



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

June 25, 2007

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$12,407,830 for the year ended June 30, 2006, which included \$693,598 in tax credits from the state. The County forwarded \$8,694,272 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,713,558 of the local tax revenue to finance County operations, a 7 percent increase over the prior year. Other revenues included charges for service of \$973,002, operating grants, contributions and restricted interest of \$3,547,067, capital grants, contributions and restricted interest of \$245,806, local option sales tax of \$286,700, unrestricted investment earnings of \$224,194 and other general revenues of \$36,222.

Expenses for County operations totaled \$9,144,083, a 9.6 percent increase over the prior year. Expenses included \$4,074,602 for roads and transportation, \$1,396,164 for public safety and legal services and \$1,164,856 for administration.

The significant increase in expenses is primarily due to the purchase of a new county financial system server and software and the purchase of new voting equipment.

A copy of the report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at

<http://auditor.iowa.gov/reports/reports.htm>.

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MONONA COUNTY

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

JUNE 30, 2006

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Monona County

Officials

Richard C. Merritt, Sr.	Board of Supervisors	Jan 2007
Stanley Skow	Board of Supervisors	Jan 2007
Lester Nordaker	Board of Supervisors	Jan 2009
Benita J. Davis	County Auditor	Jan 2009
Lawrence Framke	County Treasurer	Jan 2007
Tena L. Hinkel	County Recorder	Jan 2007
Jeffrey R. Pratt	County Sheriff	Jan 2009
Michael P. Jensen	County Attorney	Jan 2007
Lawrence E. Keitges	County Assessor	Jan 2010

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Independent Auditor's Report

To the Officials of Monona County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Monona County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Monona County's management. Our responsibility is to express opinions on these financial statements based on our audit.

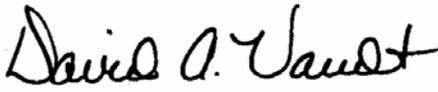
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Monona County at June 30, 2006, 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.

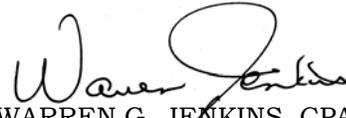
In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2007 on our consideration of Monona County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 14 and 42 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monona County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 13, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Monona 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, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- The County's governmental activities revenues decreased 11.7%, or approximately \$1,196,000, from fiscal 2005 to fiscal 2006. Property and other county tax increased approximately \$270,000.
- The County's governmental activities expenses increased 9.6%, or approximately \$803,000, from fiscal 2005 to fiscal 2006.
- The County's net assets remained relatively constant, decreasing .8%, or approximately \$118,000, from June 30, 2005 to June 30, 2006.

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 Monona 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 Monona 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 Monona County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program activities and interest on long-term debt. 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 those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. 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 drainage districts, emergency management services and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Monona County's combined net assets decreased from \$15.39 million to \$15.27 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

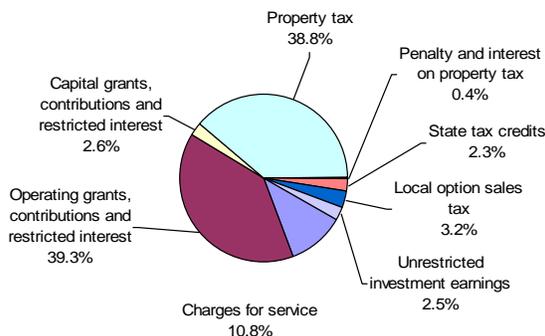
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2006	2005
Current and other assets	\$ 10,035	9,758
Capital assets	10,336	10,201
Total assets	<u>20,371</u>	<u>19,959</u>
Long-term liabilities	747	744
Other liabilities	4,353	3,827
Total liabilities	<u>5,100</u>	<u>4,571</u>
Net assets:		
Invested in capital assets, net of related debt	9,936	9,801
Restricted	2,942	3,407
Unrestricted	2,393	2,180
Total net assets	<u>\$ 15,271</u>	<u>15,388</u>

Net assets of Monona County's governmental activities decreased approximately \$117,000, or .8%, compared to FY05. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are approximately \$2.39 million at June 30, 2006.

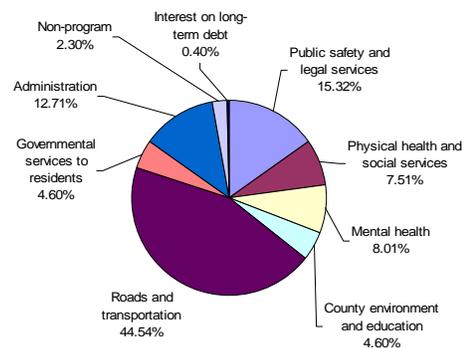
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2006	2005
Revenues:		
Program revenues:		
Charges for service	\$ 973	790
Operating grants, contributions and restricted interest	3,547	3,383
Capital grants, contributions and restricted interest	246	2,083
General revenues:		
Property tax	3,503	3,233
Penalty and interest on property tax	36	29
State tax credits	211	233
Local option sales tax	287	279
Unrestricted investment earnings	224	127
Other general revenues	-	66
Total revenues	9,027	10,223
Program expenses:		
Public safety and legal services	1,396	1,301
Physical health and social services	685	674
Mental health	731	704
County environment and education	422	472
Roads and transportation	4,074	3,810
Governmental services to residents	423	299
Administration	1,165	956
Non-program	207	113
Interest on long-term debt	41	12
Total expenses	9,144	8,341
Increase (decrease) in net assets	(117)	1,882
Net assets beginning of year	15,388	13,506
Net assets end of year	\$ 15,271	15,388

Revenues by Source



Expenses by Function



Revenues for governmental activities decreased approximately \$1.2 million from the prior year, with capital grants and contributions down approximately \$1,837,000. The decrease in capital grants and contributions was primarily due to a decrease in capital contributions for infrastructure assets. Revenues for operating grants, contributions and restricted interest increased approximately \$164,000, or 4.8%, over the prior year. This increase is primarily due to the Help America Vote Act (HAVA) grant received by the County to replace voting equipment and

an increase in growth pool and County formula distribution funds for mental health. Revenues from charges for service increased approximately \$183,000, or 23.2%, over the prior year. This increase is primarily due to an increase in medicare/medicaid and drainage assessments.

The County increased property tax rates for fiscal 2006 approximately 6%. The taxable valuation increased approximately 2%, or \$9.15 million. This resulted in an increase in the County's property tax revenue of approximately \$270,000 in fiscal 2006.

The cost of all governmental activities this year was approximately \$9.14 million compared to \$8.34 million last year. The increase in expenses of approximately \$803,000, or 9.6%, over the prior year was primarily due to the purchase of election equipment, new County financial system server and software and an overall increase in other County costs.

However, as shown in the Statement of Activities on page 17, the amount ultimately financed for governmental activities was \$4,378,208 this year compared to \$2,085,798 last year because some of the cost was paid by those directly benefited from the programs (\$973,002 this year compared to \$789,550 last year) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,792,873 this year compared to \$5,465,900 last year). The County paid for the remaining "public benefit" portion of governmental activities with \$4,036,279 in property tax, penalty and interest, state tax credits and local option sales tax, \$224,194 in unrestricted investment earnings and \$201 in miscellaneous revenues.

INDIVIDUAL MAJOR FUND ANALYSIS

As Monona County completed the year, its governmental funds reported a combined fund balance of \$5.03 million, a decrease of approximately \$252,000 from last year's total of \$5.28 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures increased approximately \$312,000 and \$406,000, respectively. The ending fund balance decreased approximately \$97,000, or 4%. Property tax increased approximately \$79,000, grant revenues increased approximately \$153,000 and interest on investments increased approximately \$84,000. Increases in expenditures were primarily due to a roof replacement project, courtroom renovations, data processing expenditures, which included new software and a new server, and increases in election expenditures for new equipment purchased with HAVA funds. Even with an increase in property tax collections, grant revenues and investment earnings, the increase in revenues was offset by the increase in expenditures, giving rise to an overall decrease in the fund balance at June 30, 2006.
- The County has continued to look for ways to effectively manage the cost of mental health services. Mental Health Fund revenues increased approximately \$116,000, or 17%. Expenditures increased approximately \$27,000, or 3.9%, over the prior year. The Mental Health Fund balance at year end increased approximately \$54,000, or 34.4%, over the prior year. Due to a lower fund balance, the mental health tax levy was increased in FY06 to \$.08684 per \$1,000 of taxable valuation, which resulted in an increase in tax revenue of approximately \$41,000. There was also an increase in growth pool funds of \$45,358 and county formula distribution funds of \$30,335 received from the State of Iowa.
- Rural Services Fund revenues increased approximately \$140,000. This was primarily due to an increase in property tax revenues. Rural Services Fund expenditures increased approximately \$176,000, due in part to an increase of approximately \$43,000 in uniformed patrol services expenditures and the payment of approximately \$163,000 in Secondary Roads benefits from the Rural Supplemental levy rather than the Secondary Roads Fund. Weed eradication expenditures were down approximately \$30,000. The transfer from the Rural Services Fund to the Secondary Roads Fund decreased \$180,000. The ending fund balance increased by approximately \$40,000.

- Secondary Roads Fund revenues increased over the prior year by approximately \$140,000, or 4.5%. This increase can be attributed to an increase in grant reimbursements for the Hungry Canyon projects of approximately \$155,000, a decrease in farm to market funds from the State of approximately \$30,000 and an increase in road use tax of approximately \$10,000. Secondary Roads Fund expenditures decreased approximately \$100,000 from the prior year. The decrease was primarily due to secondary road benefits of approximately \$163,000 moved to the Rural Services Fund in FY06 and new equipment purchases, which were down approximately \$137,000. Expenditures for capital projects increased approximately \$208,000 due mostly to increased expenditures for three Hungry Canyon projects. The transfers from the Rural Services Fund decreased approximately \$180,000. The decrease in the Secondary Roads Fund ending balance was approximately \$218,000, or 9.7%.
- The Capital Projects Fund was established during FY05 to account for revenues and expenditures associated with construction of the Visitor Center at Lewis and Clark State Park. When a lawsuit was filed by a contractor, the County was forced to secure a \$400,000 bank loan to make payments to document expenditures necessary for the application of a reimbursable DOT grant and to negotiate settlement with contractors up to the work stoppage in July 2005. During the year ended June 30, 2006, the bank loan was paid off with proceeds from the issuance of \$400,000 in general obligation visitor center notes. The Capital Projects Fund had a zero balance at June 30, 2006.

BUDGETARY HIGHLIGHTS

Over the course of the year, Monona County amended its budget two times for a total of \$133,975. The first amendment was made on March 28, 2006 and resulted in an increase in budgeted disbursements of \$129,453 related to increased disbursements for a comprehensive zoning plan project not completed in the prior year, upgrading the County's computer server to meet demands, an increase in utilization of mental health services and an increase in the number of persons served under chemical dependency. The second amendment was made on April 25, 2006 for receipts and disbursements associated with a refund from the U.S. Post Office for a postage meter failure.

The County's receipts were \$1,098,446 less than budgeted, a variance of 10.7%. The most significant variance resulted from the County receiving intergovernmental revenue of approximately \$899,000 less than anticipated which was the result of anticipated grants that were not awarded to proceed with the completion of the Lewis and Clark Visitors Center and receiving approximately \$379,000 less in miscellaneous receipts than anticipated, the result of this same project not moving forward as projected.

Total disbursements were \$1,941,636 less than the amended budget. Actual disbursements were less than budgeted for the capital projects, administration, mental health and governmental services to residents functions by \$1,371,086, \$149,173, \$134,139 and \$132,660, respectively. These variances were primarily due to the following: (1) Capital Projects: the anticipated funding to proceed with completion of the Lewis and Clark Visitors Center was not received, (2) Administration: the data processing upgrade was not accomplished as planned, the courthouse annex roof replacement was not addressed until FY07, the premiums for liability, property and vehicle insurance were less than estimated, (3) Mental Health: various projected services were not required to be provided, and (4) Governmental Services to Residents: the expenditure for voting equipment was considerably less than projected due to the reduction in the number of precincts and special elections which were not held as anticipated.

Even with the amendments, the County exceeded the budgeted amount in the debt service function for the year ended June 30, 2006.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, Monona County had approximately \$10.3 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$135,000, or 1.3%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2006	2005
Land	\$ 202	202
Construction in progress	1,684	1,684
Buildings and improvements	884	816
Equipment and vehicles	2,458	2,705
Infrastructure	5,108	4,794
Total	\$ 10,336	10,201
This year's major additions included (in thousands):		
County road and bridge replacement	\$	498
Truck tractor, trailer, salt shed and three road groomers for the Secondary Roads department		181
Pickup and van for the Sheriff's office		37
Courthouse roof replacement		96
Total	\$	812

The County had depreciation expense of approximately \$680,000 in FY06 and total accumulated depreciation of approximately \$6.74 million at June 30, 2006.

The County's fiscal year 2006 additions totaled \$815,623. More detailed information about the County's capital assets is presented in Note 3 to the financial statements.

Long-Term Debt

At June 30, 2006, Monona County had \$561,000 in general obligation and other debt outstanding, compared to \$560,000 at June 30, 2005, as follows:

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	Year ended June 30,	
	2006	2005
General obligation loan	\$ -	400
General obligation visitor center notes	400	-
Drainage warrants	161	160
Total	\$ 561	560

The County issued \$400,000 of general obligation visitor center notes during the year to retire a bank loan with Community Bank, Dunlap, Iowa. The notes mature June 1, 2016. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

Monona County’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates and fees charged for various County activities. These factors were considerations for the FY07 budget, which certified taxes as follows: (Amount certified includes utility replacement and property tax dollars)

	2007 Dollars Certified	2006 Dollars Certified	Percentage Change
General basic levy	\$ 1,464,858	1,379,682	6.17%
General supplemental levy	795,209	748,970	6.17
Mental health levy	334,825	315,356	6.17
Rural services basic levy	1,240,608	1,124,426	10.33
Rural services supplemental levy	157,039	142,332	10.33
Debt service	52,270	-	100.00
Total	\$ 4,044,809	3,710,766	9.00%

Continued state revenue cutbacks and health insurance increases for the past few years are driving any increases in property tax. No new services were added to the FY07 budget. Levy rates (expressed in \$/\$1,000 of taxable valuation) to produce the above dollars for FY07 are as follows:

	2007	2006	Percentage Change
General basic levy	\$ 3.50000	3.50000	0%
General supplemental levy	1.90000	1.90000	0%
Mental health levy	0.80000	0.80000	0%
Rural services basic levy	3.95000	3.95000	0%
Rural services supplemental levy	0.50000	0.50000	0%
Debt service	0.12110	-	0%
Total	\$ 10.77110	10.65000	1.14%

Budgeted disbursements in the FY 2007 budget are approximately \$9.43 million, which is a 1.7% increase over the FY 2006 final actual disbursements. Total taxable valuations increased approximately \$24.3 million. Monona County has not added any major programs to the FY 2007 budget. Property taxes are projected to increase approximately \$334,000. Budgeted disbursements are expected to rise by approximately \$163,000.

If these estimates are realized, the County’s budgetary balance is expected to decrease approximately \$601,572, or 19.5%, to \$2,486,235 by the close of FY07.

CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Monona County’s finances and to show the County’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Monona County Auditor’s Office, 101 Main Street, City of Onawa, Iowa 51040-1695 or by contacting the Monona County Auditor’s Office at mocoaud@longlines.com.

Basic Financial Statements

Exhibit A

Monona County
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,250,395
Receivables:	
Property tax:	
Delinquent	8,349
Succeeding year	3,820,000
Interest and penalty on property tax	9,569
Accounts	147,927
Accrued interest	70,467
Drainage assessments	194,447
Due from other governments	308,432
Inventories	1,026,802
Prepaid expense	199,074
Capital assets (net of accumulated depreciation)	10,335,764
	<u>20,371,226</u>
Total assets	
Liabilities	
Accounts payable	403,229
Accrued interest payable	37,993
Due to other governments	91,789
Deferred revenue:	
Succeeding year property tax	3,820,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	36,000
Drainage warrants	160,642
Compensated absences	140,982
Portion due or payable after one year:	
General obligation notes	364,000
Compensated absences	45,702
	<u>5,100,337</u>
Total liabilities	
Net Assets	
Invested in capital assets, net of related debt	9,935,764
Restricted for:	
Supplemental levy purposes	575,647
Mental health purposes	211,709
Secondary roads purposes	1,938,620
Drainage warrants	132,092
Other purposes	83,970
Unrestricted	2,393,087
	<u>\$ 15,270,889</u>

See notes to financial statements.

Monona County
Statement of Activities
Year ended June 30, 2006

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Service	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,396,164	151,063	23,789	-	(1,221,312)
Physical health and social services	684,962	289,800	293,064	-	(102,098)
Mental health	731,575	1,406	479,970	-	(250,199)
County environment and education	422,160	14,604	11,161	-	(396,395)
Roads and transportation	4,074,602	43,976	2,637,134	245,806	(1,147,686)
Governmental services to residents	422,161	147,805	101,187	-	(173,169)
Administration	1,164,856	132,149	762	-	(1,031,945)
Non-program	206,639	191,924	-	-	(14,715)
Interest on long-term debt	40,964	275	-	-	(40,689)
Total	\$ 9,144,083	973,002	3,547,067	245,806	(4,378,208)
General Revenues:					
Property and other county tax levied for general purposes					3,503,196
Penalty and interest on property tax					36,021
State tax credits					210,362
Local option sales tax					286,700
Unrestricted investment earnings					224,194
Miscellaneous					201
Total general revenues					4,260,674
Change in net assets					(117,534)
Net assets beginning of year					15,388,423
Net assets end of year					\$ 15,270,889

See notes to financial statements.

Monona County
Balance Sheet
Governmental Funds

June 30, 2006

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 2,053,776	299,458	277,161
Receivables:			
Property tax:			
Delinquent	4,445	658	3,144
Succeeding year	2,132,000	316,000	1,323,000
Interest and penalty on property tax	9,569	-	-
Accounts	83,019	836	-
Accrued interest	68,236	-	-
Drainage assessments	-	-	-
Due from other governments	42,107	800	-
Inventories	-	-	-
Prepaid items	105,814	-	6,156
Total assets	\$ 4,498,966	617,752	1,609,461
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 14,808	12,832	1,414
Due to other governments	14,578	77,211	-
Deferred revenue:			
Succeeding year property tax	2,132,000	316,000	1,323,000
Other	54,184	658	3,144
Total liabilities	2,215,570	406,701	1,327,558
Fund balances:			
Reserved for:			
Supplemental levy purposes	496,003	-	92,429
Drainage warrants	-	-	-
Unreserved, reported in:			
General fund	1,787,393	-	-
Special revenue funds	-	211,051	189,474
Total fund balances	2,283,396	211,051	281,903
Total liabilities and fund balances	\$ 4,498,966	617,752	1,609,461

See notes to financial statements.

Secondary Roads	Nonmajor	Total
874,675	213,635	3,718,705
-	102	8,349
-	49,000	3,820,000
-	-	9,569
64,072	-	147,927
-	190	68,426
-	194,447	194,447
260,412	5,113	308,432
1,026,802	-	1,026,802
87,104	-	199,074
2,313,065	462,487	9,501,731
279,100	44	308,198
-	-	91,789
-	49,000	3,820,000
729	194,549	253,264
279,829	243,593	4,473,251
-	-	588,432
-	16,438	16,438
-	-	1,787,393
2,033,236	202,456	2,636,217
2,033,236	218,894	5,028,480
2,313,065	462,487	9,501,731

Monona County

Monona County

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

June 30, 2006

Total governmental fund balances (page 19) \$ 5,028,480

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$17,075,093 and the accumulated depreciation is \$6,739,329. 10,335,764

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 253,264

The Internal Service Fund is used by management to charge the costs of the County's employee group 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. 438,700

Long-term liabilities, including general obligation notes, drainage warrants, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (785,319)

Net assets of governmental activities (page 16) \$ 15,270,889

See notes to financial statements.

Monona County

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

Year ended June 30, 2006

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,007,054	297,341	1,201,482
Interest and penalty on property tax	36,065	-	-
Intergovernmental	973,867	488,205	65,649
Licenses and permits	14,488	-	-
Charges for service	252,336	-	-
Use of money and property	218,592	-	-
Miscellaneous	23,982	-	-
Total revenues	3,526,384	785,546	1,267,131
Expenditures:			
Operating:			
Public safety and legal services	1,001,395	-	352,784
Physical health and social services	678,994	-	-
Mental health	-	731,575	-
County environment and education	233,926	-	152,095
Roads and transportation	-	-	162,684
Governmental services to residents	403,879	-	4,149
Administration	1,226,434	-	-
Non-program	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	3,544,628	731,575	671,712
Excess (deficiency) of revenues over (under) expenditures	(18,244)	53,971	595,419
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(78,545)	-	(555,000)
General obligation note proceeds	-	-	-
Redemption of general obligation loan	-	-	-
Drainage warrants issued	-	-	-
Total other financing sources (uses)	(78,545)	-	(555,000)
Net change in fund balances	(96,789)	53,971	40,419
Fund balances beginning of year	2,380,185	157,080	241,484
Fund balances end of year	\$ 2,283,396	211,051	281,903

See notes to financial statements.

Secondary Roads	Capital Projects	Nonmajor	Total
286,700	-	-	3,792,577
-	-	-	36,065
2,897,827	-	23,234	4,448,782
500	-	-	14,988
-	-	2,166	254,502
-	-	1,575	220,167
33,082	-	141,294	198,358
3,218,109	-	168,269	8,965,439
-	-	11,840	1,366,019
-	-	-	678,994
-	-	-	731,575
-	-	22,985	409,006
3,398,103	-	-	3,560,787
-	-	12,459	420,487
-	-	-	1,226,434
-	-	140,830	140,830
-	-	71,399	71,399
648,417	11,043	-	659,460
4,046,520	11,043	259,513	9,264,991
(828,411)	(11,043)	(91,244)	(299,552)
610,000	11,043	12,502	633,545
-	-	-	(633,545)
-	400,000	-	400,000
-	(400,000)	-	(400,000)
-	-	47,272	47,272
610,000	11,043	59,774	47,272
(218,411)	-	(31,470)	(252,280)
2,251,647	-	250,364	5,280,760
2,033,236	-	218,894	5,028,480

Monona County

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

Year ended June 30, 2006

Net change in fund balances - Total governmental funds (page 23) \$ (252,280)

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

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

Expenditures for capital assets	\$ 815,623	
Depreciation expense	<u>(680,464)</u>	135,159

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

Property tax	(2,683)	
Other	<u>(6,876)</u>	(9,559)

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

Issued	(447,272)	
Repaid	<u>446,577</u>	(695)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(3,004)	
Interest on long-term debt	<u>(5,099)</u>	(8,103)

The Internal Service Fund is used by management to charge the costs of the County's employee group health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

17,944

Change in net assets of governmental activities (page 17) \$ (117,534)

See notes to financial statements.

Monona County
 Statement of Net Assets
 Proprietary Fund
 June 30, 2006

	Internal Service - Employee Group Health
Assets	
Cash and cash equivalents	\$ 531,690
Accrued interest receivable	2,041
	533,731
Total assets	
Liabilities	
Accounts payable	95,031
	95,031
Net Assets	
Unrestricted	\$ 438,700
	438,700

See notes to financial statements.

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

Year ended June 30, 2006

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 831,155
Reimbursements from employees	5,533
Total operating revenues	<u>836,688</u>
Operating expenses:	
Insurance premiums	837,739
Operating loss	<u>(1,051)</u>
Non-operating revenues:	
Interest income	18,995
Net income	<u>17,944</u>
Net assets beginning of year	<u>420,756</u>
Net assets end of year	<u><u>\$ 438,700</u></u>

See notes to financial statements.

Monona County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2006

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating funds	\$ 831,155
Cash received from employees and others	5,533
Cash paid to suppliers for services	(782,987)
Net cash provided by operating activities	53,701
Cash flows from investing activities:	
Interest on investments	17,933
Net increase in cash and cash equivalents	71,634
Cash and cash equivalents beginning of year	460,056
Cash and cash equivalents end of year	\$ 531,690
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (1,051)
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Increase in accounts payable	54,752
Net cash provided by operating activities	\$ 53,701

See notes to financial statements.

Monona County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2006

Assets

Cash and pooled investments:

County Treasurer	\$ 1,338,353
Other County officials	14,587

Receivables:

Property tax:

Delinquent	15,591
Succeeding year	8,235,000

Accounts	16,712
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Accrued interest	867
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Special assessments	117,514
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Drainage assessments:

Current	23,881
---------	--------

Future	147,839
--------	---------

Due from other governments	1,722
----------------------------	-------

Total assets	<u>9,912,066</u>
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Liabilities

Accounts payable	4,285
------------------	-------

Due to other governments	9,855,976
--------------------------	-----------

Trusts payable	9,633
----------------	-------

Compensated absences	7,732
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Drainage warrants payable	34,440
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Total liabilities	<u>9,912,066</u>
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Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

Monona County

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Monona 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, Monona 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.

These financial statements present Monona County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Fifty-seven drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Monona County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. Those districts are included as an Agency Fund of the County. Financial information of the individual drainage districts can be obtained from the Monona County Auditor's Office.

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

The County also participates in the Monona County Sanitary Landfill Agency, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa. In addition, the County is involved in the following jointly governed organizations: Siouxland Regional Transit Authority, Third Judicial District Department of Correctional Services, Private Industry Council/Local Elected Officials Board, WESCO Industries, Department of Human Services Cluster Board, West Central Development Corporation, Region IV Local Emergency Planning Committee, Siouxland Metropolitan Planning Council and Region IV Hazmat Team. Financial transactions of these organizations are not included in the County’s financial statements

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The 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 is charges to customers for sales and services. Operating expenses for the Internal Service Fund 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 financial statements:

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

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.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represents assessments which have been made but have not been collected.

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

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

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

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Improvements	20 - 50
Infrastructure	30 - 50
Equipment and vehicles	2 - 20

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time 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 reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

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

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

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

Net Assets – The unrestricted net assets of the Internal Service Fund are designated for anticipated future health care costs of County employees.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements in the debt service function exceeded the amount budgeted and disbursements in one department exceeded the amount appropriated.

(2) **Cash and Pooled Investments**

The County's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,509,578 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 202,033	-	-	202,033
Construction in progress, road network	-	-	-	-
Construction in progress	1,684,352	-	-	1,684,352
Total capital assets not being depreciated	1,886,385	-	-	1,886,385
Capital assets being depreciated:				
Buildings	987,029	96,287	-	1,083,316
Improvements other than buildings	537,714	-	-	537,714
Equipment and vehicles	7,867,268	221,524	-	8,088,792
Infrastructure, road network	4,981,074	497,812	-	5,478,886
Total capital assets being depreciated	14,373,085	815,623	-	15,188,708
Less accumulated depreciation for:				
Buildings	422,890	13,168	-	436,058
Improvements other than buildings	286,131	14,735	-	300,866
Equipment and vehicles	5,162,830	468,522	-	5,631,352
Infrastructure, road network	187,014	184,039	-	371,053
Total accumulated depreciation	6,058,865	680,464	-	6,739,329
Total capital assets being depreciated, net	8,314,220	135,159	-	8,449,379
Governmental activities capital assets, net	\$ 10,200,605	135,159	-	10,335,764

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 64,775
Physical health and social services	1,606
County environment and education	13,581
Roads and transportation	542,403
Governmental services to residents	650
Administration	57,449
Total depreciation expense - governmental activities	\$ 680,464

(4) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 14,578
Special Revenue:		
Mental Health	Services	77,211
Total for governmental funds		<u>\$ 91,789</u>
Agency:		
County Assessor	Collections	\$ 318,119
Schools		5,844,665
Community Colleges		282,421
Corporations		1,789,722
Townships		179,918
Special Assessments		118,368
Auto License and Use Tax		163,044
Drainage Districts		860,386
All other		299,333
Total for agency funds		<u>\$ 9,855,976</u>

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 55,000
Flood and Erosion Control		5,000
	Special Revenue:	
Secondary Roads	Rural Services	555,000
Capital Projects	General	11,043
Debt Service	General	7,502
Total		<u>\$ 633,545</u>

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

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	General Obligation Loan	General Obligation Notes	Drainage Warrants	Compen- sated Absences	Total
Balance beginning of year	\$ 400,000	-	159,947	183,680	743,627
Increases	-	400,000	47,272	160,280	607,552
Decreases	400,000	-	46,577	157,276	603,853
Balance end of year	\$ -	400,000	160,642	186,684	747,326
Due within one year	\$ -	36,000	160,642	140,982	337,624

On December 15, 2005, the County issued a \$400,000 general obligation note to evidence its obligation under a loan agreement entered into in a prior year for the purpose of providing funds to pay a portion of the cost of constructing, furnishing and equipping the Lewis and Clark Visitor Center. The proceeds of the general obligation note were used in December 2005 to redeem the outstanding loan. A summary of the County's June 30, 2006 general obligation indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2007	3.60%	\$ 36,000	16,270	52,270
2008	3.70	37,000	14,974	51,974
2009	3.80	38,000	13,605	51,605
2010	3.90	39,000	12,161	51,161
2011	4.00	40,000	10,640	50,640
2012-2016	4.10 to 4.50	210,000	27,970	237,970
Total		\$ 400,000	95,620	495,620

Drainage Warrants

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$196,919, \$196,248 and \$192,501, respectively, equal to the required contributions for each year.

(8) Risk Management

Monona 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 531 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 and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2006 were \$206,737.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and a separate employee blanket bond in the amounts of \$1,000,000 and \$200,000, 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.

Required Supplementary Information

Monona 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, 2006

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 3,790,123	-	3,790,123
Interest and penalty on property tax	36,065	-	36,065
Intergovernmental	4,398,841	4,362	4,394,479
Licenses and permits	15,878	-	15,878
Charges for service	247,713	-	247,713
Use of money and property	205,784	292	205,492
Miscellaneous	581,925	134,573	447,352
Total receipts	9,276,329	139,227	9,137,102
Disbursements:			
Public safety and legal services	1,351,255	-	1,351,255
Physical health and social services	684,792	-	684,792
Mental health	736,512	-	736,512
County environment and education	428,001	-	428,001
Roads and transportation	3,425,633	-	3,425,633
Governmental services to residents	420,487	-	420,487
Administration	1,229,706	-	1,229,706
Non-program	140,838	140,838	-
Debt service	71,399	63,897	7,502
Capital projects	978,914	-	978,914
Total disbursements	9,467,537	204,735	9,262,802
Deficiency of receipts under disbursements	(191,208)	(65,508)	(125,700)
Other financing sources, net	47,272	47,272	-
Deficiency of receipts and other financing sources under disbursements and other financing uses	(143,936)	(18,236)	(125,700)
Balance beginning of year	3,862,641	153,122	3,709,519
Balance end of year	\$ 3,718,705	134,886	3,583,819

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
3,766,127	3,766,127	23,996
22,955	22,955	13,110
5,194,218	5,293,258	(898,779)
14,010	18,810	(2,932)
193,500	193,500	54,213
109,811	114,333	91,159
826,615	826,565	(379,213)
<u>10,127,236</u>	<u>10,235,548</u>	<u>(1,098,446)</u>
1,389,074	1,389,074	37,819
713,357	718,357	33,565
797,664	870,651	134,139
434,097	478,127	50,126
3,466,203	3,466,203	40,570
553,147	553,147	132,660
1,366,921	1,378,879	149,173
-	-	-
-	-	(7,502)
2,350,000	2,350,000	1,371,086
<u>11,070,463</u>	<u>11,204,438</u>	<u>1,941,636</u>
(943,227)	(968,890)	843,190
-	-	-
(943,227)	(968,890)	843,190
3,159,087	3,159,087	550,432
<u>2,215,860</u>	<u>2,190,197</u>	<u>1,393,622</u>

Monona County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,276,329	(310,890)	8,965,439
Expenditures	9,467,537	(202,546)	9,264,991
Net	(191,208)	(108,344)	(299,552)
Other financing sources, net	47,272	-	47,272
Beginning fund balances	3,862,641	1,418,119	5,280,760
Ending fund balances	\$ 3,718,705	1,309,775	5,028,480

See accompanying independent auditor's report.

Monona County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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, the Internal Service Fund 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 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$133,975. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the debt service function and disbursements in one department exceeded the amount appropriated.

Monona County

Other Supplementary Information

Monona County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

	County Attorney Confiscated Property	County Sheriff Confiscated Property	DARE	Resource Enhancement and Protection	Special County Recorder's Records Management
Assets					
Cash and pooled investments	\$ 27,027	15,323	5,165	5,990	22,498
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accrued interest	-	-	-	24	83
Drainage assessments:					
Current	-	-	-	-	-
Future	-	-	-	-	-
Due From Other governments	-	-	200	4,913	-
Total assets	\$ 27,027	15,323	5,365	10,927	22,581
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	-	-	-	-
Deferred revenue:					
Succeeding year property tax	-	-	-	-	-
Other	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund equity:					
Fund balances:					
Reserved for drainage warrants	-	-	-	-	-
Unreserved	27,027	15,323	5,365	10,927	22,581
Total fund equity	27,027	15,323	5,365	10,927	22,581
Total liabilities and fund equity	\$ 27,027	15,323	5,365	10,927	22,581

See accompanying independent auditor's report.

Revenue						
County Recorder's Electronic Transaction Fee	Conservation Land Acquisition	Conservation Trust	Drainage Districts	Debt Service	Total	
289	128	2,329	134,886	-	213,635	
-	-	-	-	102	102	
-	-	-	-	49,000	49,000	
1	-	-	82	-	190	
-	-	-	122,364	-	122,364	
-	-	-	72,083	-	72,083	
-	-	-	-	-	5,113	
290	128	2,329	329,415	49,102	462,487	
-	-	-	44	-	44	
-	-	-	-	49,000	49,000	
-	-	-	194,447	102	194,549	
-	-	-	194,491	49,102	243,593	
-	-	-	16,438	-	16,438	
290	128	2,329	118,486	-	202,456	
290	128	2,329	134,924	-	218,894	
290	128	2,329	329,415	49,102	462,487	

Monona County

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

Year ended June 30, 2006

	County Attorney Confiscated Property	County Sheriff Confiscated Property	DARE	Resource Enhancement and Protection	Special County Recorder's Records Management
Revenues:					
Intergovernmental	\$ -	9,438	-	9,434	-
Charges for service	-	-	-	-	2,166
Use of money and property	-	-	-	373	776
Miscellaneous	-	-	4,995	-	-
Total revenues	-	9,438	4,995	9,807	2,942
Expenditures:					
Operating:					
Public safety and legal services	-	11,840	-	-	-
County environment and education	-	-	2,466	12,892	-
Governmental services to residents	-	-	-	-	-
Non-program	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	-	11,840	2,466	12,892	-
Excess (deficiency) of revenues over (under) expenditures	-	(2,402)	2,529	(3,085)	2,942
Other financing sources:					
Operating transfers in	-	-	-	-	-
Drainage warrant proceeds	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	-	(2,402)	2,529	(3,085)	2,942
Fund balances beginning of year	27,027	17,725	2,836	14,012	19,639
Fund balances end of year	\$ 27,027	15,323	5,365	10,927	22,581

See accompanying independent auditor's report.

Revenue							
County	Recorder's	Conservation			Flood	Debt	
Electronic	Land	Conservation	Drainage	and	Service	Total	
Transaction Fee	Acquisition	Trust	Districts	Erosion			
-	-	-	4,362	-	-	23,234	
-	-	-	-	-	-	2,166	
109	-	-	317	-	-	1,575	
-	-	1,726	134,573	-	-	141,294	
109	-	1,726	139,252	-	-	168,269	
-	-	-	-	-	-	11,840	
-	-	2,627	-	5,000	-	22,985	
12,459	-	-	-	-	-	12,459	
-	-	-	140,830	-	-	140,830	
-	-	-	63,897	-	7,502	71,399	
12,459	-	2,627	204,727	5,000	7,502	259,513	
(12,350)	-	(901)	(65,475)	(5,000)	(7,502)	(91,244)	
-	-	-	-	5,000	7,502	12,502	
-	-	-	47,272	-	-	47,272	
-	-	-	47,272	5,000	7,502	59,774	
(12,350)	-	(901)	(18,203)	-	-	(31,470)	
12,640	128	3,230	153,127	-	-	250,364	
290	128	2,329	134,924	-	-	218,894	

Monona County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	2,027	121,427	96,931
Other County officials	14,587	-	-	-
Receivables:				
Property tax:				
Delinquent	-	227	424	11,734
Succeeding year	-	109,000	204,000	5,736,000
Accounts	698	-	-	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Drainage assessments:				
Current	-	-	-	-
Future	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 15,285	111,254	325,851	5,844,665
Liabilities				
Accounts payable	\$ -	-	-	-
Due to other governments	5,652	111,254	318,119	5,844,665
Trusts payable	9,633	-	-	-
Compensated absences	-	-	7,732	-
Drainage warrants payable	-	-	-	-
Total liabilities	\$ 15,285	111,254	325,851	5,844,665

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Drainage Districts	Other	Total
4,843	57,581	2,434	854	163,044	726,430	162,782	1,338,353
-	-	-	-	-	-	-	14,587
578	2,141	484	-	-	-	3	15,591
277,000	1,730,000	177,000	-	-	-	2,000	8,235,000
-	-	-	-	-	-	16,014	16,712
-	-	-	-	-	490	377	867
-	-	-	117,514	-	-	-	117,514
-	-	-	-	-	23,881	-	23,881
-	-	-	-	-	147,839	-	147,839
-	-	-	-	-	471	1,251	1,722
282,421	1,789,722	179,918	118,368	163,044	899,111	182,427	9,912,066
-	-	-	-	-	4,285	-	4,285
282,421	1,789,722	179,918	118,368	163,044	860,386	182,427	9,855,976
-	-	-	-	-	-	-	9,633
-	-	-	-	-	-	-	7,732
-	-	-	-	-	34,440	-	34,440
282,421	1,789,722	179,918	118,368	163,044	899,111	182,427	9,912,066

Monona County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2006

	Agricultural			
	County Offices	Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 7,626	110,758	328,099	5,307,416
Additions:				
Property and other county tax	-	108,797	204,528	5,735,473
E911 surcharges	-	-	-	-
State tax credits	-	6,839	13,423	323,256
Office fees and collections	267,903	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	46,506	-	-	-
Miscellaneous	-	-	182	-
Total additions	314,409	115,636	218,133	6,058,729
Deductions:				
Agency remittances:				
To other funds	180,333	-	-	-
To other governments	87,825	115,140	220,381	5,521,480
Trusts paid out	38,592	-	-	-
Total deductions	306,750	115,140	220,381	5,521,480
Balances end of year	\$ 15,285	111,254	325,851	5,844,665

See accompanying independent auditor's report.

Community Colleges	Corpora- tions	Townships	City Special Assessments	Auto License and Use Tax	Drainage Districts	Other	Total
264,988	1,696,785	168,487	173,305	170,563	694,039	178,139	9,100,205
276,871	1,704,551	178,330	-	-	-	2,486	8,211,036
-	-	-	-	-	-	79,355	79,355
16,334	114,144	9,147	-	-	-	93	483,236
-	-	-	-	-	-	2,154	270,057
-	-	-	-	2,081,287	-	-	2,081,287
-	-	-	3,535	-	616,093	-	619,628
-	-	-	-	-	-	63,062	109,568
-	-	-	-	-	150,158	80,918	231,258
293,205	1,818,695	187,477	3,535	2,081,287	766,251	228,068	12,085,425
-	-	-	-	87,471	-	-	267,804
275,772	1,725,758	176,046	58,472	2,001,335	561,179	223,780	10,967,168
-	-	-	-	-	-	-	38,592
275,772	1,725,758	176,046	58,472	2,088,806	561,179	223,780	11,273,564
282,421	1,789,722	179,918	118,368	163,044	899,111	182,427	9,912,066

Schedule 5

Monona County

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

For the Last Six Years

	Modified Accrual Basis					
	2006	2005	2004	2003	2002	2001
Revenues:						
Property and other county tax	\$ 3,792,577	3,515,823	3,844,985	3,960,037	4,025,280	3,251,311
Interest and penalty on property tax	36,065	29,574	32,998	29,779	36,635	27,592
Intergovernmental	4,404,664	4,840,236	4,380,663	3,964,265	4,240,160	4,514,153
Licenses and permits	14,988	8,383	6,894	4,428	5,065	5,311
Charges for service	254,502	266,643	256,727	232,201	222,179	185,234
Use of money and property	220,167	135,752	115,425	149,762	214,789	294,075
Miscellaneous	242,476	160,735	202,117	319,966	638,430	259,866
Total	\$ 8,965,439	8,957,146	8,839,809	8,660,438	9,382,538	8,537,542
Expenditures:						
Operating:						
Public safety and legal services	\$ 1,366,019	1,286,130	1,236,371	1,342,558	1,147,604	1,296,869
Physical health and social services	678,994	683,490	663,052	659,620	669,676	613,781
Mental health	731,575	704,122	743,359	713,374	799,518	801,328
County environment and education	409,006	457,116	431,777	480,139	477,124	470,445
Roads and transportation	3,560,787	3,705,814	3,762,048	3,024,313	3,663,506	3,751,110
Governmental services to residents	420,487	270,144	285,714	263,465	296,038	296,632
Administration	1,226,434	995,626	1,024,697	1,048,211	1,010,075	916,023
Non-program	140,830	63,758	61,913	160,425	415,278	145,575
Debt service	71,399	55,308	71,039	323,124	184,230	242,437
Capital projects	659,460	518,434	2,098,484	263,873	708,162	771,318
Total	\$ 9,264,991	8,739,942	10,378,454	8,279,102	9,371,211	9,305,518

Monona County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2006

	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administration Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		\$ 6,934
Hungry Canyons Alliance:			
Soil and Water Conservation	10.902	05-6-F	71,700
Soil and Water Conservation	10.902	05-7-F	61,123
Soil and Water Conservation	10.902	05-8-F	50,605
			<u>183,428</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Golden Hills Resource Conservation and Development: Highway Planning and Construction	20.205	SBIA-IA03(5)-2T-00	11,844
Elections Assistance Commission:			
Iowa Secretary of State:			
Help America Vote Act Requirements Payments	90.401		101,187
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Siouxland Aging Service, Inc.:			
Special Programs for the Aging -Title VII Chapter 2 - Long Term Care Ombudsman Services for the Care of Older Individuals	93.042		5,600
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		103
National Family Caregiver Support	93.052		2,247
Iowa Department of Public Health:			
Linn County Public Health:			
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	5886LP04	13,575
Immunization Grants	93.268	5885I455	3,138
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283		22,313
Siouxland District Health Department:			
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5886BT03-LPHA6704	27,897
			<u>50,210</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		8,371
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,993
Foster Care -Title IV-E	93.658		4,314

Schedule 6

Monona County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

	CFDA Number	Agency or Pass-through Number	Program Expenditures
U.S. Department of Health and Human Services (continued):			
Iowa Department of Human Services:			
Adoption Assistance	93.659		1,057
Medical Assistance Program	93.778		11,125
Social Services Block Grant	93.667		5,487
Social Services Block Grant	93.667		44,919
			<u>50,406</u>
Shelby County Public Health:			
Maternal and Child Health Services Block Grant to the States	93.994		3,161
Crawford County Public Health:			
Maternal and Child Health Services Block Grant to the States	93.994		18,200
			<u>21,361</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Emergency Management Performance Grants	97.042		7,879
Homeland Security Grant Program	97.067	2004-GE-T4-0046	95,285
Homeland Security Grant Program	97.067	2005-GE-T5-0056	33,026
Homeland Security Grant Program	97.067		12,385
			<u>140,696</u>
Total			<u>\$ 625,468</u>

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

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 Monona County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Monona County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 13, 2007. 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 Monona 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 Monona 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 the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 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 Monona County and other parties to whom Monona 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 Monona County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 13, 2007



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Officials of Monona County:

Compliance

We have audited the compliance of Monona County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the year ended June 30, 2006. Monona County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Monona County's management. Our responsibility is to express an opinion on Monona County's compliance based on our audit.

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

In our opinion, Monona County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 13, 2007

Monona County
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 10.902 – Soil and Water Conservation
 - CFDA Number 97.067 – Homeland Security Grant Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Monona County did not qualify as a low-risk auditee.

Monona County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. 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) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared, so the receipts listing can not be compared to deposits by an independent person.	Treasurer
(2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	Sheriff

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, an initial listing of receipts should be prepared when mail is opened and the listing should be compared to deposits by an independent person. In addition, the officials should review the control activities of the office to obtain the maximum internal control possible under the circumstances. The officials should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Reviews performed by independent persons should be evidenced by initials or signature of the reviewer and the date of the review.

Responses -

Treasurer - Different employees take turns opening mail daily. A log is kept and receipts reflect that payments were applied.

Sheriff - We will use current communications staff and jail staff to look over the receipts and deposits. All those who review receipts and deposits will initial and those initials will be on file.

Conclusion - Responses accepted.

Monona County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

II-B-06 Claims Approval – Certain claims were not approved by the department heads prior to submittal of the claims to the County Auditor for processing.

Recommendation – All claims should be approved by the department heads prior to submittal to the County Auditor for processing.

Response – This recommendation will be shared with all departments and a sincere effort will be made to address this.

Conclusion – Response accepted.

II-C-06 Electronic Data Processing Systems – The County has not developed a written disaster recovery plan.

Recommendation – A written disaster recovery plan should be developed.

Response – The County will appoint a committee to develop a disaster recovery plan.

Conclusion – Response accepted.

II-D-06 Sanitarian/Zoning/Well Closing Office – Collections are not deposited timely with the County Treasurer.

Recommendation – All collections should be deposited timely with the County Treasurer.

Response – The Board of Supervisors advise they will reemphasize the importance of timely deposits with the Environmental/Zoning Administrator with a reminder of their requesting quarterly reports of fees collected.

Conclusion – Response accepted.

II-E-06 County Sheriff – Deposits were not made on a timely basis. A list of trusts on hand was not prepared monthly for each account. One blank check was signed in advance of the actual disbursement.

Recommendation – Deposits should be made intact and timely. A list of trusts on hand should be prepared for each account at the end of each month. Checks should not be signed in advance.

Response – Those making deposit will do so on an everyday basis, except for weekends. Checks currently require two signatures and we have stressed that no checks be signed ahead of time.

Conclusion – Response accepted.

Monona County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

- II-F-06 Pay Policy for County Sheriff's Deputies – The County has not adopted a formal written policy to establish the work period for County Sheriff's Deputies.

Recommendation – The Board should adopt a written policy addressing how regular pay, overtime pay and compensatory time should be calculated and paid to County Sheriff's deputies.

Response – The Supervisors and Sheriff will collaborate on preparing a written policy concerning the County Sheriff's Deputies as to regular pay, overtime pay and compensatory time.

Conclusion – Response accepted.

- II-G-06 Proper Accrual of Miscellaneous Receipts – Several miscellaneous receipts had to be reclassified as accrued receipts. The County Treasurer had to go back and reenter a number of miscellaneous receipts not accrued.

Recommendation – The Treasurer should take steps to ensure all miscellaneous receipts are properly included in the accrued receipts listing.

Response – We have contacted each department to ensure they have an understanding of which funds are to be accrued.

Conclusion – Response accepted.

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

Monona County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amount budgeted in the debt service function. Also, although the Board of Supervisors acted to increase certain departmental appropriations by amendment, disbursements exceeded the appropriation in one department.

Recommendation – The budget and departmental appropriations should be amended in accordance with Chapters 331.435 and 331.434(6) of the Code of Iowa before disbursements are allowed to exceed the budget or appropriation.

Response – The billing for interest on the new bonded indebtedness was received in June, too late for the amendment process. I do know the amendment process and do not plan to make this a practice in the future.

Conclusion – Response accepted.

IV-B-06 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-06 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

Monona County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

- IV-H-06 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-06 Inmate Room and Board Collections – Inmate room and board collections are credited to the General Fund. However, adequate records are not maintained for the use of the funds to document compliance with Chapter 356.7(5) of the Code of Iowa.
- Recommendation – Unspent balances, if any, should be tracked by the County Sheriff and the Board of Supervisors since the funds are restricted and must be used for specific purposes.
- Response – Account lines have been added to the budget report to track these monies.
- Conclusion – Response accepted.
- IV-J-06 Outstanding Warrants – The County Auditor did not cancel warrants outstanding more than one year as required by Chapter 331.554(7) of the Code of Iowa.
- Recommendation – County warrants outstanding more than one year should be cancelled as required.
- Response – We plan to make this an annual process.
- Conclusion – Response accepted.
- IV-K-06 Outstanding Checks – The County Treasurer did not cancel all checks outstanding more than one year as required by Chapter 331.554(6) of the Code of Iowa.
- Recommendation – Checks outstanding more than a year should be cancelled as required.
- Response – Checks have now been cancelled per the Code.
- Conclusion – Response accepted.
- IV-L-06 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, 2006 for the County Extension Office did not exceed the amount budgeted.

Monona County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
James L. Blekfeld, CPA, Senior Auditor
Michael J. Hackett, Staff Auditor
Shawn R. Elsbury, Staff Auditor
Scott G. Anderson, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State