	4,879	10,706	31,613	227,970
Drivers license fees	-	-	-	-	-
Office fees and collections	164,179	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	20,719	-	-	-	-
Miscellaneous	-	-	1,048	-	-
Total additions	184,898	73,592	166,346	471,443	3,392,317
Deductions:					
Agency remittances:					
To other funds	79,520	-	-	-	-
To other governments	84,824	72,970	158,741	472,298	3,390,347
Trusts paid out	20,763	-	-	-	-
Total deductions	185,107	72,970	158,741	472,298	3,390,347
Balances end of year	\$ 7,133	70,192	233,072	448,723	3,229,191

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
158,649	821,455	94,330	103,794	323,079	5,480,485
142,710	806,276	89,747	-	929	4,867,144
-	-	-	-	59,087	59,087
11,138	75,415	5,830	-	65	367,616
-	-	-	10,528	-	10,528
-	-	-	-	-	164,179
-	-	-	1,635,714	-	1,635,714
-	-	-	-	41,644	41,644
-	-	-	-	-	20,719
-	-	-	-	148,840	149,888
153,848	881,691	95,577	1,646,242	250,565	7,316,519
-	-	-	61,203	-	140,723
166,773	854,597	98,301	1,549,685	227,023	7,075,559
-	-	-	-	-	20,763
166,773	854,597	98,301	1,610,888	227,023	7,237,045
145,724	848,549	91,606	139,148	346,621	5,559,959

Schedule 5

Audubon County

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

For the Last Seven Years

	Modified Accrual Basis						
	2007	2006	2005	2004	2003	2002	2001
Revenues:							
Property and other county tax	\$ 3,149,177	2,990,638	3,460,700	3,534,621	3,010,046	2,811,885	2,581,094
Interest and penalty on property tax	23,520	20,609	20,450	845	20,980	22,157	19,822
Intergovernmental	2,892,234	2,777,310	3,714,840	3,018,341	2,930,548	2,919,289	2,793,354
Licenses and permits	7,154	8,043	6,672	6,576	7,476	7,848	8,016
Charges for service	217,759	210,753	255,559	222,763	185,468	152,826	137,629
Use of money and property	215,182	175,395	93,839	69,443	86,529	124,347	238,013
Fines, forfeitures and defaults	-	-	-	7,765	628	-	-
Miscellaneous	110,007	107,614	230,858	100,200	84,765	130,736	171,418
Total	\$ 6,615,033	6,290,362	7,782,918	6,960,554	6,326,440	6,169,088	5,949,346
Expenditures:							
Operating:							
Public safety and legal services	\$ 860,371	849,610	856,744	756,027	762,680	699,282	638,479
Physical health and social services	486,841	482,623	508,597	479,342	457,745	435,150	429,974
Mental health	984,171	822,787	882,496	752,504	783,792	787,913	712,072
County environment and education	456,994	377,990	973,576	459,100	322,272	340,393	630,831
Roads and transportation	2,694,168	2,966,815	3,060,502	2,521,497	2,644,847	2,493,707	3,120,572
Governmental services to residents	278,339	327,444	265,773	232,024	239,967	237,673	201,179
Administration	620,005	635,940	577,630	535,153	673,327	602,338	587,952
Non-program	-	-	-	208	-	7,568	15,402
Debt service	406,297	407,951	295,207	280,990	281,310	274,980	273,305
Capital projects	665,932	242,763	282,835	344,654	410,712	44,018	68,092
Total	\$ 7,453,118	7,113,923	7,703,360	6,361,499	6,576,652	5,923,022	6,677,858

See accompanying independent auditor's report.



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

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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, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 5, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Audubon County's internal control over financial reporting 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and another deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Audubon County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Audubon County's financial statements that is more than inconsequential will not be prevented or detected by Audubon County's internal control. We consider the deficiencies in internal control described above to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Audubon County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (A) is a material weakness.

Compliance and Other Matters

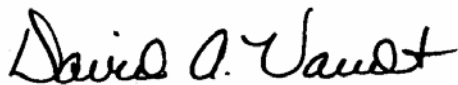
As part of obtaining reasonable assurance about whether Audubon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 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.

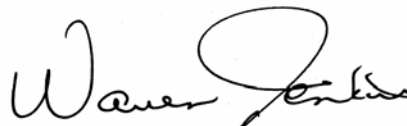
Audubon County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Audubon County's responses and, accordingly, we express no opinion on them.

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. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 5, 2008

Audubon County

Schedule of Findings

Year ended June 30, 2007

Findings Related to the Financial Statements:

SIGNIFICANT 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 reconciliations are not reviewed periodically by an independent person for propriety. The individual responsible for preparing the disbursement, checking writing, signing, posting and reconciling is also the same individual responsible for receipting. A change fund is shared among employees.
 - (2) Sheriff – Bank reconciliations are not reviewed periodically by an independent person for propriety. Also, one person is responsible for collecting, recording and depositing civil and commissary funds.
 - (3) Treasurer – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. Bank accounts are not reconciled monthly by an individual who does not handle cash. One individual in the County Treasurer's office has custody of receipts and performs all investment record-keeping and reconciling functions for the office. A change fund for the Treasurer's Office is shared among employees.
 - (4) Conservationist – The duties of collecting and listing receipts for camping fees are not segregated and an initial listing is not completed to reconcile the amount collected to the cash recorded.

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

Response -

Recorder's Response – With a two person office, this is the only way to handle receipts and disbursements. Since it is only a two person office, the risk factor is very low for errors within the change fund. Also, we must balance to a computer report each day, which is our check and balance for the fund.

Audubon County

Schedule of Findings

Year ended June 30, 2007

Sheriff's Response – With a small office and a limited number of people, this is difficult. Currently, one person prepares and two people review the reconciliation periodically. Commissary receipt process has been discussed with State Auditor and will be implemented January 2008.

Treasurer's Response – With a small staff it is not possible to have only 1 person responsible for each area noted above. I currently do the daily posting and make the bank deposit that is prepared by staff. At month end, I reconcile the bank statements and they are reviewed and checked by a different staff person. I will have another county employee in another office randomly review bank statements. I give a quarterly investment report to the Board of Supervisors. These records are open and available for review at all times.

Conservationist Response– With no full time staff under the Director, I have only a half time employee and myself to handle camping funds. I pick up the receipts and check campers to make sure they have paid. I count the amounts on the camping receipts. I will open receipts that contain checks and restrictive endorsement them when I receive them. My naturalist will also count the receipts and money and deposit the funds.

Conclusion –

Recorder - Response acknowledged. Someone other than the person receipting should perform daily reconciliations and disbursements. Evidence of independent review should be documented. A change fund should be separated among employees.

Sheriff – Response accepted for commissary receipts and response acknowledged for civil receipts. Evidence of independent review should be documented.

Treasurer – Response acknowledged. Someone other than the person receipting should perform daily reconciliations and evidence of independent review should be documented. A change fund should be separated among employees. Investments records should be maintained by a person who is not the custodian.

Conservationist – Response acknowledged. Duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling should be segregated.

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

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

Audubon County

Schedule of Findings

Year ended June 30, 2007

Response – Receipts for Medicare reimbursement are extremely difficult to reconcile on a monthly basis because payments are determined by diagnosis and for a sixty day episode of care. Audubon County Public Health does reconcile other receipts on a monthly basis. An effort will be made to reconcile Medicare receipts, however this may require more time and effort than the end result justifies.

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

- (C) Capital Asset Inventory – The capital assets listing was not reviewed periodically during the year ended June 30, 2007 to verify assets on the listing existed or all assets were on the capital asset list.

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

Response – Supervisors will implement spot check of the asset listing.

Conclusion – Response accepted.

- (D) Commissary Receipts - Receipts are not issued for commissary collections.

Recommendation – Pre-numbered receipts should be issued for all collections.

Response – This has already been discussed with the State Auditor and new process will be implemented in January 2008.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Audubon County

Schedule of Findings

Year ended June 30, 2007

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amount budgeted in the mental health function prior to the June budget amendment. Disbursements in the mental health department exceeded the appropriation prior to the amendment.

Recommendation – The budget and appropriation should have been amended in sufficient amounts in accordance with Chapters 331.435 and 331.434(6) of the Code of Iowa before disbursements were allowed to exceed the budget and appropriation.

Response – We will monitor the budget on a monthly basis by reviewing the monthly receipt and disbursement reports provided by County Auditor.

Conclusion – Response accepted.

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

Name, Title, and Business Connection	Transaction Description	Amount
Les Larsen, E911 Director	Materials and labor	\$ 35
Countryside Motors, Inc., owner is husband of Carolyn Bruun, Sheriff’s Office employee	Parts and installation	442

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Les Larsen and Countryside Motors do not appear to represent conflicts of interest since total transactions with each were less than \$1,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

Audubon County

Schedule of Findings

Year ended June 30, 2007

- (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) Financial Condition – The Mental Health Fund had a deficit fund balance of \$348,164 at June 30, 2007.

Recommendation – The County should investigate alternatives to eliminate the deficit in order to return the fund to a sound financial position.

Response – We will monitor monthly (County Auditor will provide account reconciliation reports monthly) on the cash basis. We will contact the Board if the balance will show a deficit and request a loan or transfer of funds.

Conclusion – Response accepted.

- (10) Mental Health Transfer – During the year ended June 30, 2007, the County loaned \$90,000 from the General Fund to the Mental Health Fund for cash flow purposes and is budgeting to repay the loan during the year ending June 30, 2009. Chapter 331.432 of the Code of Iowa prohibits transfers between the Mental Health Fund and any other fund except for transfers made in accordance with Chapter 331.477 for loans which are to be repaid by the end of the fiscal year.

Recommendation – The County should comply with the requirements for Mental Health Fund transfers.

Response – The County will comply with requirements for Mental Health Fund transfers.

Conclusion – Response accepted.

- (11) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2007 for the County Extension Office exceeded the amount budgeted. In addition, the notice of the budget hearing was not published at least 10 days before the hearing in accordance with Chapters 24.9 and 176A.8(6) of the Code of Iowa.

Recommendation – The budget should have been amended in sufficient amount before disbursements were allowed to exceed the budget. The notice of the budget hearing should be published as required.

Response – Grant money was budgeted for in the previous fiscal year but not received. The money was received in the current fiscal year and had to be spent, but had not been included in the current year budget. Funds will be received in the future and budgeted for accordingly. Will observe Iowa law when publishing in the future.

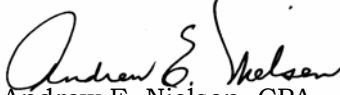
Conclusion – Response accepted.

Audubon County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
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