

MONROE COUNTY

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

JUNE 30, 2005

TABLE OF CONTENTS

	Page
OFFICIALS	3
INDEPENDENT AUDITOR’S REPORT	4-5
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	6-14
BASIC FINANCIAL STATEMENTS	
Exhibit	
Government-Wide Financial Statements:	
A Statement of Net Assets	16-17
B Statement of Activities	18
Governmental Fund Financial Statements:	
C Balance Sheet	20-23
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	24
E Statement of Revenues, Expenditures and Changes in Fund Balances	26-29
F Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	30-31
Proprietary Fund Financial Statements:	
G Statement of Net Assets	32
H Statement of Revenues, Expenses, and Changes in Net Assets	33
I Statement of Cash Flows	34
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Assets and Liabilities – Agency Funds	35
Notes to Financial Statements	36-52
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	54
Budget to GAAP Reconciliation	55
Notes to Required Supplementary Information – Budgetary Reporting	56
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	58-59
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	60-61
Agency Funds:	
3 Combining Schedule of Fiduciary Assets and Liabilities	62-65
4 Combining Schedule of Changes in Fiduciary Assets and Liabilities	66-69
5 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	70
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	71-72
SCHEDULE OF FINDINGS	73-80

MONROE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
Dennis J. Ryan	Board of Supervisors	Jan. 2007
Michael Beary	Board of Supervisors	Jan. 2005
Paul V. Koffman (Board President)	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
(After January 2005)		
Paul V. Koffman (Board President)	Board of Supervisors	Jan. 2009
Michael Beary	Board of Supervisors	Jan. 2009
Dennis J. Ryan	Board of Supervisors	Jan. 2007
Jeannie Bettis	County Auditor	Jan. 2009
Sandy Clark	County Treasurer	Jan. 2007
Tracy Casady	County Recorder	Jan. 2007
Daniel Johnson	County Sheriff	Jan. 2009
Steve Goodlow	County Attorney	Jan. 2007
Karen Fontinel	County Assessor	Jan. 2010

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, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These basic 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 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 that 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, 2005 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 principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2006 on our consideration of Monroe County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 14 and 54 through 56 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Monroe County's basic financial statements. The financial statements for the three years ended June 30, 2004 (none of which are presented herein) were audited by other auditors who 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.

Oskaloosa, Iowa
January 9, 2006

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

2005 Financial Highlights

- Revenues of the County's governmental activities increased 9.01%, or approximately \$794,301 from fiscal 2004 to fiscal 2005. Property tax revenues decreased approximately \$156,987 and operating grants and contributions increased approximately \$801,968 from fiscal 2004 to fiscal 2005.
- Program expenses were \$1,565,166 more in fiscal 2005 than in fiscal 2004. Roads and transportation expenses increased approximately \$743,000.
- The County's net assets increased 2.9%, or approximately \$215,000 from June 30, 2004 to June 30, 2005.

Using This Annual Report

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of 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 and the individual Agency Funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 the financial position of the County is improving or deteriorating.

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

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

Fund Financial Statements

The County has 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 readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

- 2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are an accounting device used 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 two.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities and a schedule of changes in 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 2.9% from a year ago, increasing from \$7,361,888 to \$7,576,945. The analysis that follows focuses on the changes in net assets for governmental activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	June 30, 2005	June 30, 2004	% Change
Current and other assets	\$ 8,379	8,038	4.2%
Capital Assets	3,931	3,652	7.6
<hr/>			
Total Assets	12,310	11,690	5.3
Long-term liabilities	1,122	1,112	.9
Other liabilities	3,911	3,216	21.6
<hr/>			
Total Liabilities	\$ 5,033	4,328	16.3
Net assets			
Invested in capital assets			
Net of related debt	3,214	2,631	22.2
Restricted	2,894	3,555	(18.6)
Unrestricted	1,469	1,176	24.9
<hr/>			
Total net assets	\$ 7,577	7,362	2.9

Net assets of Monroe County's governmental activities increased by approximately 2.9% (\$7,361,888 to \$7,576,945). 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 debt covenants, enabling legislation or other legal requirements—increased from approximately \$1,176,000 at June 30, 2004 to approximately \$1,469,000 at the end of this year an increase of 24.9%.

This increase of approximately \$293,000 in unrestricted net assets was a result of increased revenues in a variety of areas.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>% Change</u>
Revenues:			
Program revenues:			
Charges for service	\$ 390	289	34.9%
Operating grants, contributions and restricted interest	2,859	2,058	38.9
Capital grants, contributions and restricted interest	523	329	60.0
General revenues:			
Property tax	2,848	3,186	(10.6)
Penalty and interest on property tax	44	40	10.0
State Tax Credits	142	524	(72.9)
Local Option Sales Tax	232	100	132.0
Grants and contributions not restricted to specific purposes	4	123	(96.7)
Unrestricted investment earnings	109	117	6.8
Other general revenues	255	28	810.7
Total Revenues	<u>7,406</u>	<u>6,794</u>	<u>9.0</u>
Program expenses:			
Public Safety and legal services	911	906	.6
Physical health and social services	650	620	4.8
Mental Health	1,077	615	75.1
County environment and education	582	221	163.3
Roads and transportation	2,898	2,155	34.4
Governmental services to residents	253	260	(2.7)
Administration	786	813	(3.3)
Interest on long term debt	34	38	(10.5)
Total Expenses	<u>7,191</u>	<u>5,628</u>	<u>27.8</u>
Increase (Decrease) in net assets	215	1,166	(81.6)
Net assets beginning of year (as restated-Note 15)	<u>7,362</u>	<u>6,196</u>	<u>18.8</u>
Net assets end of year	<u>\$7,577</u>	<u>7,362</u>	<u>2.9</u>

Monroe County's net assets of governmental activities increased by approximately \$215,000 during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The cost of all governmental activities this year was \$7.2 million. However, as shown on the Statement of Activities on Exhibit B, the amount taxpayers ultimately financed for these activities was only \$3.4 million because some of the cost was paid by those directly benefited from the programs (\$390,381) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,382,707). The County paid for the remaining "public benefit" portion of governmental activities with \$3,080,374 in taxes 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 approximately \$3.8 million, a decrease of \$800,000 below last years total of \$4.6 million. The following are the major reasons for the changes in fund balances of major funds from the prior year:

- General Fund revenues and expenditures increased by approximately \$291,755 and \$545,000 respectively, when compared to the prior year. The ending fund balance showed a decline of \$277,000 from the prior year to \$1,074,000. The County's 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, expenditures totaled approximately \$1,077,000, an increase of 74.8% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$415,000.
- Secondary Roads Fund expenditures increased by approximately \$297,000 over the prior year. Revenues also increased by approximately \$245,000 from the prior year. The Secondary Road Fund balance at year end was approximately \$1,475,000.

Budgetary Highlights

Over the course of the year, Monroe County amended its budget two times, increasing budgeted disbursements by \$1,676,573. The first amendment was made in January 2005 and resulted in an increase in budgeted disbursements related to a bio-terrorism grant funding and secondary road expenses and increase in Local Option Sales Tax monies. The second amendment was made in April 2005. This amendment was to provide for CEBA Grant and Relco Grant. Court Administration budget was amended to reflect the increase juvenile costs.

The County did not exceed budgeted disbursements over the course of the year in any of the County functions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets and Debt Administration

Capital Assets

At June 30, 2005, Monroe County had approximately invested \$3.9 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 \$280,000 or 7.6% over the prior year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Land	\$ 111	146
Construction in Progress	186	-
Buildings and improvements	1,483	1,545
Equipment and vehicles	1,329	1,459
Infrastructure	823	501
Total	<u>\$ 3,932</u>	<u>3,651</u>

The County had depreciation expense of \$359,299 during fiscal year 2005 and total accumulated depreciation of \$3,523,796 at June 30, 2005.

Long-Term Liabilities

At June 30, 2005, Monroe County had approximately \$1,122,299 in general obligation bonds and other outstanding liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
General Obligation notes and bonds	\$ 576	816
Capital lease purchase agreements	10	28
Notes payable	431	177
Compensated absences	105	91
Totals	<u>\$ 1,122</u>	<u>1,112</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to five 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 limit. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term liabilities is presented in Note 7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Monroe County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. The County's nonagricultural employment growth has mirrored its population growth during 2000-2005, averaging per year gains of 2.2 percent. Unemployment in the County now stands at 6.3 percent. This compares with the State's unemployment rate of 4.5 percent and the national rate of 4.9 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The Federal CPI increase was 4.3 percent for fiscal year 2005. Inflation has been modest here due in part to the slowing of the residential housing market and increases in energy prices in 2004-2005.

These indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are \$8.9 million, an increase of approximately 4.5 percent of the final 2005 budget. Receipts are budgeted at approximately \$7.7 million. Increased wage and cost of living adjustments, and local option sales tax revenue and disbursements (to City of Albia) and increase in roadway construction and maintenance, represent the largest increase in disbursements. The County has added no major new programs or initiatives to the 2006 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Contacting the County'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 Auditor's office, Albia, Iowa.

Basic Financial Statements

MONROE COUNTY
STATEMENT OF NET ASSETS
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,129,529
Receivables:	
Property tax:	
Delinquent	76,538
Succeeding year	2,928,245
Interest and penalty on property tax	351,737
Accounts	20,294
Accrued interest	7,560
Due from other governments	322,970
Loan receivable (note 3)	300,000
Inventories	186,313
Prepaid expenses	55,309
Capital assets, net of accumulated depreciation (note 5)	<u>3,931,401</u>
 Total assets	 <u>12,309,896</u>
Liabilities	
Accounts payable	224,591
Salaries and benefits payable	35,413
Due to other governments (note 6)	345,900
Accrued interest payable	3,024
Claims incurred but not reported	73,479
Deferred revenue:	
Succeeding year property tax	2,928,245
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Capital lease purchase agreements	7,513
General obligation bonds	180,000
Capital loan notes	66,388
Loans payable	152,678
Compensated absences	104,587
Portion due or payable after one year:	
Capital lease purchase agreements	2,471
General obligation bonds	190,000
Capital loan notes	140,519
Loans payable	<u>278,143</u>
 Total liabilities	 <u>4,732,951</u>

MONROE COUNTY
STATEMENT OF NET ASSETS
June 30, 2005

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 3,213,689
Restricted for:	
Supplemental levy purposes	190,425
Mental health purposes	156,669
Rural services	962,296
Secondary roads	1,414,432
Debt service	59,507
Other special revenue purposes	74,268
Inmate room and board	27,642
Cemetery levy	8,703
Unrestricted	<u>1,469,314</u>
Total net assets	<u>\$ 7,576,945</u>

See notes to financial statements.

MONROE COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Public safety and legal services	\$ 911,343	\$ 82,343	\$ 89,414	\$ -	(739,586)
Physical health and social services	649,852	24,709	283,663	-	(341,480)
Mental health	1,077,603	36,946	327,334	-	(713,323)
County environment and education	582,265	48,609	406,705	-	(126,951)
Roads and transportation	2,897,744	28,442	1,737,216	523,375	(608,711)
Government services to residents	253,477	142,805	-	-	(110,672)
Administration	786,333	26,527	15,000	-	(744,806)
Interest on long-term debt	34,276	-	-	-	(34,276)
Total	\$ 7,192,893	\$ 390,381	\$ 2,859,332	\$ 523,375	(3,419,805)
General Revenues:					
Property and other county tax levied for:					
General purposes					2,706,354
Debt service					142,107
Penalty and interest on property tax					43,584
State tax credits					142,431
Local option sales and services tax					231,913
Grants and contributions not restricted to a specific purpose					4,101
Unrestricted investment earnings					109,091
Miscellaneous					255,281
Total general revenues					3,634,862
Change in net assets					215,057
Net assets beginning of year, as restated (note 15)					7,361,888
Net assets end of year					\$ 7,576,945

See notes to financial statements.

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MONROE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,021,804	\$ 450,258	\$ 944,075	\$ 1,231,265
Receivables:				
Property tax:				
Delinquent	42,897	7,311	22,656	-
Succeeding year	1,902,522	245,487	534,749	-
Interest and penalty on property tax	351,737	-	-	-
Accounts	16,290	-	-	4,004
Accrued interest	7,390	-	-	-
Due from other governments	48,399	10,074	55,116	209,381
Loan receivable (note 3)	300,000	-	-	-
Inventories	-	-	-	186,313
Prepaid expenses	42,047	-	-	13,262
Total assets	\$ 3,733,086	\$ 713,130	\$ 1,556,596	\$ 1,644,225

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 135,030	\$ 3,782,432
3,674	76,538
245,487	2,928,245
-	351,737
-	20,294
170	7,560
-	322,970
-	300,000
-	186,313
-	55,309
<u>\$ 384,361</u>	<u>\$ 8,031,398</u>

MONROE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue			
General	Mental Health	Rural Services	Secondary Roads	
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 45,466	\$ 25,491	\$ 97	\$ 153,537
Salaries and benefits payable	18,068	713	1,219	15,413
Due to other governments (note 6)	2,451	284,770	58,235	444
Deferred revenue:				
Succeeding year property tax	1,902,522	245,487	534,749	-
Other	691,052	7,099	22,476	-
Total liabilities	2,659,559	563,560	616,776	169,394
 Fund balance:				
Reserved for:				
Inventories	-	-	-	186,313
Prepaid expenses	42,047	-	-	13,262
Supplemental levy purposes	180,897	-	-	-
Debt service	-	-	-	-
Inmate room and board	27,642	-	-	-
Cemetery levy	8,550	-	-	-
Unreserved, reported in:				
General fund	814,391	-	-	-
Special revenue funds	-	149,570	939,820	1,275,256
Capital projects fund	-	-	-	-
Total fund balances	1,073,527	149,570	939,820	1,474,831
 Total liabilities and fund balances	 \$ 3,733,086	 \$ 713,130	 \$ 1,556,596	 \$ 1,644,225

See notes to financial statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 224,591
-	35,413
-	345,900
245,487	2,928,245
3,567	724,194
<u>249,054</u>	<u>4,258,343</u>
-	186,313
-	55,309
-	180,897
58,964	58,964
-	27,642
-	8,550
-	814,391
74,268	2,438,914
2,075	2,075
<u>135,307</u>	<u>3,773,055</u>
<u>\$ 384,361</u>	<u>\$ 8,031,398</u>

MONROE COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2005

Total fund balances of governmental funds	\$ 3,773,055
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$7,455,197 and the accumulated depreciation is \$3,523,796.	3,931,401
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	724,194
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 liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	273,618
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(3,024)
Long-term liabilities, including capital leases payable, bonds and notes payable, loans payable, and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities are not reported as liabilities in the governmental funds.	<u>(1,122,299)</u>
Net assets of governmental activities	<u>\$ 7,576,945</u>

See notes to financial statements.

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MONROE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2005

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 1,659,514	\$ 282,828	\$ 996,088	\$ -
Interest and penalty on property tax	41,246	-	-	-
Intergovernmental	919,643	379,118	33,232	1,962,725
Licenses and permits	50	-	-	455
Charges for service	203,681	-	13,974	259
Use of money and property	128,634	-	-	-
Miscellaneous	6,661	125	-	13,067
Total revenues	2,959,429	662,071	1,043,294	1,976,506
Expenditures:				
Operating:				
Public safety and legal services	932,087	-	986	-
Physical health and social services	658,133	-	12,930	-
Mental health	-	1,077,603	-	-
County environment and education	535,133	-	60,743	-
Roads and transportation	-	-	-	2,384,357
Government services to residents	222,688	-	-	-
Administration	912,850	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	266,517	290,457
Total expenditures	3,260,891	1,077,603	341,176	2,674,814
Excess (deficiency) of revenues over (under) expenditures	(301,462)	(415,532)	702,118	(698,308)
Other financing sources (uses):				
Sale of capital assets	35	-	-	4,000
Interfund transfers in (note 4)	-	-	-	722,835
Interfund transfers out (note 4)	(40,469)	-	(682,366)	-
Capital loan notes issued	65,000	-	-	-
Total other financing sources (uses)	24,566	-	(682,366)	726,835

Nonmajor Governmental		
<u>Funds</u>		<u>Total</u>
\$ 142,135	\$	3,080,565
-		41,246
14,224		3,308,942
-		505
30,460		248,374
4,676		133,310
4,170		24,023
<u>195,665</u>		<u>6,836,965</u>
		933,073
		671,063
		1,077,603
		595,876
		2,384,357
53,176		275,864
-		912,850
273,830		273,830
10,025		566,999
<u>337,031</u>		<u>7,691,515</u>
<u>(141,366)</u>		<u>(854,550)</u>
		4,035
		722,835
		(722,835)
		65,000
<u>-</u>		<u>69,035</u>

MONROE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2005

		<u>Special Revenue</u>		
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Net change in fund balances	\$ (276,896)	\$ (415,532)	\$ 19,752	\$ 28,527
Fund balances beginning of year	<u>1,350,423</u>	<u>565,102</u>	<u>920,068</u>	<u>1,446,304</u>
Fund balances end of year	<u>\$ 1,073,527</u>	<u>\$ 149,570</u>	<u>\$ 939,820</u>	<u>\$ 1,474,831</u>

See notes to financial statements.

Nonmajor Governmental	
<u>Funds</u>	<u>Total</u>
\$ (141,366)	\$ (785,515)
<u>276,673</u>	<u>4,558,570</u>
<u>\$ 135,307</u>	<u>\$ 3,773,055</u>

MONROE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ (785,515)

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. The amount of capital outlays and
depreciation expense in the current year are as follows:

	Capital outlays	\$ 343,218	
Capital assets contributed by the Iowa Department of Transportation		331,020	
	Depreciation expense	<u>(359,299)</u>	314,939

In the statement of activities, a non-cash loss on the disposition of capital
assets is reported as an adjustment to miscellaneous revenue. (35,198)

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

	Property tax	(191)	
	Other	<u>236,121</u>	235,930

Note proceeds provide current financial resources to governmental funds,
but issuing debt increases long-term liabilities in the statement of net
assets. (65,000)

Repayment of bond and other long-term liability principal is an expenditure
in the governmental funds, but the repayment reduces long-term liabilities
in the statement of net assets. 368,103

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	(13,604)	
	Interest on long-term debt	<u>519</u>	(13,085)

MONROE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. \$ 194,883

Change in net assets of governmental activities \$ 215,057

See notes to financial statements.

MONROE COUNTY
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 June 30, 2005

	Internal Service - Employee <u>Group Health</u>
Assets	
Cash and cash equivalents	\$ <u>347,097</u>
Liabilities	
Claims incurred but not reported	<u>73,479</u>
Net Assets	
Unrestricted	\$ <u><u>273,618</u></u>
See notes to financial statements.	

MONROE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 758,435
Reimbursements from employees	12,424
Insurance reimbursements	<u>103,585</u>
Total operating revenues	<u>874,444</u>
Operating expenses:	
Medical claims	488,516
Administrative fees	<u>191,045</u>
Total operating expenses	<u>679,561</u>
Operating income	194,883
Net assets beginning of year	<u>78,735</u>
Net assets end of year	<u><u>\$ 273,618</u></u>

See notes to financial statements.

MONROE COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 758,435
Cash received from employees and others	116,009
Cash payments to suppliers for services	<u>(665,548)</u>
Net cash provided by operating activities	208,896
Cash and cash equivalents at beginning of year	<u>138,201</u>
Cash and cash equivalents at end of year	<u><u>\$ 347,097</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 194,883
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	<u>14,013</u>
Net cash provided by operating activities	<u><u>\$ 208,896</u></u>

See notes to financial statements.

MONROE COUNTY
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2005

Assets	
Cash and pooled investments:	
County Treasurer	\$ 604,185
Other County officials	15,515
Property tax receivable:	
Delinquent	173,966
Succeeding year	6,659,402
Accounts	11,928
Accrued interest	201
Prepaid expense	<u>930</u>
Total assets	<u>\$ 7,466,127</u>
Liabilities	
Accounts payable	8,645
Due to other governments (note 6)	7,412,415
Trusts payable	<u>45,067</u>
Total liabilities	<u>\$ 7,466,127</u>

See notes to financial statements.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2005

Note 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, 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 and Monroe County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the County 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.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, 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 other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other receipts 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 in the County outside of incorporated city areas.

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

The Debt Service Fund is used to account for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used 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. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

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 as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

The proprietary fund of the County applies all 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 ongoing operations. The principal operating revenues of the County's internal service fund are 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 the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

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

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

Loans Receivable – Loans receivable represents the amount outstanding on a Community Economic Betterment Account loan made by the county to a local business.

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs 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.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 65,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and building improvements	25-50
Improvements other than buildings	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 collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the 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, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the government-wide financial statements and the 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 from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – 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. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted in any of County functions.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County's funds are all deposited in financial institution depository accounts.

Interest Rate Risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 3. Note Receivable

During the year ending June 30, 2005 the County entered into a promissory note receivable agreement with Relco Locomotives in the amount of \$300,000. The interest rate on this note is 0%. The note is secured by personal guarantee and first position UCC-1 on specific machinery and equipment and was issued as part of an Iowa Economic Development CEBA Loan Program.

A summary of annual collections due to the County as of June 30, 2005 is as follows:

Year Ending June 30,	Principal
2006	\$ 42,857
2007	42,857
2008	42,857
2009	42,857
2010	42,857
2011	42,857
2012	42,858
Total	\$ <u><u>300,000</u></u>

Note 4. Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General	\$ 40,469
	Special Revenue: Rural Services	<u>682,366</u>
		\$ <u><u>722,835</u></u>

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

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 146,460	\$ -	\$ 35,198	\$ 111,262
Construction in progress	-	185,522	-	185,522
Total capital assets not being depreciated	<u>146,460</u>	<u>185,522</u>	<u>35,198</u>	<u>296,784</u>
Capital assets being depreciated:				
Buildings	2,144,680	-	-	2,144,680
Improvements other than buildings	72,000	-	-	72,000
Machinery and equipment	3,992,063	157,696	41,500	4,108,259
Infrastructure	502,454	331,020	-	833,474
Total capital assets being depreciated	<u>6,711,197</u>	<u>488,716</u>	<u>41,500</u>	<u>7,158,413</u>
Less accumulated depreciation for:				
Buildings	619,587	59,636	-	679,223
Improvements other than buildings	51,840	2,592	-	54,432
Machinery and equipment	2,533,405	287,435	41,500	2,779,340
Infrastructure	1,165	9,636	-	10,801
Total accumulated depreciation	<u>3,205,997</u>	<u>359,299</u>	<u>41,500</u>	<u>3,523,796</u>
Total capital assets being depreciated, net	<u>3,505,200</u>	<u>129,417</u>	<u>-</u>	<u>3,634,617</u>
Governmental activities capital assets, net	<u>\$ 3,651,660</u>	<u>\$ 314,939</u>	<u>\$ 35,198</u>	<u>\$ 3,931,401</u>

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 14,055
County environment and education	16,199
Roads and transportation	268,390
Government services to residents	2,093
Administration	<u>58,562</u>
Total depreciation expense - governmental activities	<u>\$ 359,299</u>

Note 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	Services and Collections	Delinquent and Succeeding Year Property Taxes	Total
General	Services	\$ 2,451	\$ -	\$ 2,451
Special Revenue:				
Mental Health	Services	284,770	-	284,770
Rural Services	Services	58,235	-	58,235
Secondary Roads	Services	444	-	444
		<u>343,449</u>	<u>-</u>	<u>343,449</u>
Total for governmental funds		<u>\$ 345,900</u>	<u>\$ -</u>	<u>\$ 345,900</u>
Agency:				
County Assessor	Collections	\$ 201,155	\$ 166,348	\$ 367,503
Schools		94,292	4,566,805	4,661,097
Community College		4,238	234,141	238,379
Corporations		33,413	1,115,749	1,149,162
County Hospital		10,986	532,409	543,395
Auto License and Use Tax		134,827	-	134,827
All Other		100,136	217,916	318,052
Total for agency funds		<u>\$ 579,047</u>	<u>\$ 6,833,368</u>	<u>\$ 7,412,415</u>

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 7. Long-Term Liabilities

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

	Capital Lease Purchase Agreements	General Obligation Bonds	Capital Loan Notes	Loans Payable	Compensated Absences	Total
Balance beginning of year	\$ 28,060	\$ 545,000	\$ 270,942	\$ 176,813	\$ 90,983	\$ 1,111,798
Increases	-	-	-	365,000	104,587	469,587
Decreases	18,076	175,000	64,035	110,992	90,983	459,086
Balance end of year	<u>\$ 9,984</u>	<u>\$ 370,000</u>	<u>\$ 206,907</u>	<u>\$ 430,821</u>	<u>\$ 104,587</u>	<u>\$ 1,122,299</u>
Due within one year	<u>\$ 7,513</u>	<u>\$ 180,000</u>	<u>\$ 66,388</u>	<u>\$ 152,678</u>	<u>\$ 104,587</u>	<u>\$ 511,166</u>

Capital Lease Purchase Agreements

The County has entered into two capital lease purchase agreements to lease conservation area mowers with historical costs totaling \$41,359. The following is a schedule of the future minimum lease payments, including interest ranging from 5.10% to 7.90% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2005:

Year Ending June 30,	Total
2006	\$ 7,828
2007	<u>2,561</u>
Total minimum lease payments	10,389
Less amount representing interest	<u>405</u>
Present value of net minimum lease payment	<u>\$ 9,984</u>

Payments under capital lease purchase agreements for the year ended June 30, 2005 totaled \$19,821.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 7. Long-Term Liabilities (continued)

Bonds Payable

A summary of the County's June 30, 2005, general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2006	4.55 %	\$ 180,000	\$ 17,025	\$ 197,025
2007	4.65	190,000	8,835	198,835
		<u>\$ 370,000</u>	<u>\$ 25,860</u>	<u>\$ 395,860</u>

During the year ended June 30, 2005, the County retired \$175,000 of bonds.

Capital Loan Notes Payable

A summary of the County's June 30, 2005, capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest
2006	3.75 %	\$ 66,388	\$ 7,142
2007	3.75	68,900	4,630
2008	3.75	71,619	2,022
		<u>\$ 206,907</u>	<u>\$ 13,794</u>

During the year ended June 30, 2005, the County retired \$64,035 of capital loan notes.

Loans Payable

During the year ended June 30, 2005, the County entered into a loan agreement for \$65,000 to purchase computer equipment. The loan has an interest rate of 3.25% and is payable through April 15, 2007. The County also entered into a \$300,000 Community Economic Betterment Account interest free promissory note agreement payable in 84 monthly payments of \$3,571. However, the County's liability on the note is limited to those amounts collected from the County's good-faith enforcement of a security interest in its note receivable agreement with Relco Locomotives. Upon exhaustion of the County's rights in the collateral granted by such security interest, the County will have no liability for any deficiency owing on the note except in the event of County fraud, negligence, or gross mismanagement of the loan agreement.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 7. Long-Term Liabilities (continued)

Loans Payable (continued)

Details of the County's loans payable at June 30, 2005, are as follows:

Year Ending June 30,	Equipment Loan			Construction Promissory Note		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2006	3.25 %	\$ 22,000	\$ 1,236	6.00 %	\$ 87,821	\$ 5,847
2007	3.25	21,000	511	-	-	-
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
		<u>\$ 43,000</u>	<u>\$ 1,747</u>		<u>\$ 87,821</u>	<u>\$ 5,847</u>

Year Ending June 30,	Community Economic Development Account Promissory Note			Total	
	Interest Rates	Principal	Interest	Principal	Total
2006	N/A	\$ 42,857	\$ -	\$ 152,678	\$ 7,083
2007	N/A	42,857	-	63,857	511
2008	N/A	42,857	-	42,857	-
2009	N/A	42,857	-	42,857	-
2010	N/A	42,857	-	42,857	-
2011	N/A	42,857	-	42,857	-
2012	N/A	42,858	-	42,858	-
		<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 430,821</u>	<u>\$ 7,594</u>

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 8. Operating Leases

The County has two operating leases for copiers for the Recorder's and Sheriff's offices. The minimum lease payments a for the copiers are \$280 and \$189 per month, respectively.

Future rental payments required by the lease terms are:

Year Ending June 30,	Amount
2006	\$ 5,628
2007	5,628
2008	4,494
2009	3,360
2010	2,240
Total	\$ 21,350

Payments under the operating lease agreements for the year ended June 30, 2005 totaled \$5,400.

Note 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. The 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, 2005 are 8.535% and 8.535%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 7.48%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$142,393, \$124,095 and \$122,098, respectively, equal to the required contributions for each year.

Note 10. Risk Management

Monroe County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 10. Risk Management (continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2005 were \$112,573.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event 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, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, 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 the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

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

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 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 both employee and 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 Administrator's Inc. from the Monroe County Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2005 was \$758,435.

Amounts payable from the Employee Group Health Fund at June 30, 2005 total \$73,479 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$273,618 at June 30, 2005 and is reported as Internal Service, Employee Group Health Fund unrestricted net assets. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if 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 reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2004	\$ <u>59,466</u>
Incurred claims (including claims incurred but not reported at June 30, 2005):	
Current year events	
Prior year events	<u>488,516</u>
Payments:	
Claims attributable to current-year events where the County has retained risk of loss	<u>474,503</u>
Unpaid claims at June 30, 2005	\$ <u><u>73,479</u></u>

Note 12. Construction Commitment

The County has entered into a contract totaling \$1,604,190 for roadway paving. As of June 30, 2005, costs of \$185,522 have been incurred against the contract. The balance remaining at June 30, 2005 of \$1,418,668 will be paid as work on the project progresses.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2005

Note 13. Contingent Liability

Monroe County participates in 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 postclosure costs of the landfill as per Chapter 111.6(8) of the Iowa Administrative Code. The County's financial assurance obligation equals \$11,101. 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 obtain 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 \$11,101.

Note 14. Subsequent Event

During September, 2005, the County issued \$400,000 in Road Use Tax Revenue Notes with interest rates of 4.75%. The proceeds will be used to purchase equipment for the County secondary roads department.

Note 15. Restatement of Beginning Balances

On July 1, 2004, the County restated the beginning balances of net assets for governmental activities to properly recognize revenue for property taxes and penalties and interest earned on property taxes for prior years which was improperly deferred at June 30, 2004. The effects of this restatement on the financial statements are as follows:

	Governmental Activities Net Assets
Balance as previously reported on June 30, 2004	\$ 7,181,725
Recognition of revenues improperly deferred	180,163
Balance as restated on July 1, 2004	\$ 7,361,888

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, 2005

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 3,058,992	\$ 2,864,390	\$ 3,073,522	\$ (14,530)
Interest and penalty on property tax	39,033	3,000	3,000	36,033
Intergovernmental	3,172,157	4,079,495	4,500,745	(1,328,588)
Licenses and permits	555	350	350	205
Charges for service	247,636	211,919	215,419	32,217
Use of money and property	136,114	95,330	95,330	40,784
Miscellaneous	13,800	48,825	52,825	(39,025)
Total receipts	6,668,287	7,303,309	7,941,191	(1,272,904)
DISBURSEMENTS:				
Public safety and legal services	952,020	1,041,445	1,050,545	98,525
Physical health and social services	673,117	696,052	752,755	79,638
Mental health	820,219	823,737	824,437	4,218
County environment and education	598,482	225,948	628,028	29,546
Roads and transportation	2,396,639	2,147,066	3,017,124	620,485
Government services to residents	285,544	353,605	359,705	74,161
Administration	912,819	1,105,799	1,124,399	211,580
Debt service	273,830	274,317	274,417	587
Capital projects	427,769	1,817,076	2,130,208	1,702,439
Total disbursements	7,340,439	8,485,045	10,161,618	2,821,179
Excess (deficiency) of receipts over (under) disbursements	(672,152)	(1,181,736)	(2,220,427)	1,548,275
Other financing sources, net	69,035	165,000	165,000	(95,965)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(603,117)	(1,016,736)	(2,055,427)	1,452,310
Balance beginning of year	4,385,549	2,913,577	3,817,524	568,025
Balance end of year	\$ <u>3,782,432</u>	\$ <u>1,896,841</u>	\$ <u>1,762,097</u>	\$ <u>2,020,335</u>

See accompanying independent auditor's report.

MONROE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 6,668,287	\$ 168,678	\$ 6,836,965
Expenditures	7,340,439	351,076	7,691,515
Net	(672,152)	(182,398)	(854,550)
Other financing sources	69,035	-	69,035
Beginning fund balances	4,385,549	173,021	4,558,570
Ending fund balances	<u>\$ 3,782,432</u>	<u>\$ (9,377)</u>	<u>\$ 3,773,055</u>

See accompanying independent auditor's report.

MONROE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2005

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government 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 function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,676,573. These 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, and for the E-911 System by the Joint E-911 Service Board.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted in any of the County functions and disbursements did not exceed appropriations for any County department.

Other Supplementary Information

MONROE COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2005

	<u>Special Revenue</u>			
	<u>County</u>	<u>County</u>	<u>Resource</u>	<u>Conservation</u>
	<u>Recorder's</u>	<u>Recorder's</u>	<u>Enhancement</u>	<u>Land</u>
	<u>Records</u>	<u>Electronic</u>	<u>and</u>	<u>Acquisition</u>
	<u>Management</u>	<u>Transaction Fee</u>	<u>Protection</u>	<u>Acquisition</u>
 Assets				
Cash and pooled investments	\$ 5,934	\$ 6	\$ 31,984	\$ 36,278
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accrued interest	10	-	56	-
	<hr/>			
Total assets	<u>\$ 5,944</u>	<u>\$ 6</u>	<u>\$ 32,040</u>	<u>\$ 36,278</u>
 Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ -	\$ -	\$ -	-
Other	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund equity:				
Fund balances:				
Reserved for:				
Debt Service	-	-	-	-
Unreserved	5,944	6	32,040	36,278
Total fund equity	<u>5,944</u>	<u>6</u>	<u>32,040</u>	<u>36,278</u>
	<hr/>			
Total liabilities and fund equity	<u>\$ 5,944</u>	<u>\$ 6</u>	<u>\$ 32,040</u>	<u>\$ 36,278</u>

See accompanying independent auditor's report.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 58,753	\$ 2,075	\$ 135,030
3,674	-	3,674
245,487	-	245,487
104	-	170
<u>\$ 308,018</u>	<u>\$ 2,075</u>	<u>\$ 384,361</u>

\$ 245,487	\$ -	\$ 245,487
3,567	-	3,567
<u>249,054</u>	<u>-</u>	<u>249,054</u>

58,964	-	58,964
-	2,075	76,343
<u>58,964</u>	<u>2,075</u>	<u>135,307</u>
<u>\$ 308,018</u>	<u>\$ 2,075</u>	<u>\$ 384,361</u>

MONROE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2005

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Land Acquisition
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	6,705	-
Charges for service	2,074	14,196	-	14,190
Use of money and property	150	179	542	-
Miscellaneous	-	-	-	4,170
Total revenues	<u>2,224</u>	<u>14,375</u>	<u>7,247</u>	<u>18,360</u>
Expenditures:				
Operating:				
Government services to residents	15,920	37,256	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	10,025
Total expenditures	<u>15,920</u>	<u>37,256</u>	<u>-</u>	<u>10,025</u>
Excess (deficiency) of revenues over (under) expenditures	(13,696)	(22,881)	7,247	8,335
Fund balances beginning of year	<u>19,640</u>	<u>22,887</u>	<u>24,793</u>	<u>27,943</u>
Fund balances end of year	<u>\$ 5,944</u>	<u>\$ 6</u>	<u>\$ 32,040</u>	<u>\$ 36,278</u>

See accompanying independent auditor's report.

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$	142,135	\$ -	\$ 142,135
	7,519	-	14,224
	-	-	30,460
	3,805	-	4,676
	-	-	4,170
	<u>153,459</u>	-	<u>195,665</u>
	-	-	53,176
	273,830	-	273,830
	-	-	10,025
	<u>273,830</u>	-	<u>337,031</u>
	(120,371)	-	(141,366)
	<u>179,335</u>	2,075	<u>276,673</u>
\$	<u><u>58,964</u></u>	<u><u>2,075</u></u>	<u><u>135,307</u></u>

MONROE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2005

	<u>County Auditor</u>	<u>County Recorder</u>	<u>County Sheriff</u>	<u>Agricultural Extension Education</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	1,695
Other County officials	10,230	236	5,049	-
Receivables:				
Property tax:				
Delinquent	-	-	-	2,374
Succeeding year	-	-	-	92,058
Accounts	-	-	1,085	-
Accrued interest	-	-	-	-
Prepaid expense	-	-	-	-
	<hr/>			
Total assets	<u>\$ 10,230</u>	<u>\$ 236</u>	<u>\$ 6,134</u>	<u>\$ 96,127</u>
LIABILITIES				
Accounts payable	\$ -	\$ 151	\$ 1,324	\$ -
Due to other governments	-	85	-	96,127
Trusts payable	10,230	-	4,810	-
	<hr/>			
Total liabilities	<u>\$ 10,230</u>	<u>\$ 236</u>	<u>\$ 6,134</u>	<u>\$ 96,127</u>

<u>County Assessor</u>	<u>Schools</u>	<u>Community College</u>	<u>County Hospital</u>	<u>Corporations</u>	<u>Townships</u>	<u>Auto License and Use Tax</u>
\$ 201,155	\$ 94,292	\$ 4,238	\$ 10,986	\$ 33,413	\$ 1,832	\$ 140,478
-	-	-	-	-	-	-
4,176	134,927	5,936	12,436	10,232	3,853	-
162,172	4,431,878	228,205	519,973	1,105,517	118,372	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 367,503</u>	<u>\$ 4,661,097</u>	<u>\$ 238,379</u>	<u>\$ 543,395</u>	<u>\$ 1,149,162</u>	<u>\$ 124,057</u>	<u>\$ 140,478</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,651
367,503	4,661,097	238,379	543,395	1,149,162	124,057	134,827
-	-	-	-	-	-	-
<u>\$ 367,503</u>	<u>\$ 4,661,097</u>	<u>\$ 238,379</u>	<u>\$ 543,395</u>	<u>\$ 1,149,162</u>	<u>\$ 124,057</u>	<u>\$ 140,478</u>

MONROE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2005

	<u>E-911</u>	<u>Tuberculosis/ Brucellosis Eradication</u>	<u>Refunds</u>	<u>Special Assessments</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 84,387	\$ 22	\$ 6,000	\$ 1,306
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	32	-	-
Succeeding year	-	1,227	-	-
Accounts	10,843	-	-	-
Accrued interest	200	-	-	-
Prepaid expense	930	-	-	-
	<u>96,360</u>	<u>1,281</u>	<u>6,000</u>	<u>1,306</u>
Total assets	<u>\$ 96,360</u>	<u>\$ 1,281</u>	<u>\$ 6,000</u>	<u>\$ 1,306</u>
LIABILITIES				
Accounts payable	\$ 1,519	\$ -	\$ -	-
Due to other governments	94,841	1,281	-	1,306
Trusts payable	-	-	6,000	-
	<u>96,360</u>	<u>1,281</u>	<u>6,000</u>	<u>1,306</u>
Total liabilities	<u>\$ 96,360</u>	<u>\$ 1,281</u>	<u>\$ 6,000</u>	<u>\$ 1,306</u>

See accompanying independent auditor's report.

<u>Advance Tax</u>	<u>Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 24,027	\$ 354	\$ 604,185
-	-	15,515
-	-	173,966
-	-	6,659,402
-	-	11,928
-	1	201
-	-	930
\$ <u>24,027</u>	\$ <u>355</u>	\$ <u>7,466,127</u>
\$ -	\$ -	\$ 8,645
-	355	7,412,415
<u>24,027</u>	-	<u>45,067</u>
\$ <u>24,027</u>	\$ <u>355</u>	\$ <u>7,466,127</u>

MONROE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2005

	<u>County Auditor</u>	<u>County Recorder</u>	<u>County Sheriff</u>	<u>Agricultural Extension Education</u>
ASSETS AND LIABILITIES				
Balances beginning of year, as restated	\$ 10,228	\$ 287	\$ 7,780	\$ 100,371
Additions:				
Property and other County tax	-	-	-	87,442
State tax credits	-	-	-	4,811
Payments in lieu of taxes	-	-	-	47
E-911 surcharge	-	-	-	-
Office fees and collections	470	128,747	29,403	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	92,304	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>470</u>	<u>128,747</u>	<u>121,707</u>	<u>92,300</u>
Deductions:				
Agency remittances:				
To other funds	143	55,198	29,847	-
To other governments	-	73,600	364	96,544
Trusts paid out	325	-	93,142	-
Total deductions	<u>468</u>	<u>128,798</u>	<u>123,353</u>	<u>96,544</u>
Balances end of year	<u>\$ 10,230</u>	<u>\$ 236</u>	<u>\$ 6,134</u>	<u>\$ 96,127</u>

<u>County Assessor</u>	<u>Schools</u>	<u>Community College</u>	<u>County Hospital</u>	<u>Corporations</u>	<u>Townships</u>	<u>Auto License and Use Tax</u>
\$ 420,626	\$ 4,985,876	\$ 251,212	\$ 543,299	\$ 1,072,205	\$ 129,219	\$ 144,199
154,047	4,169,901	216,643	505,907	1,022,560	113,159	-
8,463	267,975	12,031	26,551	82,151	5,523	-
83	2,729	119	262	2,521	-	-
-	-	-	-	-	-	-
463	-	-	-	-	-	-
-	-	-	-	-	-	1,668,526
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
163,056	4,440,605	228,793	532,720	1,107,232	118,682	1,668,526
-	-	-	-	-	-	227,990
216,179	4,765,384	241,626	532,624	1,030,275	123,844	1,444,257
-	-	-	-	-	-	-
216,179	4,765,384	241,626	532,624	1,030,275	123,844	1,672,247
\$ 367,503	\$ 4,661,097	\$ 238,379	\$ 543,395	\$ 1,149,162	\$ 124,057	\$ 140,478

MONROE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2005

	<u>E-911</u>	<u>Tuberculosis/ Brucellosis Eradication</u>	<u>Refunds</u>	<u>Tax Sale Trust</u>
ASSETS AND LIABILITIES				
Balances beginning of year, as restated	\$ 128,430	\$ 1,303	\$ 6,000	\$ -
Additions:				
Property and other County tax	-	1,187	-	-
State tax credits	-	63	-	-
Payments in lieu of taxes	-	1	-	-
E-911 surcharge	43,754	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	94,347
Interest	2,669	-	-	-
Miscellaneous	10,227	-	-	-
Total additions	<u>56,650</u>	<u>1,251</u>	<u>-</u>	<u>94,347</u>
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	88,720	1,273	-	-
Trusts paid out	-	-	-	94,347
Total deductions	<u>88,720</u>	<u>1,273</u>	<u>-</u>	<u>94,347</u>
Balances end of year	<u>\$ 96,360</u>	<u>\$ 1,281</u>	<u>\$ 6,000</u>	<u>\$ -</u>

See accompanying independent auditor's report.

<u>Hospital Bond</u>	<u>Special Assessment</u>	<u>Advance Tax</u>	<u>Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ -	\$ 3,648	\$ 7,804	\$ 1,030	\$ 7,813,517
-	-	-	-	6,270,846
-	-	-	-	407,568
-	-	-	-	5,762
-	-	-	-	43,754
-	-	-	-	159,083
-	-	-	-	1,668,526
-	2,336	-	-	2,336
23,283	-	26,501	-	236,435
-	-	-	5	2,674
-	-	-	2,074	12,301
<u>23,283</u>	<u>2,336</u>	<u>26,501</u>	<u>2,079</u>	<u>8,809,285</u>
-	-	-	-	313,178
-	4,678	10,278	2,754	8,632,400
23,283	-	-	-	211,097
<u>23,283</u>	<u>4,678</u>	<u>10,278</u>	<u>2,754</u>	<u>9,156,675</u>
\$ -	\$ 1,306	\$ 24,027	\$ 355	\$ 7,466,127

MONROE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Property and other County tax	\$ 3,080,565	\$ 3,005,448	\$ 3,121,389	\$ 3,271,874
Interest and penalty on property tax	41,246	40,642	41,636	33,722
Intergovernmental	3,308,942	2,843,497	3,538,916	3,338,933
Licenses and permits	505	1,618	440	270
Charges for service	248,374	222,929	211,982	223,210
Use of money and property	133,310	144,542	172,475	200,728
Miscellaneous	24,023	49,624	19,157	14,186
Total	\$ 6,836,965	\$ 6,308,300	\$ 7,105,995	\$ 7,082,923
Expenditures:				
Current:				
Public safety and legal services	\$ 933,073	\$ 941,315	\$ 965,643	\$ 952,808
Physical health and social services	671,063	619,735	607,922	417,910
Mental health	1,077,603	616,402	624,963	798,612
Social Services	-	-	-	180,453
County environment and education services	595,876	210,864	306,927	214,394
Roads and transportation	2,384,357	2,176,526	2,273,959	2,228,518
Governmental services to residents	275,864	259,773	236,668	212,045
Administrative services	912,850	780,756	736,267	-
Non-program	-	-	-	735,924
Debt service	273,830	270,990	272,130	195,766
Capital projects	566,999	278,303	1,075,318	227,600
Total	\$ 7,691,515	\$ 6,154,664	\$ 7,099,797	\$ 6,164,030

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Monroe County:

We have audited the 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, 2005, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated January 9, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monroe County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

Compliance and Other Matters

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, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part 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, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

Oskaloosa, Iowa
January 9, 2006

MONROE COUNTY
 SCHEDULE OF FINDINGS
 Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County’s financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail and receipts which come in over the counter should be collected by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The receipts should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension, Auditor, Recorder, Sheriff, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, Auditor, Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety.	Auditor, Recorder,
(4) After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Auditor, Recorder,
(5) All investment activity and investment decisions should be reviewed by an individual who has no responsibility for custody of the investments.	Treasurer

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

MONROE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-A-05 Segregation of Duties (continued)

Responses –

Ag Extension – We have some compensating controls in place including a general review by the Ag Extension Director and the Ag Extension Council. With a limited number of employees, further segregation is not feasible at this time.

County Auditor – We will review procedures and try to make any necessary changes to improve internal control.

County Recorder – We have some compensating controls in place. We have set up various checks and reviews and employees alternate duties from month to month. With our limited number of employees, further segregation of duties is not feasible at this time.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We have improved procedures during the year and will try to make any necessary changes to improve internal control in the future.

Conclusion – Responses accepted.

I-B-05 Jail Commissary Account – The Sheriff’s office deposits inmate money in a separate Commissary account at the Sheriff’s office. Inmates are allowed to purchase items from the jail commissary with their money upon which the County makes a profit. We noted some non-resale items such as a digital camera for the jail and inmate uniforms and shoes which were purchased from the profit portion of the account. These purchases did not run through the normal County budget procedures and were therefore not charged against the County budget.

Recommendation – Profits from the jail commissary account not needed for normal resale purchase operations should be deposited with the County Treasurer in a Special Revenue, Jail commissary Fund. Claims against this account should be filed with the County Auditor who will issue warrants for authorized purchases approved by the Board of Supervisors. This special revenue fund should be budgeted under the public safety function and its own jail commissary department. This will be separate from the Sheriff’s normal operating department since it is funded by its own special revenue source of funds which are only to be spent on the jail for the benefit of the inmates.

Sheriff’s Office Response – We will discuss this fund with the County Auditor and Board of Supervisors and determine the best way to account for these funds.

Conclusion – Response acknowledged. However, we feel our recommendation should be followed in order to ensure purchases are properly budgeted and reflected in the County’s accounting system. This also provides additional safeguards over the control of the asset.

MONROE COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

- I-C-05 County Jail Inmate Account – The Sheriff’s office collects phone commission proceeds and deposits them into a separate checking account at the Sheriff’s office. Disbursements were made directly from this account for cameras, newspapers, and a television for the jail. These revenues and related expenses were not included in the normal County budgeting, receiving, and disbursing procedures.

Recommendation – Phone commission proceeds should be deposited with the County Treasurer in a Special Revenue Jail and Inmate Fund. Claims against this account should be filed with the County Auditor who will issue warrants for authorized purchases approved by the Board of Supervisors. This special revenue fund should be budgeted for under the public safety function and its own jail and inmate department. This will be separate from the Sheriff’s normal operating department since it is funded by its own special revenue source of funds which are only to be spent on the jail for the benefit of inmates.

Sheriff’s Office Response – We will discuss this fund with the County Auditor and Board of Supervisors, and determine the best way to account for these funds.

Conclusion – Response acknowledged. However, we feel our recommendation should be followed in order to ensure purchases are properly budgeted and reflected in the County’s accounting system. This also provides additional safeguards over the control of the asset.

- I-D-05 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 policies 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.

MONROE COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

- I-E-05 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. The unreconciled balance at June 30, 2005, was excess cash long in the amount of \$96. There were also several small outstanding checks which were over one year old.

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. Any outstanding checks over one year old should be written off and remitted to the County Treasurer on the next quarterly report. The \$96 cash long should also be remitted to the County Treasurer on the next quarterly report.

Response – These recommendations will be implemented.

Conclusion – Response accepted.

- I-F-05 K-9 Drug Dog Account – We noted that the County receives donations to help fund the expenses of their drug dog. These donations and related expenses for the drug dog are accounted for in a separate checking account at the Sheriff's office. Control over receipts and disbursements is vested in one individual.

Recommendation – In order to help safeguard these assets, the County should deposit these funds with the County Treasurer and record them in a new Special Revenue K-9 Fund. Any future deposits would then be credited to this fund. When expenses need to be made the Sheriff's office would then file a claim with the Auditor's office and have them issue a warrant against the K-9 Special Revenue Fund. Budgeted expenditures would fall under the Public Safety Function and a new K-9 department which would be separate from the Sheriff's normal operating department.

Response – We will consider this recommendation and discuss it with the Board of Supervisors and Auditor's office in order to determine the best way to account for these funds.

Conclusion – Response acknowledged. However, we feel our recommendation should be followed in order to ensure purchases are properly budgeted and reflected in the County's accounting system. This also provides additional safeguards over the control of the asset.

- I-G-05 Sheriff Inmate Room and Board Collections for County Residents – We noted that the County is not tracking the special inmate room and board collections and expenditures in a separate project number in accordance with Chapter 356.7(5) of the Code of Iowa.

Recommendation – The 60% law enforcement and jail portion of these collections can only be spent for the law enforcement purposes noted in 356.7(5) of the Code of Iowa. These revenues and expenditures for the 60% portion should be identified by a project number so that they can be tracked through the year. The Sheriff and Board of Supervisors need to develop a plan for the use of these funds. These expenditures will be in their own departmental budget separate from the Sheriff's operating budget.

MONROE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-G-05 Sheriff Inmate Room and Board Collections for County Residents (continued)

Response – We will review our process for recording these funds and set up the appropriate accounts. The Board of Supervisors and Sheriff will develop a plan for the proper use of these funds.

Conclusion – Response accepted.

I-H-05 Authorized Signatures – We noted in our testing of bank confirmations that the K-9 account at the Sheriff’s office still listed the former County Sheriff as an authorized check signer.

Recommendation – The authorized signers on this account should be updated as soon as possible. All signature cards should be timely updated whenever any changes occur in applicable employees.

Response – We will update all signature cards as necessary and keep these authorized signatures updated on a timely basis in the future.

Conclusion – Response accepted.

I-I-05 Disbursement Detail – We noted in our testing of disbursements that expenditures for the County Attorney’s office are not fully supported. The County Attorney submits bill totals only with no supporting details.

Recommendation – All County disbursements should be supported by full detail to aid in determination of the propriety of the disbursement.

Response – We will require full supporting detail for all disbursements in the future.

Conclusion – Response accepted.

MONROE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting:

- I-A-05 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- I-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted in any of the ten County functions.
- II-C-05 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-D-05 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-E-05 Business Transactions – No business transactions between the County and County officials or employees were noted.
- II-F-05 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-G-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-H-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- II-I-05 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-05 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

The Board Treasurer’s bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.

We noted that the minutes of one meeting of the Extension Council were not properly signed. We also noted that one year end deposit-in-transit was not deposited until twenty days after year end.

Recommendation – All Extension Council minutes should be properly signed. All deposits should be timely made to protect the underlying asset.

MONROE COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-J-05 County Extension Office (continued)

Response – We will insure that all minutes are properly signed and that all deposits are made on a timely basis in the future.

Conclusion – Response accepted.

II-K-05 Internal Service Fund – We noted in our testing of the Internal Service, Self-Funded Health Insurance Fund that the County had not allocated any interest earnings to the fund as required by Chapter 331.301(12) of the Code of Iowa.

Recommendation – The County should allocate interest earnings to the Self-Funded Health Insurance Fund as required.

Response – This was an oversight for this year. We will properly allocate interest earnings to this fund in the future.

Conclusion – Response accepted.

II-L-05 Economic Development Expenditures – We noted in our testing of expenditures for County economic development that no documentation was made as to the public purpose served by the expenditures as required by Chapter 15A of the Code of Iowa.

Recommendation – All future expenditures made for economic development should require documentation of the public purpose being served, such as job growth expectations, tourism promotion, or business prospects research.

Response – We will properly document and support all economic development expenditures in the future.

Conclusion – Response accepted.

II-M-05 Personal Allowance – We noted that one County employee is allowed a \$500 annual allowance for use of a personal vehicle for County business. However, no support documentation such as mileage, time, date, and purpose of trip is required.

Recommendation – This allowance represents an unsupported plan and, therefore, should be included in the employee’s payroll to comply with Internal Revenue Service requirements. Otherwise, use of a personal vehicle for County business should be properly documented and reimbursed on a predetermined basis or mileage rate.

Response – We will investigate this situation and make the necessary changes.

Conclusion – Response accepted.

MONROE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-N-05 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 with no activity.

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

Response – We will review this and close to the appropriate fund if necessary.

Conclusion – Response accepted.

II-O-05 Debt Service Expenditures – We noted that payments made by the County for capital leases were made through the County Environment function.

Recommendation – All payments made by the County to retire bonds, notes, loans, or capital leases should be budgeted and paid through the Debt Service function of the County in the applicable fund in which the payment is made.

Response – We will properly budget and account for these expenditures in the future.

Conclusion – Response accepted.

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