



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

David A. Vaudt, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE _____ March 29, 2006

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 \$8,519,990 for the year ended June 30, 2005, which included \$612,748 in tax credits from the state. The County forwarded \$5,046,061 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,473,929 of the local tax revenue to finance County operations, a 7% decrease from the prior year. Other revenues included charges for service of \$578,175, operating grants, contributions and restricted interest of \$2,641,313, capital grants, contributions and restricted interest of \$1,807,622, unrestricted investment earnings of \$83,734, local option sales tax of \$254,776 and other general revenues of \$34,065.

Expenses for County operations totaled \$7,174,925, an 18% increase over the prior year. Expenses included \$3,137,807 for roads and transportation, \$1,000,346 for county environment and education and \$882,496 for mental health. The significant increase in expenses was primarily due to a rural water improvement project and roads and transportation expenses.

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 AND QUESTIONED COSTS

JUNE 30, 2005

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Audubon County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
Sally R. Alt	Board of Supervisors	Jan 2005
Vernon Venteicher	Board of Supervisors	Jan 2005
LaVerne V. Deist	Board of Supervisors	Jan 2007
Lisa Frederiksen	County Auditor	Jan 2005
Peggy Smalley	County Treasurer	Jan 2007
Mary Lou Johansen	County Recorder	Jan 2007
Todd Johnson	County Sheriff	Jan 2005
Francine O'Brien Andersen	County Attorney	Jan 2007
Eileen Monson	County Assessor	Jan 2010
(After January 2005)		
LaVerne V. Deist	Board of Supervisors	Jan 2007
Todd M Nelson	Board of Supervisors	Jan 2009
Vernon Venteicher	Board of Supervisors	Jan 2009
Lisa Frederiksen	County Auditor	Jan 2009
Peggy Smalley	County Treasurer	Jan 2007
Mary Lou Johansen	County Recorder	Jan 2007
Todd Johnson	County Sheriff	Jan 2009
Francine O'Brien Andersen	County Attorney	Jan 2007
Eileen Monson	County Assessor	Jan 2010

Audubon County



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Independent Auditor's Report

To the Officials of Audubon County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Audubon County, Iowa, as of and for the year ended June 30, 2005, 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.

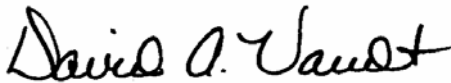
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2005, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

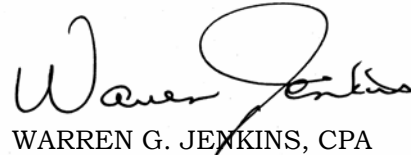
In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2005 on our consideration of Audubon County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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 41 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 four years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 29, 2005

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, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Governmental activities revenues decreased 24.0%, or approximately \$2,800,000, from fiscal 2004 to fiscal 2005. Property and other county tax decreased 8.5%, or approximately \$303,000. Capital grants, contributions and restricted interest decreased 61.6%, or approximately \$2,896,000.
- Governmental activities expenses increased 17.8%, or approximately \$1,082,000. Roads and transportation expenses increased approximately \$392,000 and county environment and education expenses increased approximately \$504,000.
- Net assets increased 15.7%, or approximately \$1,699,000, from June 30, 2004 to June 30, 2005.

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. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis below shows the County's total net assets at June 30, 2005.

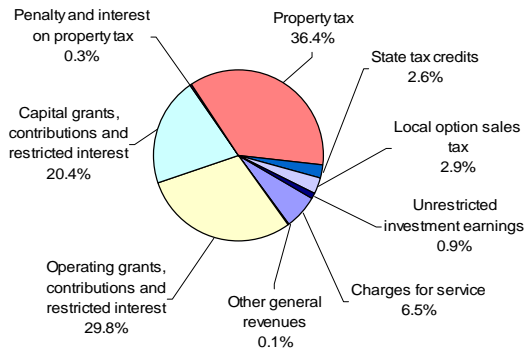
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2005	2004
Current and other assets	\$ 8,750	8,347
Capital assets	8,705	7,165
Total assets	17,455	15,512
Long-term liabilities	1,666	1,263
Other liabilities	3,241	3,400
Total liabilities	4,907	4,663
Net assets:		
Invested in capital assets	7,174	7,043
Restricted	2,661	2,162
Unrestricted	2,713	1,644
Total net assets	\$ 12,548	10,849

Net assets of Audubon County's governmental activities increased by \$1,699,000. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—were approximately \$2,713,000 at June 30, 2005.

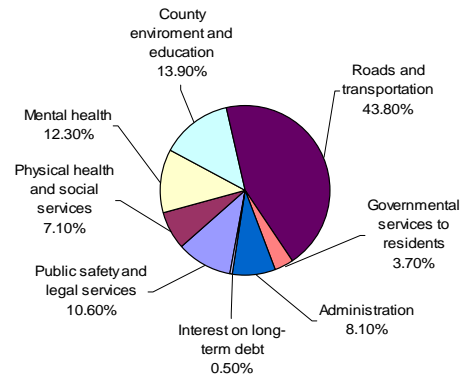
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2005	2004
Revenues:		
Program revenues:		
Charges for service	\$ 578	513
Operating grants, contributions and restricted interest	2,641	2,563
Capital grants, contributions and restricted interest	1,808	4,704
General revenues:		
Property tax	3,247	3,550
Penalty and interest on property tax	28	15
State tax credits	227	191
Local option sales tax	255	-
Unrestricted investment earnings	84	55
Gain on sale of capital assets	-	18
Other general revenues	6	65
Total revenues	8,874	11,674
Program expenses:		
Public safety and legal services	762	747
Physical health and social services	509	484
Mental health	883	751
County environment and education	1,000	496
Roads and transportation	3,138	2,746
Governmental services to residents	267	248
Administration	583	546
Interest on long-term debt	33	75
Total expenses	7,175	6,093
Increase in net assets	1,699	5,581
Net assets beginning of year	10,849	5,268
Net assets end of year	\$ 12,548	10,849

Revenue by Source



Expenses by Function



The County increased property tax rates for 2005 by an average of 25.12 percent, due mainly to the ag land valuation dropping 29% and the commercial valuation dropping 6%. The overall rate increase along with the significant decrease in valuations lowered the County's budgeted property tax revenue by \$110,764 in 2005. Based on a small increase in the total assessed valuation and lowered levy rates, property tax revenue is budgeted to decrease by \$422,989 next year.

INDIVIDUAL MAJOR FUND ANALYSIS

As Audubon County completed the year, its governmental funds reported a combined fund balance of \$5.5 million, an increase of more than \$749,000 above last year's total of \$4.7 million. The increase in fund balance is primarily attributable to issuing general obligation bonds for upcoming capital projects. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues remained consistent when compared to the prior year, with expenditures increasing by approximately \$126,000. The increase is primarily attributable to public safety and legal services expenditures. The ending fund balance increased about \$253,000 over the prior year to almost \$2,506,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$882,500, an increase of 17.3% over the prior year. The Mental Health Fund balance at year ended increased by approximately \$35,000 over the prior year.
- Rural Services Fund revenues increased by approximately \$357,000 and expenditures increased by approximately \$413,000 over the prior year, due principally to rural water project funding and expenditures.
- Secondary Roads Fund revenues increased by approximately \$255,000 due in large part to increased local option sales tax and FEMA monies. Expenditures increased by approximately \$589,000 over the prior year, due principally to road/bridge/culvert maintenance and equipment, equipment operations and real estate/building expenditures. These changes resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$87,000, or 5.6%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Audubon County amended its budget three times. The first amendment was made in October 2004 and resulted in a decrease in budgeted net excess revenues over expenditures of \$95,000 related to a conservation trail and FEMA projects. The second amendment was made on February 14, 2005. This amendment was mainly to adjust rural water and Hungry Canyon projects with no net effect to the ending balance. The third amendment was made in May 2005 for various departmental items, with the major items being \$150,000 revenue/\$180,000 expenditures for FEMA, \$55,000 for secondary road equipment expenditures, \$42,000 for recorder website expenditures, \$40,000 for substance abuse expenditures and \$35,000 for secondary roads construction. Revenues were also adjusted for \$116,000 in secondary roads local option taxes and \$10,541 for transfer of jurisdiction funds and also approximately \$41,000 for sheriff credits/vehicle damage insurance reimbursements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, Audubon County had approximately \$8.7 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,540,000, or 21.5 percent, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2005	2004
Land	\$ 959	959
Construction in progress	1,515	286
Buildings and improvements	334	337
Equipment and vehicles	1,437	1,223
Infrastructure, road network	4,460	4,360
Total	\$ 8,705	7,165

The County had depreciation expense of \$604,683 in FY05 and total accumulated depreciation of \$4,295,912 at June 30, 2005.

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

Long-Term Debt

At June 30, 2005, Audubon County had approximately \$1,526,000 in general obligation notes and other debt outstanding compared to approximately \$1,123,000 at June 30, 2004, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2005	2004
Refunding notes	\$ 1,450	1,000
Capital lease purchase agreement	36	71
Conservation trail loan agreement	40	52
Total	\$ 1,526	1,123

Debt increased as a result of issuance of more notes to finance future capital projects. In addition, the County continues to pay for a capital lease purchase agreement to acquire an excavator system.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Audubon County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The County's nonagricultural employment growth has mirrored its population growth during 1999-2004, averaging per year gains of 1.8 percent. Unemployment in the County now stands at 3.7 percent versus 4.3 percent a year ago. This compares with the State's unemployment rate of 4.5 percent and the national rate of 5.0 percent.

Inflation in the State was somewhat higher than the national Consumer Price Index increase. The State's CPI increase was 4.1 percent for fiscal year 2005 compared with the national rate of 4.3 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2004-2005.

These indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are \$8 million, an increase of 17.6 percent from the original 2005 budget. Budgeted disbursements are expected to increase by \$1,135,255. The capital projects funding and corresponding debt service are the leading factors in this increase, followed by roadway construction and maintenance expenses. Audubon County will use tax levy rate increases and other receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs.

If these FY2006 estimates are realized, the County's budgetary operating balance is expected to significantly decrease – approximately \$2,000,000, or 41.7%, by the close of 2006. The projected ending balance will decrease from \$4,695,156 to \$2,735,966.

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, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 5,288,243
Receivables:	
Property tax:	
Delinquent	40,108
Succeeding year	2,773,000
Interest and penalty on property tax	17,151
Accounts	43,733
Accrued interest	7,458
Loan	5,000
Due from other governments	195,187
Inventories	380,193
Capital assets (net of accumulated depreciation)	8,705,255
Total assets	<u>17,455,328</u>
Liabilities	
Accounts payable	232,042
Accrued interest payable	4,859
Salaries and benefits payable	9,021
Due to other governments	222,146
Deferred revenue:	
Succeeding year property tax	2,773,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	36,162
Notes payable	345,000
Loan agreement	12,738
Compensated absences	77,786
Portion due or payable after one year:	
Notes payable	1,105,000
Loan agreement	27,443
Compensation absences	62,030
Total liabilities	<u>4,907,227</u>
Net Assets	
Invested in capital assets, net of related debt	7,174,211
Restricted for:	
Supplemental levy purposes	493,896
Mental health purposes	114,822
Secondary roads purposes	1,387,200
Debt service	23,955
Capital projects	603,784
Other purposes	37,242
Unrestricted	2,712,991
Total net assets	<u>\$ 12,548,101</u>

See notes to financial statements.

Audubon County
Statement of Activities
Year ended June 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 761,925	115,339	5,275	-	(641,311)
Physical health and social services	508,785	179,385	126,138	-	(203,262)
Mental health	882,496	82,405	410,701	-	(389,390)
County environment and education	1,000,346	50,584	429,932	286,669	(233,161)
Roads and transportation	3,137,807	5,374	1,668,976	1,520,953	57,496
Governmental services to residents	266,740	131,013	291	-	(135,436)
Administration	583,444	14,075	-	-	(569,369)
Interest on long-term debt	33,382	-	-	-	(33,382)
Total	\$7,174,925	578,175	2,641,313	1,807,622	(2,147,815)
General Revenues:					
Property and other county tax levied for:					
General purposes					3,246,677
Debt service					206
Penalty and interest on property tax					28,265
State tax credits					227,046
Local option sales tax					254,776
Unrestricted investment earnings					83,734
Miscellaneous					5,800
Total general revenues					3,846,504
Change in net assets					1,698,689
Net assets beginning of year					10,849,412
Net assets end of year					\$ 12,548,101

See notes to financial statements.

Audubon County
Balance Sheet
Governmental Funds

June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,485,171	315,829	722,108	1,089,744
Receivables:				
Property tax:				
Delinquent	18,131	4,681	14,516	-
Succeeding year	1,287,000	404,000	782,000	-
Interest and penalty on property tax	17,151	-	-	-
Accounts	17,688	26,010	-	-
Accrued interest	7,391	-	-	3
Loan	5,000	-	-	-
Due from other governments	29,383	-	-	165,804
Inventories	-	-	2,877	377,316
Total assets	\$ 3,866,915	750,520	1,521,501	1,632,867
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 27,883	17,291	2,890	170,689
Salaries and benefits payable	4,545	-	1,115	3,361
Due to other governments	6,537	214,407	-	1,202
Deferred revenue:				
Succeeding year property tax	1,287,000	404,000	782,000	-
Other	35,009	4,654	14,450	-
Total liabilities	1,360,974	640,352	800,455	175,252
Fund balances:				
Reserved for:				
Supplemental levy purposes	515,048	-	-	-
Debt service	-	-	-	-
Unreserved, designated for:				
Court house improvements	150,000	-	-	-
Election equipment	20,000	-	-	-
Unreserved, undesignated, reported in:				
General fund	1,820,893	-	-	-
Special revenue funds	-	110,168	721,046	1,457,615
Capital projects fund	-	-	-	-
Total fund balances	2,505,941	110,168	721,046	1,457,615
Total liabilities and fund balances	\$ 3,866,915	750,520	1,521,501	1,632,867

See notes to financial statements.

Nonmajor	Total
675,391	5,288,243
2,780	40,108
300,000	2,773,000
-	17,151
35	43,733
64	7,458
-	5,000
-	195,187
-	380,193
<u>978,270</u>	<u>8,750,073</u>
13,289	232,042
-	9,021
-	222,146
300,000	2,773,000
2,760	56,873
<u>316,049</u>	<u>3,293,082</u>
-	515,048
21,195	21,195
-	150,000
-	20,000
-	1,820,893
37,242	2,326,071
603,784	603,784
<u>662,221</u>	<u>5,456,991</u>
<u>978,270</u>	<u>8,750,073</u>

Audubon County

Audubon County

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

June 30, 2005

Total governmental fund balances (page 19)	\$	5,456,991
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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 \$13,001,167 and the accumulated depreciation is \$4,295,912.		8,705,255
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.		56,873
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Long-term liabilities, including capital lease purchase agreement payable, loan agreement payable, notes payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(1,671,018)
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Net assets of governmental activities (page 16)	\$	12,548,101
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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, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 1,528,875	394,697	1,043,623	254,776
Interest and penalty on property tax	20,450	-	-	-
Intergovernmental	694,044	440,396	605,275	1,948,869
Licenses and permits	6,432	-	-	240
Charges for service	239,298	-	-	339
Use of money and property	89,311	-	-	25
Miscellaneous	127,677	82,405	1,701	15,394
Total revenues	2,706,087	917,498	1,650,599	2,219,643
Expenditures:				
Operating:				
Public safety and legal services	677,153	-	176,463	-
Physical health and social services	508,597	-	-	-
Mental health	-	882,496	-	-
County environment and education	231,647	-	741,929	-
Roads and transportation	5,253	-	214,550	2,840,699
Governmental services to residents	234,031	-	580	-
Administration	556,107	-	14,675	166
Debt service	14,513	-	-	-
Capital projects	225,938	-	981	-
Total expenditures	2,453,239	882,496	1,149,178	2,840,865
Excess (deficiency) of revenues over (under) expenditures	252,848	35,002	501,421	(621,222)
Other financing sources (uses):				
Sale of capital assets	230	-	-	10,000
Operating transfers in	-	-	-	524,093
Operating transfers out	-	-	(524,093)	-
General obligation notes issued	-	-	-	-
General obligation notes refunded	-	-	-	-
Discount on notes	-	-	-	-
Total other financing sources (uses)	230	-	(524,093)	534,093
Net change in fund balances	253,078	35,002	(22,672)	(87,129)
Fund balances beginning of year	2,252,863	75,166	743,718	1,544,744
Fund balances end of year	\$ 2,505,941	110,168	721,046	1,457,615

See notes to financial statements.

Nonmajor	Total
238,729	3,460,700
-	20,450
26,256	3,714,840
-	6,672
15,922	255,559
4,503	93,839
3,681	230,858
<u>289,091</u>	<u>7,782,918</u>
3,128	856,744
-	508,597
-	882,496
-	973,576
-	3,060,502
31,162	265,773
6,682	577,630
280,694	295,207
55,916	282,835
<u>377,582</u>	<u>7,703,360</u>
<u>(88,491)</u>	<u>79,558</u>
-	10,230
-	524,093
-	(524,093)
1,450,000	1,450,000
(770,000)	(770,000)
(20,300)	(20,300)
<u>659,700</u>	<u>669,930</u>
571,209	749,488
<u>91,012</u>	<u>4,707,503</u>
<u>662,221</u>	<u>5,456,991</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, 2005

Net change in fund balances - Total governmental funds (page 23) \$ 749,488

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	\$ 875,072	
Capital assets contributed by the Iowa Department of Transportation	1,318,311	
Depreciation expense	<u>(604,683)</u>	1,588,700

In the Statement of Activities, the loss on the sale of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (48,900)

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

Property tax	(5,147)	
Other	<u>(202,168)</u>	(207,315)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. 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. Current year repayments exceed issuances, as follows:

Issued	(1,450,000)	
Repaid	<u>1,046,477</u>	(403,523)

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 governmental funds, as follows:

Compensated absences	691	
Interest on long-term debt	<u>19,548</u>	<u>20,239</u>

Change in net assets of governmental activities (page 17) \$ 1,698,689

See notes to financial statements.

Audubon County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets

Cash and pooled investments:	
County Treasurer	\$ 570,866
Other County officials	13,319
Receivables:	
Property tax:	
Delinquent	47,072
Succeeding year	4,689,000
Accounts	13,119
Total assets	5,333,376

Liabilities

Accounts payable	16,376
Due to other governments	5,297,463
Trusts payable	10,865
Compensated absences	8,672
Total liabilities	5,333,376

Net assets	\$ -
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See notes to financial statements.

Audubon County

Notes to Financial Statements

June 30, 2005

(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 nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues 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 balance sheet:

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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (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	\$ 1,500
Land, buildings and improvements	1,500
Equipment and vehicles	1,500

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings	20 - 50
Building improvements	20 - 50
Infrastructure, roads	30 - 65
Equipment	3 - 20
Vehicles	5 - 10

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted or the amounts appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 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 \$290,159 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>\$ 524,093</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance			Balance
	Beginning			End
	of Year	Increases	Decreases	of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 958,930	-	-	958,930
Construction in progress	285,857	1,559,048	(329,430)	1,515,475
Total capital assets not being depreciated	<u>1,244,787</u>	<u>1,559,048</u>	<u>(329,430)</u>	<u>2,474,405</u>
Capital assets being depreciated:				
Buildings	719,641	18,000	-	737,641
Building improvements	268,379	5,007	-	273,386
Equipment and vehicles	4,535,410	639,773	(488,097)	4,687,086
Infrastructure, roads	4,499,219	329,430	-	4,828,649
Total capital assets being depreciated	<u>10,022,649</u>	<u>992,210</u>	<u>(488,097)</u>	<u>10,526,762</u>
Less accumulated depreciation for:				
Buildings	431,947	20,911	-	452,858
Building improvements	219,454	4,983	-	224,437
Equipment and vehicles	3,311,699	348,970	(410,752)	3,249,917
Infrastructure, roads	138,881	229,819	-	368,700
Total accumulated depreciation	<u>4,101,981</u>	<u>604,683</u>	<u>(410,752)</u>	<u>4,295,912</u>
Total capital assets being depreciated, net	<u>5,920,668</u>	<u>387,527</u>	<u>(77,345)</u>	<u>6,230,850</u>
Governmental activities capital assets, net	<u>\$ 7,165,455</u>	<u>1,946,575</u>	<u>(406,775)</u>	<u>8,705,255</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 62,317
County environment and education	29,477
Roads and transportation	462,004
Governmental services to residents	24,559
Administration	<u>26,326</u>
Total depreciation expense - governmental activities	<u>\$ 604,683</u>

(5) Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 6,537
Special Revenue:		
Mental Health	Services	214,407
Secondary Roads	Services	1,202
		<u>215,609</u>
Total for governmental funds		<u>\$ 222,146</u>
Agency:		
County Offices	Collections	\$ 4,142
Agriculture Extension Education		66,583
County Assessor		194,646
County Hospital		400,098
Schools		3,125,155
Community Colleges		155,740
Corporations		834,924
Townships		88,637
Auto License and Use Tax		115,456
All other		312,082
Total for agency funds		<u>\$ 5,297,463</u>

(6) Changes in Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	<u>Capital</u>	<u>Refunding</u>	<u>Loan</u>	<u>Compen-</u>	
	<u>Lease</u>	<u>Notes</u>	<u>Agreement</u>	<u>sated</u>	<u>Total</u>
	<u>Purchase</u>	<u>Payable</u>		<u>Absences</u>	
	<u>Agreement</u>				
Balance beginning of year, as restated	\$ 70,520	1,000,000	52,300	140,507	1,263,327
Increases	-	1,450,000	-	93,190	1,543,190
Decreases	34,358	1,000,000	12,119	93,881	1,140,358
Balance end of year	<u>\$ 36,162</u>	<u>1,450,000</u>	<u>40,181</u>	<u>139,816</u>	<u>1,666,159</u>
Due within one year	<u>\$ 36,162</u>	<u>345,000</u>	<u>12,738</u>	<u>77,786</u>	<u>471,686</u>

Capital Lease Purchase Agreement

The County entered into a capital lease purchase agreement to purchase an excavator. Interest rates range from 5.25% to 5.75% per annum. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2005.

Year ending June 30,	Excavator
2006	\$ 38,060
Less amount representing interest	<u>(1,898)</u>
Present value of net minimum lease payments	<u>\$ 36,162</u>

Payments under the capital lease purchase agreement during the year ended June 30, 2005 totaled \$38,060.

Refunding Notes Payable and Defeased Debt

In March 2005, the County issued \$1,450,000 of general obligation refunding capital loan notes with an average interest rate of 2.91% 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%. The net proceeds of \$1,427,810 (par less a discount of \$20,300 plus accrued interest of \$110, less management fee of \$2,000) are to be used for making repairs to the courthouse and courthouse elevator, acquiring equipment for the courthouse, acquiring voting machines and geographic computer database system.

Details of the refunding notes payable at June 30, 2005 are as follows:

Payment Due Date	Interest Rates	Principal	Interest	Total
December 1, 2005		\$ -	28,206	28,206
June 1, 2006	2.400%	345,000	19,833	364,833
December 1, 2006		-	15,693	15,693
June 1, 2007	2.600%	360,000	15,693	375,693
December 1, 2007		-	11,013	11,013
June 1, 2008	2.750%	375,000	11,013	386,013
December 1, 2008		-	5,856	5,856
June 1, 2009	2.900%	100,000	5,856	105,856
December 1, 2009		-	4,406	4,406
June 1, 2010	3.050%	105,000	4,406	109,406
December 1, 2010		-	2,805	2,805
June 1, 2011	3.250%	55,000	2,805	57,805
December 1, 2011		-	1,911	1,911
June 1, 2012	3.400%	55,000	1,911	56,911
December 1, 2012		-	976	976
June 1, 2013	3.550%	55,000	976	55,976
Total		<u>\$ 1,450,000</u>	<u>133,359</u>	<u>1,583,359</u>

As a result, the County reduced its total debt service payments by approximately \$18,383 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$17,760.

Loan Agreement

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

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$110,196, \$109,624 and \$111,565, respectively, equal to the required contributions for each year.

(8) Risk Management

Audubon County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. 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, 2005 were \$96,214.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

(9) Loan Receivable

The County has a loan receivable totaling \$5,000 as of June 30, 2005 due from the City of Brayton. The loan, for the purchase of a fire truck, is to be paid at a minimum rate of \$2,500 annually. The loan is interest free unless a payment is not made timely, in which case a rate of 9% per annum will be assessed.

Required Supplementary Information

Audubon County

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

Required Supplementary Information

Year ended June 30, 2005

	<u>Actual</u>
Receipts:	
Property and other county tax	\$ 3,477,113
Interest and penalty on property tax	20,450
Intergovernmental	3,751,059
Licenses and permits	6,323
Charges for service	257,406
Use of money and property	96,978
Miscellaneous	221,072
Total receipts	<u>7,830,401</u>
Disbursements:	
Public safety and legal services	865,343
Physical health and social services	509,561
Mental health	747,658
County environment and education	968,522
Roads and transportation	2,960,450
Governmental services to residents	241,650
Administration	578,207
Non-program	593
Debt service	295,207
Capital projects	390,407
Total disbursements	<u>7,557,598</u>
Excess (deficiency) of receipts over (under) disbursements	272,803
Other financing sources, net	<u>669,930</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	942,733
Balance beginning of year, as restated	<u>4,345,510</u>
Balance end of year	<u>\$ 5,288,243</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
3,556,938	3,672,938	(195,825)
-	-	20,450
2,757,047	3,380,588	370,471
50	50	6,273
188,835	188,835	68,571
68,640	68,640	28,338
51,128	141,072	80,000
<u>6,622,638</u>	<u>7,452,123</u>	<u>378,278</u>
835,538	887,813	22,470
554,569	594,569	85,008
768,800	768,800	21,142
717,785	998,785	30,263
2,652,966	2,987,966	27,516
255,656	294,118	52,468
601,104	601,904	23,697
1,100	1,100	507
280,730	295,343	136
158,000	463,487	73,080
<u>6,826,248</u>	<u>7,893,885</u>	<u>336,287</u>
(203,610)	(441,762)	714,565
-	-	669,930
(203,610)	(441,762)	1,384,495
3,396,040	4,343,418	2,092
<u>3,192,430</u>	<u>3,901,656</u>	<u>1,386,587</u>

Audubon County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,830,401	(47,483)	7,782,918
Expenditures	7,557,598	145,762	7,703,360
Net	272,803	(193,245)	79,558
Other financing sources, net	669,930	-	669,930
Beginning fund balances, as restated	4,345,510	361,993	4,707,503
Ending fund balances	\$ 5,288,243	168,748	5,456,991

See accompanying independent auditor's report.

Audubon County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$1,067,637. 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, 2005, disbursements did not exceed the amounts budgeted or the amounts appropriated.

Audubon County

Other Supplementary Information

Audubon County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2005

	Resource Enhancement and Protection	County Recorder's Records Management	Conservation Land Acquisition	Special Jail Commissary
Assets				
Cash and pooled investments	\$ 3,730	6,195	900	2,124
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	3	-	-	32
Accrued interest	-	9	-	-
Total assets	\$ 3,733	6,204	900	2,156
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	-	-	-	-
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved, reported in:				
Special revenue funds	3,733	6,204	900	2,156
Capital projects fund	-	-	-	-
Total fund equity	3,733	6,204	900	2,156
Total liabilities and fund equity	\$ 3,733	6,204	900	2,156

See accompanying independent auditor's report.

Revenue							
Forfeiture Funds	AAE Task Force	Tax Increment Financing	County Recorder's Electronic Transaction Fees	Debt Service	Capital Projects	Total	
9,595	8,469	295	6,157	21,142	616,784	675,391	
-	-	-	-	2,780	-	2,780	
-	-	-	-	300,000	-	300,000	
-	-	-	-	-	-	35	
-	-	-	22	33	-	64	
9,595	8,469	295	6,179	323,955	616,784	978,270	
119	170	-	-	-	13,000	13,289	
-	-	-	-	300,000	-	300,000	
-	-	-	-	2,760	-	2,760	
119	170	-	-	302,760	13,000	316,049	
-	-	-	-	21,195	-	21,195	
9,476	8,299	295	6,179	-	-	37,242	
-	-	-	-	-	603,784	603,784	
9,476	8,299	295	6,179	21,195	603,784	662,221	
9,595	8,469	295	6,179	323,955	616,784	978,270	

Audubon County

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

Year ended June 30, 2005

	Special		
	Resource Enhancement and Protection	County Recorder's Records Management	Conservation Land Acquisition
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	8,416	-	-
Charges for service	-	1,709	-
Use of money and property	17	31	-
Miscellaneous	-	-	-
Total revenues	<u>8,433</u>	<u>1,740</u>	-
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Governmental services to residents	-	-	-
Administration	6,682	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>6,682</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,751</u>	<u>1,740</u>	<u>-</u>
Other financing sources (uses):			
General obligation notes issued	-	-	-
General obligation notes refunded	-	-	-
Discount on notes	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>1,751</u>	<u>1,740</u>	<u>-</u>
Fund balances beginning of year	<u>1,982</u>	<u>4,464</u>	<u>900</u>
Fund balances end of year	<u>\$ 3,733</u>	<u>6,204</u>	<u>900</u>

See accompanying independent auditor's report.

Revenue								
Jail Commissary	Forfeiture Funds	AAE Task Force	Tax Increment Financing	County Recorder's Electronic Transaction Fees	Debt Service	Capital Projects	Total	
-	-	-	-	-	238,729	-	238,729	
-	-	-	-	-	17,840	-	26,256	
-	-	-	-	14,213	-	-	15,922	
1,631	-	-	-	260	2,564	-	4,503	
-	3,456	225	-	-	-	-	3,681	
1,631	3,456	225	-	14,473	259,133	-	289,091	
1,014	1,810	304	-	-	-	-	3,128	
-	-	-	-	31,162	-	-	31,162	
-	-	-	-	-	-	-	6,682	
-	-	-	-	-	280,694	-	280,694	
-	-	-	-	-	-	55,916	55,916	
1,014	1,810	304	-	31,162	280,694	55,916	377,582	
617	1,646	(79)	-	(16,689)	(21,561)	(55,916)	(88,491)	
-	-	-	-	-	770,000	680,000	1,450,000	
-	-	-	-	-	(770,000)	-	(770,000)	
-	-	-	-	-	-	(20,300)	(20,300)	
-	-	-	-	-	-	659,700	659,700	
617	1,646	(79)	-	(16,689)	(21,561)	603,784	571,209	
1,539	7,830	8,378	295	22,868	42,756	-	91,012	
2,156	9,476	8,299	295	6,179	21,195	603,784	662,221	

Audubon County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	County Hospital
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	922	56,810	6,464
Other County officials	13,319	-	-	-
Receivables:				
Property tax:				
Delinquent	-	661	1,614	4,634
Succeeding year	-	65,000	145,000	389,000
Accounts	310	-	-	-
Total assets	\$ 13,629	66,583	203,424	400,098
Liabilities				
Accounts payable	\$ -	-	106	-
Due to other governments	4,142	66,583	194,646	400,098
Trusts payable	9,487	-	-	-
Compensated absences	-	-	8,672	-
Total liabilities	\$ 13,629	66,583	203,424	400,098

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
50,484	2,173	21,229	1,417	115,456	315,911	570,866
-	-	-	-	-	-	13,319
34,671	1,567	2,695	1,220	-	10	47,072
3,040,000	152,000	811,000	86,000	-	1,000	4,689,000
-	-	-	-	-	12,809	13,119
3,125,155	155,740	834,924	88,637	115,456	329,730	5,333,376
-	-	-	-	-	16,270	16,376
3,125,155	155,740	834,924	88,637	115,456	312,082	5,297,463
-	-	-	-	-	1,378	10,865
-	-	-	-	-	-	8,672
3,125,155	155,740	834,924	88,637	115,456	329,730	5,333,376

Audubon County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	County Hospital
Assets and Liabilities				
Balances beginning of year	\$ 11,988	57,754	187,933	400,443
Additions:				
Property and other county tax	-	64,592	146,061	389,627
E911 surcharge	-	-	-	-
State tax credits	-	4,192	10,242	29,395
Drivers license fees	-	-	-	-
Office fees and collections	156,752	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Trusts	52,221	-	-	-
Miscellaneous	-	-	354	-
Total additions	208,973	68,784	156,657	419,022
Deductions:				
Agency remittances:				
To other funds	85,077	-	141,166	-
To other governments	70,019	59,955	-	419,367
Trusts paid out	52,236	-	-	-
Total deductions	207,332	59,955	141,166	419,367
Balances end of year	\$ 13,629	66,583	203,424	400,098

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
3,114,741	135,348	906,825	88,586	125,280	327,615	5,356,513
3,041,138	151,896	778,305	87,880	-	860	4,660,359
-	-	-	-	-	52,052	52,052
231,039	9,927	95,316	5,526	-	65	385,702
-	-	-	-	20,493	-	20,493
-	-	-	-	-	-	156,752
-	-	-	-	1,554,525	-	1,554,525
-	-	-	-	-	-	52,221
-	-	-	-	-	170,111	170,465
3,272,177	161,823	873,621	93,406	1,575,018	223,088	7,052,569
-	-	-	-	65,365	-	291,608
3,261,763	141,431	945,522	93,355	1,519,477	220,973	6,731,862
-	-	-	-	-	-	52,236
3,261,763	141,431	945,522	93,355	1,584,842	220,973	7,075,706
3,125,155	155,740	834,924	88,637	115,456	329,730	5,333,376

Schedule 5

Audubon County

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

For the Last Five Years

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

See accompanying independent auditor's report.

Audubon County

Schedule 6

Audubon County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		\$ 4,212
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	02-WS-068	421,216
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-E-C005(41)--8I-05	173,838
Governor's Traffic Safety Bureau:			
Safety Incentive Grants for Use of Seatbelts	20.604	PAP 05-157, Task 5	3,577
U. S. Department of Health and Human Services:			
Elderbridge Agency on Aging:			
National Family Caregiver Support	93.052		3,370
Visiting Nurse Association of Pottawattamie County:			
Centers for Disease Control and Prevention			
Immunization Grants	93.268	58841407 & 58851407	2,741
Investigations and Technical Assistance	93.283		15,964
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		5,618
Refugee and Entrant Assistance - State Administered Programs	93.566		8
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,094
Foster Care - Title IV-E	93.658		2,941
Adoption Assistance	93.659		685
Social Services Block Grant	93.667		29,988
Medical Assistance Program	93.778		6,051

Audubon County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
U. S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency			
Management Division:			
State Domestic Preparedness Equipment			
Support Program	97.004		91,564
Public Assistance Grants	97.036	FEMA-IA-DR 1518	100,921
Emergency Management Performance Grant	97.042	2004-GE-T4-0046	5,298
Total			<u>\$ 869,086</u>

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

See accompanying independent auditor's report.

Audubon County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
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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, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated November 29, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

Compliance and Other Matters

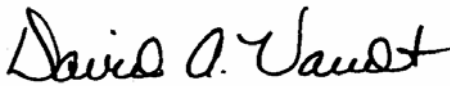
As part of obtaining reasonable assurance about whether Audubon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

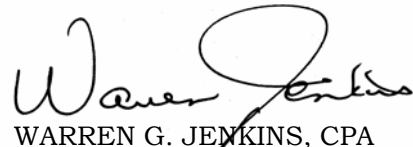
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 29, 2005

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Audubon County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Officials of Audubon County:

Compliance

We have audited the compliance of Audubon County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Audubon County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Audubon County's management. Our responsibility is to express an opinion on Audubon County's compliance based on our audit.

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

In our opinion, Audubon County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

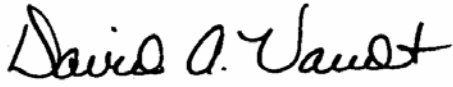
Internal Control Over Compliance

The management of Audubon County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Audubon County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

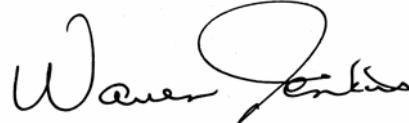
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does

not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 29, 2005

Audubon County
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were:
 - CFDA Number 14.228 – Community Development Block Grant/State's Program
 - 20.205 – Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Audubon County did not qualify as a low-risk auditee.

Audubon County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. One or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- (1) County Recorder – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. Bank reconciliations are not reviewed periodically by an independent person for propriety.
- (2) Sheriff – Bank reconciliations are not reviewed periodically by an independent person for propriety.
- (3) Treasurer – The duties of opening and listing mail receipts, collecting, depositing, posting and daily reconciling are not segregated. Bank accounts are not reconciled monthly by an individual who does not handle cash. One individual in the County Treasurer's office has custody of receipts and performs all investment record-keeping and reconciling functions for the office. A change fund for the Treasurer's Office is shared among employees.

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

Response –

Recorder – With a two person office, this is the only way to handle receipts. I will periodically have an independent review of bank reconciliation.

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

Audubon County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Treasurer – The Treasurer normally opens the mail. The Treasurer randomly selects items from mail and makes a list. The Treasurer checks the office records and deposits to see that the transactions were handled properly. Timely bank reconciliations will be done and reviewed by an independent person. Someone from the auditors office will periodically check the investments and verify the balance. In addition, someone from the auditors office will verify the change fund unannounced.

Conclusion –

Recorder's response acknowledged. Someone other than the person receipting should perform the daily reconciliation and evidence of independent review should be documented.

Sheriff's response acknowledged. Evidence of independent review should be documented.

Treasurer's response accepted.

II-B-05 Capital Assets Inventory – The capital assets listing was not reviewed periodically during the year ended June 30, 2005 to verify whether assets on the listing existed or all assets were included on the capital assets 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 listing to ensure they exist and all capital assets are included on the list.

Response – The Board of Supervisors will periodically check capital assets at least twice a year.

Conclusion – Response accepted.

II-C-05 Disposal of Capital Assets – A detailed capital assets policy requires Board of Supervisors approval prior to the disposal of capital assets. Certain assets disposed of by the Sheriff's Office and Conservation office were disposed of without approval prior to the removal of the assets.

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

Response –

Sheriff – Requests for deletion of assets will be taken to the Board in a more timely fashion for approval of the disposal of assets.

Conservation – Written approval from the Conservation Board will be provided to the Board of Supervisors prior to the disposal of capital assets.

Conclusion – Responses accepted.

Audubon County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

II-D-05 Accounts Receivable Reconciliation – The County Public Health Office accounts receivable control account was not reconciled to the monthly billings and receipts.

Recommendation – The County Public Health Office should reconcile accounts receivable, billings and receipts each month.

Response – Initial efforts to reconcile the accounts receivable, billings and receipts every month will be revised per state auditor’s recommendation.

Conclusion – Response accepted.

Audubon County
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

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

Audubon County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-05 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- IV-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted or the amounts appropriated.
- IV-C-05 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-D-05 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-E-05 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, E-911 Director, Son owns Steve’s Sign Shop	Parts and installation	\$ 215
Les Larsen, E911 Director, Owner of Larsen Glass	Materials and labor	218
Carolyn Bruun, Employee, husband owns Countryside Motors, Inc.	Parts and installation	9,573

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

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

Response – The Board of Supervisors will consult the County Attorney in these matters.

Conclusion – Response accepted.

Audubon County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

IV-F-05 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-G-05 Board Minutes - Minutes of the December 10, 2004 and December 13, 2004 meetings were not published as required by Chapter 349.18 of the Code of Iowa.

Recommendation - The County should ensure minutes are published as required.

Response – In the future, every effort will be taken to publish minutes according to the Code of Iowa.

Conclusion – Response accepted.

IV-H-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-I-05 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-J-05 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.

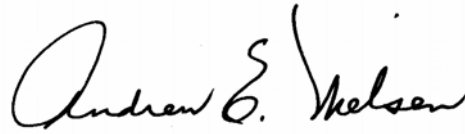
Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

Audubon County

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Timothy D. Houlette, CPA, Senior Auditor
Marc D. Johnson, Staff Auditor
Karen L. Kibbe, Assistant Auditor
Andrew N. Pulford, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State