MONROE COUNTY

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

JUNE 30, 2004

Peak & Gerdes, LLP
Certified Public Accountants
1051 Office Park Road
West Des Moines, Iowa 50265

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Monroe County

Officials

Name	Title	Term Expires
Dennis J. Ryan	Board of Supervisors	Jan. 2007
Michael Beary	Board of Supervisors	Jan. 2005
Paul V. Koffman	Board of Supervisors	Jan. 2005
Jeannie Bettis	County Auditor	Jan. 2005
Sandy Clark	County Treasurer	Jan. 2007
Tracy Casady	County Recorder	Jan. 2007
Larry Merrill	County Sheriff	Jan. 2005
Steve Goodlow	County Attorney	Jan. 2007
Karen Fontinel	County Assessor	Jan. 2010

Monroe County

PEAK & GERDES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

To the Officials of Monroe County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Monroe County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Monroe 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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 Monroe County at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U. S. generally accepted accounting principals.

As described in Note 14 to the financial statements, during the year ended June 30, 2004, Monroe County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated January 6, 2005 on our consideration of Monroe County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 16 and 40 through 43 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 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 Monroe 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 three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Gerdes, LLP
Certified Public Accountants

January 6, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Monroe 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the County' governmental activities decreased 11.2%, or approximately $797,695 from fiscal 2003 to fiscal 2004. Property tax decreased approximately $116,000, and intergovernmental revenues decreased approximately $695,000 from fiscal 2003 to fiscal 2004.

- Program expenses were 13.3%, or approximately $945,000 less in fiscal 2004 than in fiscal 2003. Capital projects expenses decreased approximately $100,000.

- The Company's net assets increased 15.9%, or approximately $986,000, from June 30, 2003 to June 30, 2004.

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 District'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 Monroe 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 Monroe 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 Monroe 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 non-major Special Revenue 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 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 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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result on 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 operations.

Fund Financial Statements

The County has three 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 these 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 be 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 spend 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) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are an accounting device to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

The required financial statements for fiduciary funds includes 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. Monroe County's combined net assets increased by approximately 15.9% from a year ago, increasing from $6.2 million to $7.2 million. The analysis that follows focuses on the changes in net assets fro governmental activities.

Net Assets of Governmental Activities
(Expressed in Thousands)

		June 30, 2004
Current and other assets	$	8,038
Capital assets		3,652
Total assets		11,690
Long-term liabilities		1,112
Other liabilities		3,396
Total liabilities		4,508
Net assets		
Invested in capital assets net of related debt		2,631
Restricted		3,555
Unrestricted		996
Total net assets	$	7,182

Net assets of Monroe County's governmental activities increased by approximately 16% ($6.2 million compared to $7.2 million). The largest portion of the County's net assets is the 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 sources other than capital assets. Restricted net assets represent resources that are 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 covenants, enabling legislation or other legal requirements – decreased from approximately $1,015,000 at June 30, 2003 to approximately $996,000 at the end of this year, a decrease of 1.9 percent.

This reduction of approximately $19,000 in unrestricted net assets was a result of increased expenditures in a variety of areas.

	Changes in Net Assets of Governmental Activities (Expressed in Thousands)
	Year Ended June 30, 2004
Revenues:	
Program revenues:	
Charges for service	$ 289
Operating grants, contributions and restricted interest	2,058
Capital grants, contributions and restricted interest	329
General revenues:	
Property tax	3,006
Penalty and interest on property tax	40
State tax credits	524
Local option sales tax	100
Grants and contributions not restricted to specific purposes	123
Unrestricted investment earnings	117
Other general revenues	28
Total revenues	6,614
Program expenses:	
Governmental activities:	
r Public safety and legal services	906
Physical health and social services	620
Mental health	615
County environment and education	221
Roads and transportation	2,155
Governmental services to residents	260
Administration	813
Interest on long term debt	38
Total expenses	5,628
Increase (decrease) in net assets	986
Net assets beginning of year	6,196
Net assets of year	$ 7,182

Monroe County's net assets of governmental activities increased by approximately $986,000 during the year. The majority of this increase was due to capital assets constructed with Farm to Market Funds.

The cost of all governmental activities this year was $5.6 million. However, as shown on the Statement of Activities on page 18, the amount taxpayers ultimately financed for these activities was only $3.0 million because some of the cost was paid by those directly benefited from the programs ($289,000) or by other governments and organizations that subsidized certain programs with grants and contributions ($2,368,000). The County paid for the remaining "public benefit" portion of governmental activities with approximately $2,027,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Monroe County completed the year, its governmental funds reported a combined fund balance of $4.6 million, an increase of more that $153,000 above last years total of $4.4 million. The following are the major reasons for the changes in fund balances of the major funds of the prior year:

- General Fund revenues and expenditures decreased by approximately $370,000 and $236,000, respectively when compared to the prior year. The ending fund balance showed a modest decline of $95,000 from the prior year to $1,350,000.The District's deteriorating General Fund financial position is the result of many factors.

- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditure totaled approximately $616,000, a decrease of 1% from the prior year. The Mental Health Fund balance at year end increased by approximately $86,000 over the prior year.

Secondary Roads Fund expenditures decreased by approximately $39,000 over the prior year. This decrease in expenditures resulted in an increase in the Secondary Road Fund ending balance of approximately $112,000, or 8.4%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Monroe County amended its budget two times. The first amendment was made in October 2003 and resulted in an increase in budgeted disbursements related to a Bio-terrorism grant funding and additional secondary road expenses. The second amendment was made on May 11, 2004. This amendment was made to provide for the receipt and disbursement of local option sales tax monies.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the Monroe County had approximately invested $3.7 million 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 $459,000, or 14.39% over the prior year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
		June 30, 2004
Land	$	146
Buildings and improvements		1,545
Equipment and vehicles		1,459
Infrastructure		501
Total	$	3,651
This year's major additions included (in thousands):		
Capital assets contributed by the Iowa Department of Transporatation	$	259
Capital assets contributed by volunteers		46
Secondary roads equipment		176
County Sheriff vehicle		21
Other		279
Total	$	781

The County had depreciation expense of $321,942 in FY04 and total accumulated depreciation of $3,205,997 at June 30, 2004.

Long-Term Debt

At June 30, 2004, Monroe County had approximately $1,112,000 in general obligation bonds and other debt outstanding.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
		June 30, 2004
General obligation notes and bonds	$	816
Capital lease purchase agreements		28
Notes payable		177
Compensated absences		91
Totals	$	1,112

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Monroe County's outstanding general obligation debt is significantly below its constitutional debt limit of $16.6 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS BEARING AND NEXT YEARS BUDGETS AND RATES

Monroe County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and the fees that will be charges 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 2.2 percent. Unemployment in the County now stands at 3.1 percent versus 3.2 percent a year ago. This compares with the State's unemployment rate of 3.4 percent and the national rate of 3.9 percent.

Inflation in the State continues to be somewhat lower that the nation Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2004 compared with the national rate of 3.4 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increased in energy prices in 2003-2004.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are $4.7 million, an increase of 6 percent over the final 2004 budget. Property tax (boosted by increased State funding in several of our current programs) are expected to lead this increase. Monroe County will use these increases in receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to rise by $125,000. Increased wage and cost of living adjustments, and increased in roadway construction and maintenance, represent the largest increase. The County has added no major new programs or initiatives to the 2005 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of 2005.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the County's citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Monroe County's Auditor's Office, Albia, Iowa.

Basic Financial Statements

Monroe County

Exhibit A

Statement of Net Assets

June 30, 2004

	Governmental Activities
Assets	
Cash and pooled investments	$ 4,523,750
Receivables:	
Property tax:	
Delinquent	87,110
Succeeding year	2,906,707
Interest and penalty on property tax	93,860
Accounts	17,651
Due from other funds	281
Due from other governments	169,838
Inventories	186,889
Prepaid insurance	52,252
Capital assets, net of accumulated depreciation	3,651,661
Total assets	11,689,999
Liabilities	
Accounts payable	170,246
Accrued interest payable	3,543
Salaries and benefits payable	108,724
Due to other governments	27,093
Deferred revenue:	
Succeeding year property tax	2,906,707
Other	180,163
Long-term liabilities:	
Portion due within one year:	
Capital lease purchase agreements	14,123
General obligation notes and bonds	239,058
Notes payable	86,660
Compensated absences	90,983
Portion due after one year:	
Capital lease purchase agreements	13,937
General obligation notes and bonds	576,884
Notes payable	90,153
Total liabilities	4,508,274
Net assets	
Invested in capital assets, net of related debt	2,630,846
Restricted for:	
Supplemental levy purposes	339,923
Mental health purposes	565,102
Secondary roads purposes	1,446,304
Debt service	179,335
Capital projects	2,075
Other purposes	1,021,994
Unrestricted	996,146
Total net assets	7,181,725

See notes to financial statements.

Monroe County

Statement of Activities

Year ended June 30, 2004

	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Assets
Functions / Programs					
Governmental activities:					
Public safety and legal services	$ 905,845	64,549	127,296	-	(714,000)
Physical health and social services	619,735	21,431	126,818	-	(471,486)
Mental health	615,547	-	80,133	-	(535,414)
County environment and education	220,594	25,052	1,259	52,937	(131,346)
Roads and transportation	2,154,983	11,925	1,701,315	275,906	(165,837)
Governmental services to residents	259,773	152,480	15,597	-	(91,696)
Administration	813,460	3,845	4,946	-	(804,669)
Interest on long-term debt	37,790	-	-	-	(37,790)
Total	$ 5,627,727	279,282	2,057,364	328,843	(2,952,238)
General Revenues:					
Property and other county tax levied for:					
General purposes					2,859,089
Debt service					146,359
Penalty and interest on property tax					40,642
State tax credits					524,037
Local option sales tax					100,019
Grants and contributions not restricted to specific purpose					122,713
Unrestricted investment earnings					116,984
Miscellaneous					28,317
Total general revenues					3,938,160
Change in net assets					985,922
Net assets beginning of year, as restated					6,195,803
Net assets end of year					$ 7,181,725

See notes to financial statements.

Monroe County

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2004

	General	Special Revenue Mental Health	Special Revenue Rural Services	Special Revenue Secondary Roads	Nonmajor Governmental Funds	Total
Assets						
Cash and pooled investments	$1,342,241	609,637	887,050	1,270,056	276,565	4,385,549
Receivables:						
Property tax:						-
Delinquent	53,440	7,215	22,828	-	3,627	87,110
Succeeding year	1,697,719	289,261	774,347	-	145,380	2,906,707
Interest and penalty on property tax	93,860	-	-	-	-	93,860
Accounts	16,493	-	50	1,108	-	17,651
Due from other funds	5,734	-	-	297	-	6,031
Due from other governments	51,068	8,991	34,604	75,078	97	169,838
Inventories	-	-	-	186,889	-	186,889
Prepaid insurance	38,842	-	-	13,410	-	52,252
Total assets	$3,299,397	915,104	1,718,879	1,546,838	425,669	7,905,887
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ 29,830	27,041	135	53,753	21	110,780
Salaries and benefits payable	60,773	536	815	46,600	-	108,724
Due to other funds	5,750	-	-	-	-	5,750
Due to other governments	-	26,013	899	181	-	27,093
Deferred revenue:						
Succeeding year property tax	1,697,719	289,261	774,347	-	145,380	2,906,707
Other	154,902	7,151	22,615	-	3,595	188,263
Total liabilities	1,948,974	350,002	798,811	100,534	148,996	3,347,317
Fund balances:						
Reserved for:						
Supplemental levy purposes	339,923	-	-	-	-	339,923
Debt service	-	-	-	-	179,335	179,335
Cemetery levy	6,613	-	-	-	-	6,613
Unreserved, reported in:						
General fund	1,003,887	-	-	-	-	1,003,887
Special revenue funds	-	565,102	920,068	1,446,304	95,263	3,026,737
Capital projects fund	-	-	-	-	2,075	2,075
Total fund balances	1,350,423	565,102	920,068	1,446,304	276,673	4,558,570
Total liabilities and fund balances	$3,299,397	915,104	1,718,879	1,546,838	425,669	7,905,887

See notes to financial statements.

Monroe County

Exhibit D

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

June 30, 2004

Total governmental fund balances (page 17)	$ 4,558,570
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $6,857,657 and the accumulated depreciation is $3,205,996.	3,651,661
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	8,100
The internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and I liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	78,735
Long-term liabilities, including capital lease purchase agreements payable, notes and bonds 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.	(1,115,341)
Net assets of governmental activities (page 16)	$ 7,181,725

See notes to financial statements.

Monroe County

Exhibit E

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

Year ended June 30, 2004

		Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor Governmental Funds	Total
Revenues:						
Property and other county tax	$ 1,667,955	300,617	890,517	-	146,359	3,005,448
Interest and penalty on property tax	40,642	-	-	-	-	40,642
Intergovernmental	615,280	401,914	95,790	1,706,832	23,681	2,843,497
Licenses and permits	1,058	-	-	560	-	1,618
Charges for service	197,949	-	-	-	24,980	222,929
Use of money and property	137,586	-	-	-	6,956	144,542
Miscellaneous	7,204	-	5,178	23,599	13,643	49,624
Total revenues	2,667,674	702,531	991,485	1,730,991	215,619	6,308,300
Expenditures:						
Operating						
Public safety and legal services	934,501	-	-	-	6,814	941,315
Physical health and social services	619,735	-	-	-	-	619,735
Mental health	-	616,402	-	-	-	616,402
County environment and education	134,900	-	72,086	-	3,878	210,864
Roads and transportation	-	-	-	2,176,526	-	2,176,526
Governmental services to residents	259,773	-	-	-	-	259,773
Administration	765,443	-	-	-	15,313	780,756
Debt service	-	-	-	-	270,990	270,990
Capital expenditures	-	-	65,415	200,929	11,959	278,303
Total expenditures	2,714,352	616,402	137,501	2,377,455	308,954	6,154,664
Excess (deficiency) of revenues over (under) expenditures	(46,678)	86,129	853,984	(646,464)	(93,335)	153,636
Other financing sources (uses):						
Operating transfers in	-	-	-	758,748	6,500	765,248
Operating transfers out	(48,446)	-	(716,802)	-	-	(765,248)
Total other financing sources (uses)	(48,446)	-	(716,802)	758,748	6,500	-
Net change in fund balances	(95,124)	86,129	137,182	112,284	(86,835)	153,636
Fund balances beginning of year	1,445,547	478,973	782,886	1,334,020	363,508	4,404,934
Fund balances end of year	$ 1,350,423	565,102	920,068	1,446,304	276,673	4,558,570

See notes to financial statements.

Monroe County

Exhibit F

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

Year ended June 30, 2004

Net change in fund balances - Total governmental funds (page 19)		$ 153,636
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	$ 475,898	
Capital assets contributed by volunteers	46,000	
Capital assets contributed by the Iowa Department of transportation	259,359	
Depreciation expense	(321,942)	459,305
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 governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:		
Issued	-	
Repaid	325,458	325,458
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	(60)	
Interest on long-term debt	4,847	4,787
The Internal Service Fund is used by management to charge the costs of employee benefit health insurance to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.		42,736
Change in net assets of governmental activities (page 16)		$ 985,922

See notes to financial statements.

Monroe County

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2004

	Internal Service - Employee Group Health
Assets	
Cash and cash equivalents	$ 138,201
Total assets	138,201
Liabilities	
Accounts payable	59,466
Total liabilities	59,466
Net Assets	
Unrestricted	78,735
Total net assets	$ 78,735

See notes to financial statements.

Monroe County

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2004

		Internal Service - Employee Group Health
Operating revenues:		
Reimbursements from operating funds		$618,040
Reimbursements from employees		7,813
Insurance reimbursements		100,632
Miscellaneous		2,942
Total operating revenues		729,427
Operating expenses:		
Medical claims	$522,879	
Insurance premiums and administrative fees	163,812	686,691
Operating income		42,736
Net assets beginning of year		35,999
Net assets end of year		78,735

See notes to financial statements.

Monroe County

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2004

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	$618,040
Cash received from employees and others	7,813
Cash received from insurance reimbursements	100,632
Cash received from others	2,942
Cash paid to suppliers for goods and services	(737,946)
Net cash used by operating activities	(8,519)
Net decrease in cash and cash equivalents	(8,519)
Cash and cash equivalents beginning of year	146,720
Cash and cash equivalents end of year	$138,201
Reconciliation of operating loss to net cash used by operating activities:	
Operating income	$ 42,736
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Decrease) in accounts payable	(51,255)
Net cash used by operating activities	$ (8,519)

See notes to financial statements.

Monroe County

Exhibit J

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2004

Assets	
Cash and pooled investments	
County Treasurer	$ 646,307
Other County Officials	11,677
Property tax receivable:	
Delinquent	159,312
Succeeding year	6,977,502
Accounts	12,978
Prepaid insurance	657
Total assets	7,808,433
Liabilities	
Accounts payable	558
Salaries and benefits payable	5,584
Due to other funds	281
Due to other governments	7,789,080
Trusts payable	12,930
Total liabilities	7,808,433
Net Assets	
Reserved for scholarships	$ -

See notes to financial statements.

(1) Summary of Significant Accounting Policies

Monroe 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, Monroe County has included all funds, organizations, account groups, 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. Monroe County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The County also 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: Monroe County Assessor's Conference Board, Monroe County Emergency Management Commission and Monroe 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 an Agency Fund 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 and its component units. 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 place 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 that do not meet 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 and contributions 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, proprietary 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 that are 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 expenses, the fixed charges and the capital improvement costs that are 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 on 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:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost-reimbursement basis.

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, proprietary fund 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 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 considered revenues to be available if they are collected within 60 days of year end.

Property taxes, 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 the liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements 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-reimbursements 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-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ingoing operations. The principal operating revenues of the County's internal Service Fund is charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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, Pooled Investments and Cash Equivalents - 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 non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

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 that 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 and will not be recognized as revenue until the year it was levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½ % per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

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 and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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 for governmental funds are recorded 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 government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimate fair 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	$ 65,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings	25-50
Building improvements	25-50
Land improvements	10-50
Infrastructure	10-65
Equipment	3-15
Vehicles	5-15

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 collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collectible within the current period or 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 and unspent grant proceeds.

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, proprietary fund and fiduciary fund financial statements. A liability fir these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. the compensated absences liability attributable to the governmental activities will e paid by the General, Mental Health, Rural Services and Secondary Road Funds.

Long-term liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund 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 form 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 that are not available for appropriation or are 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.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 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.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General	Trust and Agency	$ 281
Special Revenue:		
Secondary Roads	General	297
General	General	5,453
Total		$ 6,031

(4) Interfund Transfers

Transfer to	Transfer from	Amount
Capital Projects	General	$ 6,500
Special Revenue:		
Secondary Roads	General	41,946
	Special Revenue	
General	Rural Services	716,802
Total		$ 765,248

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

		Balance Beginning of Year (as restated, note 14)	Increases	Decreases	Balance End of Year
Governmental activities:					
Capital assets being depreciated:					
Land	$	111,262	35,198	-	146,460
Total capital assets not being depreciated		111,262	35,198	-	146,460
Capital assets being depreciated:					
Buildings and building improvements		2,098,680	46,000	-	2,144,680
Improvements other than buildings		72,000	-	-	72,000
Equipment and vehicles		3,968,842	197,595	(174,374)	3,992,063
Infrastructure, road network		-	502,454	-	502,454
Total capital assets being depreciated		6,139,522	746,049	(174,374)	6,711,197
Less accumulated depreciation for:					
Buildings and building improvement		588,681	30,906	-	619,587
Improvements other that buildings		49,248	2,592	-	51,840
Equipment and vehicles		2,420,500	287,279	(174,374)	2,533,405
Infrastructure, road network		-	1,165	-	1,165
Total accumulated depreciation		3,058,429	321,942	(174,374)	3,205,997
Total capital assets being depreciated, net		3,081,093	424,107	(174,374)	3,505,200
Governmental activities capital assets, net	$	3,192,355	459,305	-	3,651,660

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	$	16,755
County environment and education		17,774
Roads and transportation		253,188
Administration		34,228
Total depreciation expense - governmental activities	$	321,945

The equipment includes the assets acquired under capital leases.

(6) Due to Other Governments

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

Fund	Description	Amount
Special Revenue:		
Mental Health	Services	$ 26,013
Rural Services		899
Rural Services		181
Total for governmental funds		27,093
Trust and Agency:		
County Assessor	Collections	415,042
Schools		4,985,786
Community Colleges		251,212
Corporations		1,072,205
Auto License and Use Tax		144,199
All others		921,546
Total for agency funds		7,789,990

(7) **Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

		Capital Lease Purcahse Agreements	General Obligation Notes and Bonds	Notes Payable	Compen-sated Absences	Total
Balance beginning of year	$	41,389	1,044,295	260,583	90,920	1,437,187
Increase		-	-	-	63	63
Decrease		13,329	228,353	83,770	-	325,452
Balance end of year	$	28,060	815,942	176,813	90,983	1,111,798
Due within ome year	$	14,123	239,058	86,660	90,983	430,824

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease mowers and office equipment. The following is a schedule of the future minimum lease payments, including interest ranging from 7.9% to 10.375% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2004:

Year ending June 30,		Mower	Office Equipment	Total
2005	$	9,152	7,104	16,256
2006		7,828	-	7,828
2007		7,316	-	7,316
Total minimum lease payments		24,296	7,104	31,400
Less amount representing interest		(2,670)	(670)	(3,340)
Present value of net minimum lease payments	$	21,626	6,434	28,060

Payments under the capital lease purchase agreements for the year ended June 30, 2004 totaled $16,696.

General Obligation Notes and Bonds

A summary of the County's June 30, 2004 general obligation note and bonded indebtedness is as follows:

Year ending June 30,		Principal	Interest	Total
2005	$	238,968	34,461	273,429
2006		246,390	24,165	270,555
2007		258,903	13,462	272,365
2008		71,681	2,023	73,704
Total	$	815,942	74,111	890,053

During the year ended June 30, 2004, the County retired $228,353 of bonds.

Notes Payable

A summary of the County's June 30, 2004 notes payable indebtedness is as follows:

In 1999 the County Conservation Board purchased a pickup. Interest is to be paid at 9.95%, with monthly payments of $363.59. The first payment was due in January 1999, with the final payment due in December 2003.

On December 26, 2000, the County borrowed $400,000 to fund the construction of a new county shop. Interest is to be paid at 6.00%. Payments are in ten installments of $48,000 each. The first payment was due on November 1, 2001, with the final payment due on May 1, 2006.

The following is a schedule of future notes payable principal payments under the agreements in effect at June 30, 2004.

Year Ended June 30,		Principal Due
2005		$ 86,660
2006		90,153
	Total	$ 176,813

(8) Operating Leases

The county has two operating leases. Both leases are for copiers. The minimum lease payment for the copiers are $261 and $189 per month.

Future rental payments required by the lease term are:

Year Ended June 30,	Amount
2005	$ 5,400
2006	5,400
2007	4,356
2008	1,134
Total	$ 16,290

Payments under the operating lease agreements for the year ended June 30, 2004 totaled $5,431.

(9) 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. This report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages for the year ended June 30, 2oo4 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were $124,095, $124,893, and $122,098 respectively, equal to the required contributions for each year.

(10) Risk Management

Monroe County is a member in the Iowa Community 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 490 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 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 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 annual contributions to the Pool for the year ended June 30, 2004 were $106,175.

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 official's 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 aggregate per year. For members requiring specific coverage from $2,000,000 to $15,000,000, such excess coverage is also reinsured. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or a series of claims exceeds the amount of risk-sharing protection provided by a member's risk-sharing certificate, or in the event that 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 that 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 company 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 claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to a member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of $1,000,000 and $500,000, 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.

(11) Employee Health Insurance Plan

The Monroe County Employee Group Health Fund was established in October, 2002 to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by County contributions and is administered through a service agreement with First Administrators, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of $30,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Monroe County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to First Administrators, Inc. from the Monroe County Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2004 was $618,040.

Amounts payable from the Employee Group Health Fund at June 30, 2004 total $59,466 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on estimates of the amounts necessary to pay current-year claims and to establish a reserve for catastrophic loses. That reserve was $78,735 at June 30, 2004 and is reported as a designation of Internal Service, Employee Group Health Fund retained earnings. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported in information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonable estimated. Settlements have not exceeded the stop-loss coverage in the current fiscal year. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims as of July 1, 2003	$ 110,721
Incurred claims (including claims incurred but not reported as of June 30, 2004):	
Provision for current-year events where the County has retained risk of loss	686,691
Payments:	
Claims attributable to current-year events where the County has retained risk of loss	737,943
Total payments	737,946
Unpaid claims as of June 30, 2004	$ 59,466

(12) Contingent Liability

Monroe County participates in an agreement with the South Central Iowa Solid Waste Agency, (Agency), a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Agency includes providing economic disposal of solid waste produced or generated within the member counties and municipalities.

The County has provided a local government guarantee for a portion of the closure and post-closure costs of the landfill as per Chapter 111.6(8) of the Iowa Administrative Code. The County's financial assurance obligation equals $96,464. By providing a Local Government Guarantee, no liability has been recognized on the County's financial statements.

In the event the South Central Iowa Solid Waste Agency fails to perform closure or postclosure care in accordance with the appropriate plan or permit, whenever required to do so, or fails to alternate financial assurance within 90 days of intent to cancel, Monroe County will perform or pay a third party to perform closure and/or postclosure care or establish a standby trust fund in the name of the South Central Iowa Solid Waste Agency or obtain alternate financial assurance of $97,678.

(13) Subsequent Event/Commitment

In fiscal year 2005, the County entered into a $65,000 loan agreement to pay the costs of a new computer system.

The County received an EDA grant award of $781,753 for infrastructure improvements. The construction phase of this project should begin in fiscal year 2005.

(14) Prospective Accounting Change

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. the interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the County's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total on one column.

The government-wide financial statements report the County's governmental activities. Beginning net assets for governmental activities has been restated to include capital assets, the Internal Service Fund and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Amount
Net assets June 30, 2003, as previously reported	$ 4,368,536
GASB Interpretation 6 adjustments	36,398
Net assets June 30, 2003, as restated for governmental funds	4,404,934
GASB 345 adjustments:	
Capital assets, net of accumulated depreciation of $3,058,429.	3,192,355
Internal Service Fund	35,999
Long-term liabilities	(1,437,187)
Accrued interest payable	(8,398)
Deferral of long-term assets	8,100
Net assets July 1, 2003, as restated	$ 6,195,803

Required Supplementary Information

Monroe 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, 2004

	Actual	Budget Amounts Original	Budget Amounts Final	Final to Actual Variance
Receipts:				
Property and other County tax	$ 2,970,162	2,932,623	3,015,360	(45,198)
Interest and penalty on property tax	40,517	3,000	3,000	37,517
Intergovernmental	2,833,207	4,755,817	4,776,117	(1,942,910)
Licenses and permits	560	350	350	210
Charges for services	242,656	155,079	155,079	87,577
Use of money and property	144,757	95,375	95,375	49,382
Miscellaneous	31,423	83,447	83,447	(52,024)
Total receipts	6,263,282	8,025,691	8,128,728	(1,865,446)
Disbursements:				
Public safety and legal services	948,977	1,038,728	1,038,728	89,751
Physical health and social services	617,397	698,113	718,413	101,016
Mental health	597,518	935,856	935,856	338,338
County environment and education	248,883	373,780	373,780	124,897
Roads and transportation	2,126,041	2,183,745	2,750,533	624,492
Governmental services to residents	255,501	294,211	294,211	38,710
Administration	769,164	881,900	881,900	112,736
Debt service	270,990	273,027	273,027	2,037
Capital projects	376,129	1,952,500	2,350,455	1,974,326
Total disbursements	6,210,600	8,631,860	9,616,903	3,406,303
Excess (deficiency) of receipts over (under) disbursements	52,682	(606,169)	(1,488,175)	1,540,857
Other financing sources, net	-	5,000	5,000	(5,000)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	52,682	(601,169)	(1,483,175)	1,535,857
Balance beginning of year	4,332,867	2,818,086	3,564,177	768,690
Balance end of year	$ 4,385,549	2,216,917	2,081,002	2,304,547

See accompanying independent auditor's report.

Monroe County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	$ 6,263,282	45,018	6,308,300
Expenditures	6,210,600	(55,936)	6,154,664
Net	52,682	100,954	153,636
Other financing sources, net	-	-	-
Beginning fund balances	4,332,867	72,067	4,404,934
Ending fund balances	$ 4,385,549	173,021	4,558,570

See accompanying independent auditor's report.

Monroe County

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2004

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 blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and department. 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, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated functional level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by $985,043. 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 the Emergency Management Services by the County Emergency Management Commission.

Other Supplementary Information

Monroe County

Schedule 1

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2004

	Special Revenue						
	County Recorder's Records Management	REAP	Conservation Land Acquisition Trust	Recorder Electronic Transaction Fee	Debt Service	Capital Projects	Total
Assets							
Cash and pooled investments	$ 19,640	24,696	27,964	22,887	179,303	2,075	276,565
Receivables:							
Property tax:							
Delinquent	-	-	-	-	3,627	-	3,627
Succeeding year	-	-	-	-	145,380	-	145,380
Due from other governments	-	97	-	-	-	-	97
Total assets	$ 19,640	24,793	27,964	22,887	328,310	2,075	425,669
Liabilities and Fund Equity							
Liabilities:							
Accounts payable	$ -	-	21	-	-	-	21
Deferred revenue:							
Succeeding year property tax	-	-	-	-	145,380	-	145,380
Other	-	-	-	-	3,595	-	3,595
Total liabilities	-	-	21	-	148,975	-	148,996
Fund equity:							
Fund balances:							
Reserved for debt service	-	-	-	-	179,335	-	179,335
Unreserved	19,640	24,793	27,943	22,887	-	2,075	97,338
Total fund equity	19,640	24,793	27,943	22,887	179,335	2,075	276,673
Total liabilities and fund equity	$ 19,640	24,793	27,964	22,887	328,310	2,075	425,669

See accompanying independent auditor's report.

Monroe County

Schedule 2

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

Year ended June 30, 2004

	Special Revenue							
	County Recorder's Records Management	County Assistance	REAP	Conservation Land Acquisition Trust	Recorder Electronic Transaction Fee	Debt Service	Capital Projects	Total
Revenues:								
Property and other County tax	$ -	-	-	-	-	146,359	-	146,359
Intergovernmental	-	-	6,937	-	-	16,744	-	23,681
Charges for service	2,291	-	-	-	22,689	-	-	24,980
Use of money and property	366	-	393	-	198	5,999	-	6,956
Miscellaneous	-	-	-	13,643	-	-	-	13,643
Total revenues	2,657	-	7,330	13,643	22,887	169,102	-	215,619
Expenditures:								
Public safety and legal services	-	6,814	-	-	-	-	-	6,814
County environment and education	-	-	-	3,878	-	-	-	3,878
Administration	-	15,313	-	-	-	-	-	15,313
Debt service	-	-	-	-	-	270,990	-	270,990
Capital projects	-	-	-	-	-	-	11,959	11,959
Total expenditures	-	22,127	-	3,878	-	270,990	11,959	308,954
Excess (deficiency) of revenues over (under) expenditures	2,657	(22,127)	7,330	9,765	22,887	(101,888)	(11,959)	(93,335)
Other financing sources								
Operating transfers in	-	-	-	-	-	-	6,500	6,500
Excess of revenues and other financing sources over expenditures	2,657	(22,127)	7,330	9,765	22,887	(101,888)	(5,459)	(86,835)
Fund balance beginning of year	16,983	22,127	17,463	18,178	-	281,223	7,534	363,508
Fund balance end of year	$ 19,640	-	24,793	27,943	22,887	179,335	2,075	276,673

See accompanying independent auditor's report.

Monroe County

Schedule 3

Combining Schedule of Fiduciary Net Assets and Liabilities
Agency Funds

June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community College	Corporations	Townships	Auto License and Use Tax	Other	Total
Assets										
Cash and pooled investments:										
County Treasurer	$ -	1,596	246,852	81,383	4,189	21,118	1,906	144,199	145,064	646,307
Other County officials	11,677	-	-	-	-	-	-	-	-	11,677
Receivables:										
Property tax:										
Delinquent	-	2,342	4,121	133,155	5,859	7,822	3,886	-	2,127	159,312
Succeeding year	-	96,433	169,653	4,771,338	241,164	1,043,265	123,427	-	532,222	6,977,502
Accounts	1,534	-	-	-	-	-	-	-	11,444	12,978
Prepaid insurance	-	-	-	-	-	-	-	-	657	657
										-
Total assets	$ 13,211	100,371	420,626	4,985,876	251,212	1,072,205	129,219	144,199	691,514	7,808,433
										-
Liabilities										-
										-
Liabilities:										-
Accounts payable	$ -	-	-	-	-	-	-	-	558	558
Salaries and benefits payable	-	-	5,584	-	-	-	-	-	-	5,584
Due to other funds	281	-	-	-	-	-	-	-	-	281
Due to other governments	-	100,371	415,042	4,985,876	251,212	1,072,205	129,219	144,199	690,956	7,789,080
Trusts payable	12,930	-	-	-	-	-	-	-	-	12,930
										-
Total liabilities	$ 13,211	100,371	420,626	4,985,876	251,212	1,072,205	129,219	144,199	691,514	7,808,433

See accompanying independent auditor's report.

Monroe County

Schedule 4

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2004

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Schools	Community College	Corporations	Townships	Auto License and Use Tax	Other	Total
Balances beginning of year	$ 15,790	104,154	430,941	4,802,233	273,223	1,083,408	131,479	151,578	762,963	7,755,769
Additions:										
Property and other County tax	-	94,554	166,957	4,303,825	248,159	949,447	120,151	-	517,685	6,400,778
E911 surcharge	-	-	-	-	-	-	-	-	46,468	46,468
State tax credits	-	10,767	18,649	253,963	28,258	79,052	14,162	-	58,007	462,858
Drivers license fees	-	-	-	-	-	-	-	52,486	-	52,486
Office fees and collections	198,005	-	-	-	-	-	-	-	-	198,005
Auto licenses, use tax and postage	-	-	-	-	-	-	-	-	11,455	11,455
Assessments	-	-	-	-	-	-	-	1,741,853	-	1,741,853
Trusts	327	-	-	-	-	-	-	-	10,853	11,180
Miscellaneous	-	-	806	-	-	-	-	-	161,321	162,127
Total additions	198,332	105,321	186,412	4,557,788	276,417	1,028,499	134,313	1,794,339	805,789	9,087,210
Deductions:										
Agency remittances:										
To other funds	96,750	-	-	-	-	-	-	81,343	-	178,093
To other governments	103,835	109,104	196,727	4,374,145	298,428	1,039,702	136,573	1,720,375	744,879	8,723,768
Trusts paid out	326	-	-	-	-	-	-	-	132,359	132,685
Total deductions	200,911	109,104	196,727	4,374,145	298,428	1,039,702	136,573	1,801,718	877,238	9,034,546
Balances end of year	$ 13,211	100,371	10,277	4,985,876	298,428	1,072,205	129,219	144,199	691,514	7,808,433

See accompanying independent auditor's report.

Monroe County

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Two Years

	Modified Accrual Basis	
	2004	2003
Revenues:		
Property and other County tax	$3,005,448	3,121,389
Interest and penalty on property tax	40,642	41,636
Intergovernmental	2,843,497	3,538,916
Licenses and permits	1,618	440
Charges for service	222,929	211,982
Use of money and property	144,542	172,475
Miscellaneous	49,624	19,157
	$6,308,300	7,105,995
Expenditures:		
Operating:		
Public safety and legal services	941,315	965,643
Physical health and social services	619,735	607,922
Mental health	616,402	624,963
County environment and education	210,864	306,927
Roads and transportation	2,176,526	2,273,959
Governmental services to residents	259,773	236,668
Administration	780,756	736,267
Debt service	270,990	272,130
Capital projects	278,303	1,075,318
Total	$6,154,664	7,099,797

See accompanying independent auditor's report.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Officials of Monroe County:

We have audited the financial statements of Monroe County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated January 6, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Monroe County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 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. Prior year statutory comments have been resolved except for items II-J-04, II-K-04, and II-L-04 in the accompanying Schedule of Findings.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monroe County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 Monroe 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 I of the accompanying Schedule of Findings.

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 misstatements 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 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 describe above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have not been resolved.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Monroe 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.

Peak & Gerdes, LLP
Certified Public Accountants

January 6, 2005

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties – During our review of internal control, the existing procedures were evaluated in order to determine that incompatible duties, from a control standpoint, were 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. Our review noted that one or two individuals in the Sheriff's office and in the Recorder's office performs all of the record-keeping and reconciling functions of the office.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the County Sheriff and County Recorder should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – We will review all alternatives.

Conclusion – Response accepted.

I-B-04 Jail Commissary – Jail commissary account profits have been accumulating in the commissary account and have not been remitted to the County Treasurer. A formal reconciliation is not made between the book balance and the amount of cash belonging to each inmate. Some invoices could not be located for the jail commissary account. Receipts were not always timely deposited. Sales tax was paid on some purchases.

Recommendation – Profits on the commissary account should be remitted to the County Treasurer. The book balance should be reconciled to the sum of the individual listings of inmate account balances. In addition, invoices should be retained, receipts timely deposited, and sales tax not paid on purchases.

Response – We will review this situation and take appropriate action.

Conclusion – Response accepted.

I-C-04 Inmate Account – The Sheriff's Office deposits commission from long distance telephone calls made by prisoners in the inmate account. Disbursements from this account are for purchases of prisoner related items. The receipts and disbursements were not reflected in the County's accounting system and have not been included in the County's annual budget or financial report.

Recommendation – Commissions from long distance telephone calls made by prisoners should be remitted to the County Treasurer and should be reflected in the County's accounting system, annual budget and financial report. Claims should be presented to the Board for approval for the purchase of prisoner related items.

Response – We will consider this recommendation.

Conclusion – Response accepted.

I-D-04 Electronic Data Processing Systems – During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

a) requiring password changes because the software does not require the user to change passwords periodically.

b) a written disaster recovery plan in case of computer failure or destruction.

Recommendation – The County should develop written polices addressing the above items in order to improve the County's control over computer based systems.

Response – The County will review the above, and take appropriate action as necessary.

Conclusion – Response accepted.

I-F-02 Sheriff's Civil Account – Bank reconciliations are performed for the Sheriff's civil account. However, there is no documented reconciliation between the book balance and a listing of items held in trust.

Recommendation – A listing of items held in trust should be compared to the book balance on a monthly basis in the civil account. Any differences should be timely investigated.

Response – This recommendation will be implemented.

Conclusion – Response accepted.

I-G-02 Timely Deposit of Receipts – We noted that receipts are generally deposited to the bank once per week in the Recorder's office. In addition, receipts are not timely deposited in the Sheriff's civil account.

Recommendation – Receipts should be deposited more timely, preferably daily.

Response – We will work on more timely deposits.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-04 Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year, except that funds in the County Auditor's and County Recorder's accounts exceeded the deposit resolution amount at certain times during the year.

Recommendation – The County should implement procedures to ensure the deposit resolution amounts are not exceeded in the future.

Response – We have implemented this recommendation with a new depository resolution.

Conclusion – Response accepted.

II-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.

II-C-04 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-E-04 Business Transactions – No business transactions between the County and County officials or employees were noted.

II-F-04 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

II-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

II-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

II-I-04 Resource Enhancement and Protection Certification – The County did not dedicate enough 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).

II-J-04 Inmate Collections – In accordance with Chapter 356.7 of the Code of Iowa, the County assesses room and board costs on an inmate while in jail. In the event of non-payment, the County does not attempt to collect these monies from the inmate through the court system.

Recommendation – The County attempt to collect all funds due to them from inmates, and in the event of non-payment, the County should file a claim with the court system to collect these monies.

Response – We will review this and take action as appropriate.

Conclusion – Response accepted.

II-K-04 Refunds and Court Costs Fund – The County has $6,000 in the refund and court cost fund. the money has been in this fund for several years.

Recommendation – The County should determine the proper disposition of these funds.

Response – We will review this.

Conclusion – Response accepted.

II-L-04 General Fixed Assets – General fixed asset physical verification was performed by the individuals responsible for custody of the general fixed assets.

Recommendation – The County should implement procedures to ensure someone independent of the custody of the general fixed assets performs general fixed asset physical verification.

Response – We will review this area and take action as necessary.

Conclusion – Response accepted.

II-M-04 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, 2004 for the County Extension Office did not exceed the amount budgeted. Some of the detail receipts and disbursements were not published in the newspaper as required by the Code of Iowa. The individual votes were not documented in the Extension minutes on split votes.

Recommendation – The County Extension Office should implement procedures to ensure detailed receipts and disbursements are published in accordance with requirements of the Code of Iowa, and that the individual votes are identified on split votes.

Response – We will implement this recommendation in the future.

Conclusion – Response accepted.