

MONROE COUNTY

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

JUNE 30, 2006

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MONROE COUNTY

Officials

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

INDEPENDENT AUDITOR'S REPORT

To the Officials of Monroe County:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe County at June 30, 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 January 11, 2007 on our consideration of Monroe County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 14 and 52 through 54 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Monroe County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the two years ended June 30, 2004 (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the accompanying 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.

Oskaloosa, Iowa
January 11, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Monroe County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follows.

2006 Financial Highlights

- Revenues of the County's governmental activities increased approximately 5%, or \$373,505 from fiscal 2005 to fiscal 2006. Property tax revenues increased approximately \$118,902 and operating grants and contributions decreased \$397,713 from fiscal 2005 to fiscal 2006.
- Program expenses were \$336,716 less in fiscal 2006 than in fiscal 2005. Mental Health expenses decreased \$282,503.
- The County's net assets increased approximately \$925,000 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 Monroe County as a whole and present an overall view of the County's finances.

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

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

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

Other Supplementary Information provides detailed information about the non-major Special Revenue and the individual Agency Funds.

Reporting the County's Financial Activities

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

- 2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities and a schedule of change in fiduciary assets and liabilities.

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. Monroe County's combined net assets increased by approximately 12.21% from a year ago, from \$7,576,945 to \$8,502,223. The analysis that follows focuses on the changes in net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)

		<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>%Change</u>
Current and other assets	\$	8,171	8,379	(2.5)
Capital Assets		5,128	3,931	30.5
Total Assets		13,299	12,310	8.05
Long-term liabilities		1,072	1,122	(4.4)
Other liabilities		3,725	3,611	3.2
Total Liabilities	\$	4,797	5,033	(4.65)
Net assets				
Invested in capital assets				
Net of related debt		4,426	3,214	37.7
Restricted		2,342	2,894	(19.1)
Unrestricted		1,734	1,469	18.0
Total net assets	\$	8,502	7,577	12.2

Net assets of Monroe County's governmental activities increased by approximately 12.21% (\$7,576,945 to \$8,502,223). 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 sources other

than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased from approximately \$1,469,000 at June 30, 2005 to approximately \$1,734,000 at June 30, 2006, an increase of 18%.

This increase of approximately \$265,000 in unrestricted net assets was a result of increased revenues in a variety of areas.

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

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>%Change</u>
Revenues:			
Program revenues:			
Charges for service	\$ 363	390	(6.9)
Operating grants, contributions and restricted interest	2,462	2,859	(13.9)
Capital grants, contributions and restricted interest	1,252	523	139.4
General revenues:			
Property tax	2,968	2,848	4.2
Penalty and interest on property tax	76	44	72.7
State Tax Credits	148	142	4.2
Local Option Sales Tax	350	232	50.9
Grants and contributions not restricted for specific purposes	0	4	(100.0)
Unrestricted investment earnings	142	109	30.3
Other general revenues	20	255	(92.2)
Total Revenues	7,781	7,406	5.1
Program expenses:			
Public Safety and legal services	970	911	6.4
Physical health and social services	645	650	(.8)
Mental Health	795	1,077	(26.2)
County environment and education	251	582	(56.9)
Roads and transportation	3,052	2,898	5.3
Governmental services to residents	323	253	27.7
Administration	794	786	1.0
Interest on long term debt	26	34	(23.6)
Total Expenses	6,856	7,191	(4.7)
Increase in net assets	925	215	
Net assets beginning of year	7,577	7,362	
Net assets end of year	\$ 8,502	7,577	

Net assets of Monroe County's governmental activities increased by \$925,278 during the year.

The cost of all governmental activities this year was \$6.9 million.

However, as shown on the Statement of Activities - Exhibit B, the amount taxpayers ultimately financed for these activities was only \$3.7 million because some of the cost was paid by those directly benefited from the programs (\$363,654) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,713,651). The County paid for the

remaining “public benefit” portion of governmental activities with \$3,317,517 in taxes and with other revenues, such as interest and general entitlements.

Individual Major Fund Analysis

As Monroe County completed the year, its governmental funds reported a combined fund balance of approximately \$3.2 million, a decrease of \$552,222 below last years total of \$3.8 million. The following are the major reasons for the changes in fund balances of major funds from the prior year:

- General Fund revenues increased by \$54,595 expenditures decreased by \$445,125, respectively, when compared to the prior year. The ending fund balance showed an increase of \$157,237 from the prior year to \$1,230,764. The County’s General Fund financial position is the result of many factors.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures total approximately \$ 795,000, a decrease of 26.2% from the prior year. The Mental Health Fund balance at year end decreased by \$123,044.
- Secondary Roads Fund expenditures increased by \$910,923 over the prior year. Revenues also increased by approximately \$325,000 from the prior year. The Secondary Road Fund balance at year end was approximately \$1,333,000.

Budgetary Highlights

Over the course of the year, Monroe County amended its budget one time, increasing budgeted disbursements by \$1,535,568. The amendment was made in September 2005 and resulted in an increase in budgeted disbursements related to a bio-terrorism grant funding and secondary road expenses and increase in Local Option Sales Tax monies.

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

Capital Assets and Debt Administration

Capital Assets

At June 30, 2006, Monroe County had approximately \$5.1 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 \$1,196,446, or approximately 30%, over the prior year.

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

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Land	\$ 111	111
Construction in Progress	833	186
Buildings and improvements	1,420	1,483
Equipment and vehicles	1,470	1,329
Infrastructure	1,293	823
Total	\$ 5,127	3,932

The County had depreciation expense of \$410,380 fiscal year 2006 and total accumulated depreciation of \$3,687,747 at June 30, 2006.

Long-Term Liability

At June 30, 2006, Monroe County had \$1,071,874 in general obligation bonds and other outstanding liabilities.

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

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
General Obligation notes and bonds	\$ 682	576
Capital lease purchase agreements	2	10
Notes payable	278	431
Compensated absences	110	105
Totals	\$ 1,072	1,122

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

Economic Factors and Next Year's Budgets and Rates

Monroe County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. The County's nonagricultural employment growth has mirrored its population growth during 2000-2006, averaging per year gains of 2.2 percent. Unemployment in the County now stands at 4.3 percent. This compares with the State's unemployment rate of 3.5 percent and the national rate of 4.5 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The Federal CPI increase was 3.3 percent for fiscal year 2006. Inflation has been modest here due in part to the slowing of the residential housing market and increases in energy prices in 2005-2006.

These indicators were taken into account when adopting the budget for fiscal year 2007. Amounts available for appropriation in the operating budget are \$7.5 million, a decrease of approximately 14 percent of the final 2006 budget. Receipts are budgeted at approximately \$6.6 million. Increased wage and cost of living adjustments, and local option sales tax revenue and disbursements (to City of Albia) and increase in roadway construction and maintenance, represent the largest increase in disbursements. The County has added no major new programs or initiatives to the 2007 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of 2007.

Contacting the County's Financial Management

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

Basic Financial Statements

MONROE COUNTY
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,638,540
Receivables:	
Property tax:	
Delinquent	90,781
Succeeding year	3,220,000
Interest and penalty on property tax	391,343
Accounts	6,436
Accrued interest	12,847
Due from other governments	294,729
Loans receivable (note 3)	257,143
Inventories	202,487
Prepaid expenses	57,293
Capital assets, net of accumulated depreciation (note 5)	<u>5,127,847</u>
 Total assets	 <u>13,299,446</u>
Liabilities	
Accounts payable	159,759
Salaries and benefits payable	43,760
Due to other governments (note 6)	232,475
Accrued interest payable	4,365
Health claims incurred but not reported	64,990
Deferred revenue:	
Succeeding year property tax	3,220,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Capital lease purchase agreements	2,471
General obligation bonds	190,000
Capital loan notes	68,900
Road use tax revenue notes	100,000
Loans payable	63,845
Compensated absences	110,753
Portion due or payable after one year:	
Capital loan notes	71,619
Road use tax revenue notes	250,000
Loans payable	<u>214,286</u>
 Total liabilities	 <u>4,797,223</u>

MONROE COUNTY
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 4,425,944
Restricted for:	
Supplemental levy purposes	337,104
Mental health purposes	35,177
Rural services	500,817
Secondary roads	1,274,295
Debt service	54,779
Other special revenue purposes	97,641
Inmate room and board	33,232
Cemetery levy	9,164
Unrestricted	<u>1,734,070</u>
Total net assets	<u>\$ 8,502,223</u>

See notes to financial statements.

MONROE COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Public safety and legal services	\$ 970,054	\$ 61,573	\$ 92,764	\$ -	(815,717)
Physical health and social services	645,288	26,343	336,093	-	(282,852)
Mental health	795,100	35,208	377,132	-	(382,760)
County environment and education	250,957	48,321	7,007	-	(195,629)
Roads and transportation	3,051,685	16,194	1,620,650	1,158,761	(256,080)
Government services to residents	322,635	135,036	9,223	93,271	(85,105)
Administration	794,562	40,979	18,750	-	(734,833)
Interest on long-term debt	25,896	-	-	-	(25,896)
Total	<u>\$ 6,856,177</u>	<u>\$ 363,654</u>	<u>\$ 2,461,619</u>	<u>\$ 1,252,032</u>	<u>(2,778,872)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					2,717,547
Debt service					249,816
Penalty and interest on property tax					76,467
State tax credits					147,955
Local option sales and services tax					350,154
Unrestricted investment earnings					142,193
Miscellaneous					<u>20,018</u>
Total general revenues					<u>3,704,150</u>
Change in net assets					925,278
Net assets beginning of year					<u>7,576,945</u>
Net assets end of year					<u>\$ 8,502,223</u>

See notes to financial statements.

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MONROE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,151,593	\$ 183,700	\$ 525,580	\$ 1,073,413
Receivables:				
Property tax:				
Delinquent	52,151	8,676	23,503	-
Succeeding year	1,925,000	320,000	737,000	-
Interest and penalty on property tax	391,343	-	-	-
Accounts	5,981	-	-	455
Accrued interest	12,490	-	-	-
Due from other governments	91,238	628	62,540	136,668
Loans receivable (note 3)	257,143	-	-	-
Inventories	-	-	-	202,487
Prepaid expenses	42,553	-	-	14,740
Total assets	<u>\$ 3,929,492</u>	<u>\$ 513,004</u>	<u>\$ 1,348,623</u>	<u>\$ 1,427,763</u>

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 148,397	\$ 3,082,683
6,451	90,781
238,000	3,220,000
-	391,343
-	6,436
357	12,847
3,655	294,729
-	257,143
-	202,487
-	57,293
<u>\$ 396,860</u>	<u>\$ 7,615,742</u>

MONROE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 46,083	\$ 36,646	\$ 740	\$ 76,290
Salaries and benefits payable	23,817	933	1,678	17,332
Due to other governments (note 6)	3,428	120,248	108,388	411
Deferred revenue:				
Succeeding year property tax	1,925,000	320,000	737,000	-
Other	700,400	8,651	23,432	-
Total liabilities	<u>2,698,728</u>	<u>486,478</u>	<u>871,238</u>	<u>94,033</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	202,487
Prepaid expenses	42,553	-	-	14,740
Supplemental levy purposes	320,215	-	-	-
Debt service	-	-	-	-
Inmate room and board	33,232	-	-	-
Cemetery levy	8,996	-	-	-
Unreserved, reported in:				
General fund	825,768	-	-	-
Special revenue funds	-	26,526	477,385	1,116,503
Capital projects fund	-	-	-	-
Total fund balances	<u>1,230,764</u>	<u>26,526</u>	<u>477,385</u>	<u>1,333,730</u>
Total liabilities and fund balances	<u>\$ 3,929,492</u>	<u>\$ 513,004</u>	<u>\$ 1,348,623</u>	<u>\$ 1,427,763</u>

See notes to financial statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 159,759
-	43,760
-	232,475
238,000	3,220,000
6,432	738,915
<u>244,432</u>	<u>4,394,909</u>
-	202,487
-	57,293
-	320,215
52,712	52,712
-	33,232
-	8,996
-	825,768
97,641	1,718,055
2,075	2,075
<u>152,428</u>	<u>3,220,833</u>
<u>\$ 396,860</u>	<u>\$ 7,615,742</u>

MONROE COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2006

Total fund balances of governmental funds	\$ 3,220,833
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$8,815,594 and the accumulated depreciation is \$3,687,747.	5,127,847
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	738,915
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	490,867
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,365)
Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,071,874)</u>
Net assets of governmental activities	<u>\$ 8,502,223</u>

See notes to financial statements.

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MONROE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2006

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 1,913,514	\$ 246,853	\$ 892,226	\$ -
Interest and penalty on property tax	36,861	-	-	-
Intergovernmental	664,504	425,203	23,785	2,285,992
Licenses and permits	-	-	-	490
Charges for service	220,167	-	14,708	356
Use of money and property	164,997	-	-	-
Miscellaneous	13,981	-	655	15,348
Total revenues	<u>3,014,024</u>	<u>672,056</u>	<u>931,374</u>	<u>2,302,186</u>
Expenditures:				
Operating:				
Public safety and legal services	837,284	-	204,938	-
Physical health and social services	655,634	-	13,290	-
Mental health	-	795,100	-	-
County environment and education	136,496	-	123,998	-
Roads and transportation	-	-	-	2,822,780
Government services to residents	332,531	-	-	-
Administration	853,821	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	350,154	762,957
Total expenditures	<u>2,815,766</u>	<u>795,100</u>	<u>692,380</u>	<u>3,585,737</u>
Excess (deficiency) of revenues over (under) expenditures	<u>198,258</u>	<u>(123,044)</u>	<u>238,994</u>	<u>(1,283,551)</u>
Other financing sources (uses):				
Interfund transfers in (note 4)	-	-	-	742,450
Interfund transfers out (note 4)	(41,021)	-	(701,429)	-
Road use tax revenue notes	-	-	-	400,000
Total other financing sources (uses)	<u>(41,021)</u>	<u>-</u>	<u>(701,429)</u>	<u>1,142,450</u>
Net change in fund balances	157,237	(123,044)	(462,435)	(141,101)
Fund balances beginning of year	<u>1,073,527</u>	<u>149,570</u>	<u>939,820</u>	<u>1,474,831</u>
Fund balances end of year	<u>\$ 1,230,764</u>	<u>\$ 26,526</u>	<u>\$ 477,385</u>	<u>\$ 1,333,730</u>

See notes to financial statements.

Nonmajor Governmental		
<u>Funds</u>		<u>Total</u>
\$ 246,952	\$	3,299,545
-		36,861
19,871		3,419,355
-		490
17,644		252,875
6,334		171,331
2,026		32,010
<u>292,827</u>		<u>7,212,467</u>
	-	1,042,222
	-	668,924
	-	795,100
	-	260,494
	-	2,822,780
	-	332,531
	-	853,821
270,955		270,955
4,751		1,117,862
<u>275,706</u>		<u>8,164,689</u>
<u>17,121</u>		<u>(952,222)</u>
	-	742,450
	-	(742,450)
	-	400,000
	-	400,000
17,121		(552,222)
<u>135,307</u>		<u>3,773,055</u>
<u>\$ 152,428</u>	<u>\$</u>	<u>3,220,833</u>

MONROE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ (552,222)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlays and
depreciation expense in the current year are as follows:

	Capital outlays	\$ 1,095,416	
Capital assets contributed by the Iowa Department of Transportation		511,410	
Depreciation expense		<u>(410,380)</u>	1,196,446

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.

	Penalty and interest on property tax	39,606	
	Property tax	<u>17,972</u>	57,578

Bond proceeds provide current financial resources to governmental funds,
but issuing debt increases long-term liabilities in the statement of net
assets. (400,000)

Repayment of principal on bonds, notes, loans, and capital leases is an
expenditure in the governmental funds, but the repayment reduces long-term
liabilities in the statement of net assets. 413,734

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

	Compensated absences	(6,166)	
	Interest on long-term debt	<u>(1,341)</u>	(7,507)

The Internal Service Fund is used by management to charge the costs of
employee health benefits to individual funds. The change in net assets
of the Internal Service Fund is reported with governmental activities. 217,249

Change in net assets of governmental activities \$ 925,278

See notes to financial statements.

MONROE COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2006

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ <u>555,857</u>
Liabilities	
Health claims incurred but not reported	<u>64,990</u>
Net Assets	
Unrestricted	\$ <u><u>490,867</u></u>
See notes to financial statements.	

MONROE COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2006

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 748,130
Reimbursements from retirees	12,450
Insurance reimbursements	<u>21,531</u>
Total operating revenues	<u>782,111</u>
Operating expenses:	
Medical claims	389,492
Administrative fees	<u>175,860</u>
Total operating expenses	<u>565,352</u>
Operating income	216,759
Non-operating revenues:	
Interest on investments	<u>490</u>
Net income	217,249
Net assets beginning of year	<u>273,618</u>
Net assets end of year	<u>\$ 490,867</u>

See notes to financial statements.

MONROE COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2006

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 748,130
Cash received from retirees and others	33,981
Cash payments to suppliers for services	<u>(573,841)</u>
Net cash provided by operating activities	<u>208,270</u>
Cash flows from investing activities:	
Interest on investments	<u>490</u>
Net increase in cash and cash equivalents	208,760
Cash and cash equivalents at beginning of year	<u>347,097</u>
Cash and cash equivalents at end of year	<u>\$ 555,857</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 216,759
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Decrease) in claims incurred but not reported	<u>(8,489)</u>
Net cash provided by operating activities	<u>\$ 208,270</u>

See notes to financial statements.

MONROE COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2006

Assets

Cash and pooled investments:	
County Treasurer	\$ 495,431
Other County officials	23,405
Receivables:	
Property tax receivable:	
Delinquent	169,571
Succeeding year	6,714,000
Accounts	10,363
Accrued interest	317
Prepaid expense	<u>925</u>
 Total assets	 \$ <u><u>7,414,012</u></u>

Liabilities

Accounts payable	\$ 1,099
Due to other governments (note 6)	7,367,442
Trusts payable	<u>45,471</u>
 Total liabilities	 \$ <u><u>7,414,012</u></u>

See notes to financial statements.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Monroe County Assessor's Conference Board and Monroe County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

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

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

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

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.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

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

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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.

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

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

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

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

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

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-15
Vehicles	5-15

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and, for the Sheriff’s department and Secondary Roads employees, sick leave hours (capped at a \$1,000 maximum) for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets.

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted in any of the County functions. However, disbursements in one department exceeded the amount appropriated.

Note 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. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

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

Concentration of Credit Risk – The County places no limit on the amount that may be invested in any one issuer.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 3. Note Receivable

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

A summary of annual collections due to the County as of June 30, 2006 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2007	\$ 42,857
2008	42,857
2009	42,857
2010	42,857
2011	42,857
2012	<u>42,858</u>
Total	<u>\$ 257,143</u>

Note 4. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 41,021
	Special Revenue: Rural Services	<u>701,429</u>
		<u>\$ 742,450</u>

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

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 111,262	\$ -	\$ -	\$ 111,262
Construction in progress	185,522	647,351	-	832,873
Total capital assets not being depreciated	<u>296,784</u>	<u>647,351</u>	<u>-</u>	<u>944,135</u>
Capital assets being depreciated:				
Buildings	2,144,680	-	-	2,144,680
Improvements other than buildings	72,000	-	-	72,000
Machinery and equipment	4,108,259	448,065	246,429	4,309,895
Infrastructure	833,474	511,410	-	1,344,884
Total capital assets being depreciated	<u>7,158,413</u>	<u>959,475</u>	<u>246,429</u>	<u>7,871,459</u>
Less accumulated depreciation for:				
Buildings	679,223	59,636	-	738,859
Improvements other than buildings	54,432	2,592	-	57,024
Machinery and equipment	2,779,340	306,822	246,429	2,839,733
Infrastructure	10,801	41,330	-	52,131
Total accumulated depreciation	<u>3,523,796</u>	<u>410,380</u>	<u>246,429</u>	<u>3,687,747</u>
Total capital assets being depreciated, net	<u>3,634,617</u>	<u>549,095</u>	<u>-</u>	<u>4,183,712</u>
Governmental activities capital assets, net	<u>\$ 3,931,401</u>	<u>\$ 1,196,446</u>	<u>\$ -</u>	<u>\$ 5,127,847</u>

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 20,038
County environment and education	15,156
Roads and transportation	330,447
Government services to residents	2,093
Administration	<u>42,646</u>

Total depreciation expense - governmental activities	<u><u>\$ 410,380</u></u>
--	--------------------------

Note 6. Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 3,428
Special Revenue:		
Mental Health	Services	120,248
Rural Services	Services	108,388
Secondary Roads	Services	<u>411</u>
Total for governmental funds		<u><u>\$ 232,475</u></u>
Agency:		
County Assessor	Collections	\$ 372,042
Townships		125,479
Schools		4,546,517
Corporations		1,216,308
Area Schools		246,743
Auto License and Use Tax		122,306
County Hospital		564,089
All Other		<u>173,958</u>
Total for agency funds		<u><u>\$ 7,367,442</u></u>

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 7. Long-Term Liabilities

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Capital Lease Purchase Agreements	\$ 9,984	\$ -	\$ 7,513	\$ 2,471	\$ 2,471
General Obligation Bonds	370,000	-	180,000	190,000	190,000
Capital Loan Notes	206,907	-	66,388	140,519	68,900
Road Use Tax Revenue Notes	-	400,000	50,000	350,000	100,000
Loans Payable	430,821	-	152,690	278,131	63,845
Compensated Absences	104,587	110,753	104,587	110,753	110,753
Balance end of year	<u>\$ 1,122,299</u>	<u>\$ 510,753</u>	<u>\$ 561,178</u>	<u>\$ 1,071,874</u>	<u>\$ 535,969</u>

Capital Lease Purchase Agreements

The County has entered into two capital lease purchase agreements to lease conservation area mowers with historical costs totaling \$41,359. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreements in effect at June 30, 2006:

Year Ending June 30,	Total
2007	\$ <u>2,561</u>
Total minimum lease payments	2,561
Less amount representing interest	<u>90</u>
Present value of net minimum lease payments	<u>\$ 2,471</u>

Payments under capital lease purchase agreements for the year ended June 30, 2006 totaled \$7,513.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 7. Long-Term Liabilities (continued)

Bonds Payable

A summary of the County's June 30, 2006, general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2007	4.65 %	\$ 190,000	\$ 8,835	\$ 198,835

During the year ended June 30, 2006, the County retired \$180,000 of bonds.

Capital Loan Notes Payable

A summary of the County's June 30, 2006, capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest
2007	3.75 %	\$ 68,900	\$ 4,630
2008	3.75	71,619	2,022
		\$ 140,519	\$ 6,652

During the year ended June 30, 2006, the County retired \$66,388 of capital loan notes.

Road Use Tax Revenue Notes

During the year ended June 30, 2006, the County issued \$400,000 in Road Use Tax Revenue Notes. The notes have an interest rate of 4.75% and are payable through November, 2009.

Details of the County's Road Use Tax Revenue Notes at June 30, 2006 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2007	4.75 %	\$ 100,000	\$ 15,662	\$ 115,662
2008	4.75	100,000	10,872	110,872
2009	4.75	100,000	6,030	106,030
2010	4.75	50,000	1,214	51,214
		\$ 350,000	\$ 33,778	\$ 383,778

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 7. Long-Term Liabilities (continued)

Loans Payable

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

Details of the County's loans payable at June 30, 2006, are as follows:

Year Ending June 30,	Equipment Loan			Community Economic Development Account Promissory Note			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2007	3.25 %	\$ 20,988	\$ 511	N/A	\$ 42,857	\$ -	\$ 63,845	\$ 511
2008	-	-	-	N/A	42,857	-	42,857	-
2009	-	-	-	N/A	42,857	-	42,857	-
2010	-	-	-	N/A	42,857	-	42,857	-
2011	-	-	-	N/A	42,857	-	42,857	-
2012	-	-	-	N/A	42,858	-	42,858	-
		<u>\$ 20,988</u>	<u>\$ 511</u>		<u>\$ 257,143</u>	<u>\$ -</u>	<u>\$ 278,131</u>	<u>\$ 511</u>

Note 8. Operating Leases

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

Future rental payments required by the lease terms are:

Year Ending June 30,	Amount
2007	\$ 5,628
2008	4,494
2009	3,360
2010	<u>2,240</u>
	<u>\$ 15,722</u>

Payments under the operating lease agreements for the year ended June 30, 2006 totaled \$5,628.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 9. Pension and Retirement Benefits

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

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 \$139,440, \$142,393 and \$124,095, respectively, equal to the required contributions for each year.

Note 10. Risk Management

Monroe County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 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, 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 annual contributions to the Pool for the year ended June 30, 2006 were \$116,434.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 10. Risk Management (continued)

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 aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 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 company coverage since the pool's inception.

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

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

Note 11. Employee Health Insurance Plan

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

Monthly payments of service fees and plan contributions to the Monroe County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to First Administrators, Inc. from the Monroe County Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2006 was \$748,130.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 11. Employee Health Insurance Plan (continued)

Amounts payable from the Employee Group Health Fund at June 30, 2006 total \$64,990 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$490,867 at June 30, 2006 and is reported as Internal Services, Employee Group Health Fund unrestricted net assets. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2005	\$ <u>73,479</u>
Incurred claims (including claims incurred but not reported at June 30, 2006)	<u>389,492</u>
Payments:	
Claims attributable to current-year events where the County has retained risk of loss	<u>397,981</u>
Unpaid claims at June 30, 2006	\$ <u><u>64,990</u></u>

Note 12. Construction Commitment

The County has entered into a contract totaling \$1,636,152 for roadway paving. As of June 30, 2006, costs of \$1,560,175 have been incurred against the contract of which \$832,873 is from local county monies and \$727,302 is from the County's state farm to market account. The balance remaining at June 30, 2006 of \$75,977 will be paid as work on the project progresses.

Note 13. Contingent Liability

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

The County may be required to provide a local government guarantee for a portion of the closure and postclosure costs of the landfill as per Chapter 111.6(8) of the Iowa Administrative Code. At June 30, 2006, the County had no financial assurance obligation.

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

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 14. Subsequent Events

During November, 2006, the County approved \$400,000 in General Obligation County Corporate Purpose Notes to be issued at a future date. The notes will have interest rates of 4.75% and will be payable through June 30, 2016. The proceeds will be used for improvements in the Rathbun Lake resort area.

The County received notice in November of legal action being taken against the County alleging improper procedures taken by the County in relation to a property taken by the County through the tax sale procedures for delinquent taxes. The outcome of this litigation cannot be determined at this time.

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Required Supplementary Information

MONROE COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
Required Supplementary Information
Year Ended June 30, 2006

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 3,293,595	\$ 3,193,212	\$ 3,278,212	\$ 15,383
Interest and penalty on property tax	39,116	3,000	3,000	36,116
Intergovernmental	3,464,854	4,174,083	4,224,083	(759,229)
Licenses and permits	410	350	350	60
Charges for service	255,018	179,739	183,739	71,279
Use of money and property	166,042	95,330	95,330	70,712
Miscellaneous	33,973	25,875	41,875	(7,902)
Total receipts	<u>7,253,008</u>	<u>7,671,589</u>	<u>7,826,589</u>	<u>(573,581)</u>
DISBURSEMENTS:				
Public safety and legal services	1,040,326	1,149,770	1,189,070	148,744
Physical health and social services	671,257	735,262	749,262	78,005
Mental health	948,247	957,066	957,066	8,819
County environment and education	256,305	279,416	294,416	38,111
Roads and transportation	2,833,892	2,242,422	3,573,690	739,798
Government services to residents	330,578	398,600	413,600	83,022
Administration	851,588	926,847	946,847	95,259
Debt service	270,955	270,957	270,957	2
Capital projects	1,149,609	1,975,777	2,076,777	927,168
Total disbursements	<u>8,352,757</u>	<u>8,936,117</u>	<u>10,471,685</u>	<u>2,118,928</u>
Excess (deficiency) of receipts over (under) disbursements	(1,099,749)	(1,264,528)	(2,645,096)	1,545,347
Other financing sources, net	400,000	5,000	405,000	(5,000)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(699,749)	(1,259,528)	(2,240,096)	1,540,347
Balance beginning of year	<u>3,782,432</u>	<u>3,491,242</u>	<u>3,774,066</u>	<u>8,366</u>
Balance end of year	<u>\$ 3,082,683</u>	<u>\$ 2,231,714</u>	<u>\$ 1,533,970</u>	<u>\$ 1,548,713</u>

See accompanying independent auditor's report.

MONROE 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	\$ 7,253,008	\$ (40,541)	\$ 7,212,467
Expenditures	8,352,757	(188,068)	8,164,689
Net	(1,099,749)	147,527	(952,222)
Other financing sources	400,000	-	400,000
Beginning fund balances	3,782,432	(9,377)	3,773,055
Ending fund balances	<u>\$ 3,082,683</u>	<u>\$ 138,150</u>	<u>\$ 3,220,833</u>

See accompanying independent auditor's report.

MONROE 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 and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$1,535,568. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, and for the E-911 System by the Joint E-911 Service Board.

During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted in any of the County functions. However, disbursements in one department exceeded the amount appropriated.

Other Supplementary Information

MONROE COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	<u>Special Revenue</u>			
	<u>County Recorder's Records Management</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Resource Enhancement and Protection</u>	<u>Conservation Land Acquisition</u>
Assets				
Cash and pooled investments	\$ 8,196	\$ 7	\$ 36,461	\$ 49,158
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accrued interest	30	-	134	-
Due from other governments	-	-	3,655	-
	<hr/>			
Total assets	<u>\$ 8,226</u>	<u>\$ 7</u>	<u>\$ 40,250</u>	<u>\$ 49,158</u>
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ -	\$ -	\$ -	-
Other	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Unreserved	8,226	7	40,250	49,158
Total fund equity	<u>8,226</u>	<u>7</u>	<u>40,250</u>	<u>49,158</u>
	<hr/>			
Total liabilities and fund equity	<u>\$ 8,226</u>	<u>\$ 7</u>	<u>\$ 40,250</u>	<u>\$ 49,158</u>

See accompanying independent auditor's report.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 52,500	\$ 2,075	\$ 148,397
6,451	-	6,451
238,000	-	238,000
193	-	357
-	-	3,655
\$ 297,144	\$ 2,075	\$ 396,860

\$ 238,000	\$ -	\$ 238,000
6,432	-	6,432
244,432	-	244,432

52,712	-	52,712
-	2,075	99,716
52,712	2,075	152,428
\$ 297,144	\$ 2,075	\$ 396,860

MONROE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2006

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Conservation Land Acquisition
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	-
Intergovernmental	-	-	7,007	-
Charges for service	2,039	-	-	15,605
Use of money and property	243	1	1,203	-
Miscellaneous	-	-	-	2,026
Total revenues	<u>2,282</u>	<u>1</u>	<u>8,210</u>	<u>17,631</u>
Expenditures:				
Debt service	-	-	-	-
Capital projects	-	-	-	4,751
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,751</u>
Excess (deficiency) of revenues over (under) expenditures	2,282	1	8,210	12,880
Fund balances beginning of year	<u>5,944</u>	<u>6</u>	<u>32,040</u>	<u>36,278</u>
Fund balances end of year	<u>\$ 8,226</u>	<u>\$ 7</u>	<u>\$ 40,250</u>	<u>\$ 49,158</u>

See accompanying independent auditor's report.

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$	246,952	\$ -	\$ 246,952
	12,864	-	19,871
	-	-	17,644
	4,887	-	6,334
	-	-	2,026
	<u>264,703</u>	-	<u>292,827</u>
	270,955	-	270,955
	-	-	4,751
	<u>270,955</u>	-	<u>275,706</u>
	(6,252)	-	17,121
	<u>58,964</u>	<u>2,075</u>	<u>135,307</u>
\$	<u><u>52,712</u></u>	<u><u>2,075</u></u>	<u><u>\$ 152,428</u></u>

MONROE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2006

	<u>County Auditor</u>	<u>County Recorder</u>	<u>County Sheriff</u>	<u>Agricultural Extension Education</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	1,751
Other County officials	10,232	179	12,994	-
Receivables:				
Property tax:				
Delinquent	-	-	-	2,524
Succeeding year	-	-	-	93,000
Accounts	-	21	-	-
Accrued interest	-	-	-	-
Prepaid expense	-	-	-	-
	<hr/>			
Total assets	<u>\$ 10,232</u>	<u>\$ 200</u>	<u>\$ 12,994</u>	<u>\$ 97,275</u>
LIABILITIES				
Accounts payable	\$ -	\$ 150	\$ 143	\$ -
Due to other governments	-	50	-	97,275
Trusts payable	10,232	-	12,851	-
	<hr/>			
Total liabilities	<u>\$ 10,232</u>	<u>\$ 200</u>	<u>\$ 12,994</u>	<u>\$ 97,275</u>

<u>County Assessor</u>	<u>Schools</u>	<u>Area Schools</u>	<u>County Hospital</u>	<u>Corporations</u>	<u>Townships</u>	<u>Auto License and Use Tax</u>
\$ 146,084	\$ 90,559	\$ 4,340	\$ 11,524	\$ 29,507	\$ 2,151	\$ 122,306
-	-	-	-	-	-	-
5,958	124,958	6,403	14,565	10,801	4,328	-
220,000	4,331,000	236,000	538,000	1,176,000	119,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 372,042</u>	<u>\$ 4,546,517</u>	<u>\$ 246,743</u>	<u>\$ 564,089</u>	<u>\$ 1,216,308</u>	<u>\$ 125,479</u>	<u>\$ 122,306</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
372,042	4,546,517	246,743	564,089	1,216,308	125,479	122,306
-	-	-	-	-	-	-
<u>\$ 372,042</u>	<u>\$ 4,546,517</u>	<u>\$ 246,743</u>	<u>\$ 564,089</u>	<u>\$ 1,216,308</u>	<u>\$ 125,479</u>	<u>\$ 122,306</u>

MONROE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2006

	<u>E-911</u>	<u>Tuberculosis/ Brucellosis Eradication</u>	<u>Special Assessments</u>	<u>Advance Tax</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 64,324	\$ 23	\$ 87	\$ 22,388
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	34	-	-
Succeeding year	-	1,000	-	-
Accounts	10,342	-	-	-
Accrued interest	316	-	-	-
Prepaid expense	925	-	-	-
	<hr/>			
Total assets	<u>\$ 75,907</u>	<u>\$ 1,057</u>	<u>\$ 87</u>	<u>\$ 22,388</u>
LIABILITIES				
Accounts payable	\$ 806	\$ -	\$ -	-
Due to other governments	75,101	1,057	87	-
Trusts payable	-	-	-	22,388
	<hr/>			
Total liabilities	<u>\$ 75,907</u>	<u>\$ 1,057</u>	<u>\$ 87</u>	<u>\$ 22,388</u>

See accompanying independent auditor's report.

Recorder's Electronic Transaction Fee	Total
\$ 387	\$ 495,431
-	23,405
-	169,571
-	6,714,000
-	10,363
1	317
-	925
<u>\$ 388</u>	<u>\$ 7,414,012</u>
\$ -	\$ 1,099
388	7,367,442
-	45,471
<u>\$ 388</u>	<u>\$ 7,414,012</u>

MONROE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2006

	<u>County Auditor</u>	<u>County Recorder</u>	<u>County Sheriff</u>	<u>Agricultural Extension Education</u>
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 10,230	\$ 236	\$ 6,134	\$ 96,127
Additions:				
Property and other County tax	-	-	-	93,723
State tax credits	-	-	-	4,775
Payments in lieu of taxes	-	-	-	48
E-911 surcharge	-	-	-	-
Office fees and collections	455	141,499	29,051	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	75,804	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>455</u>	<u>141,499</u>	<u>104,855</u>	<u>98,546</u>
Deductions:				
Agency remittances:				
To other funds	128	67,172	29,813	-
To other governments	-	74,363	329	97,398
Trusts paid out	325	-	67,853	-
Total deductions	<u>453</u>	<u>141,535</u>	<u>97,995</u>	<u>97,398</u>
Balances end of year	<u>\$ 10,232</u>	<u>\$ 200</u>	<u>\$ 12,994</u>	<u>\$ 97,275</u>

<u>County Assessor</u>	<u>Schools</u>	<u>Area Schools</u>	<u>County Hospital</u>	<u>Corporations</u>	<u>Townships</u>	<u>Auto License and Use Tax</u>
\$ 367,503	\$ 4,661,097	\$ 238,379	\$ 543,395	\$ 1,149,162	\$ 124,057	\$ 140,478
222,800	4,444,665	237,891	543,416	1,146,045	120,735	-
8,413	249,603	11,839	26,975	85,691	5,653	-
84	2,566	119	228	2,867	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,675,586
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
439	-	-	-	-	-	-
<u>231,736</u>	<u>4,696,834</u>	<u>249,849</u>	<u>570,619</u>	<u>1,234,603</u>	<u>126,388</u>	<u>1,675,586</u>
-	-	-	-	-	-	68,062
227,197	4,811,414	241,485	549,925	1,167,457	124,966	1,625,696
-	-	-	-	-	-	-
<u>227,197</u>	<u>4,811,414</u>	<u>241,485</u>	<u>549,925</u>	<u>1,167,457</u>	<u>124,966</u>	<u>1,693,758</u>
<u>\$ 372,042</u>	<u>\$ 4,546,517</u>	<u>\$ 246,743</u>	<u>\$ 564,089</u>	<u>\$ 1,216,308</u>	<u>\$ 125,479</u>	<u>\$ 122,306</u>

MONROE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2006

	<u>E-911</u>	<u>Tuberculosis/ Brucellosis Eradication</u>	<u>Refunds</u>	<u>Tax Sale Redemption Trust</u>
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 96,360	\$ 1,281	\$ 6,000	\$ -
Additions:				
Property and other County tax	-	1,002	-	-
State tax credits	-	64	-	-
Payments in lieu of taxes	-	1	-	-
E-911 surcharge	41,652	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	173,298
Interest	3,197	-	-	-
Miscellaneous	12,108	-	-	-
Total additions	<u>56,957</u>	<u>1,067</u>	<u>-</u>	<u>173,298</u>
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	77,410	1,291	-	-
Trusts paid out	-	-	6,000	173,298
Total deductions	<u>77,410</u>	<u>1,291</u>	<u>6,000</u>	<u>173,298</u>
Balances end of year	<u>\$ 75,907</u>	<u>\$ 1,057</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

<u>Hospital Bond</u>	<u>Special Assessment</u>	<u>Advance Tax</u>	<u>Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ -	\$ 1,306	\$ 24,027	\$ 355	\$ 7,466,127
-	-	-	-	6,810,277
-	-	-	-	393,013
-	-	-	-	5,913
-	-	-	-	41,652
-	-	-	-	171,005
-	-	-	-	1,675,586
-	343	-	-	343
23,283	-	25,046	-	297,431
-	-	-	6	3,203
-	-	-	2,039	14,586
<u>23,283</u>	<u>343</u>	<u>25,046</u>	<u>2,045</u>	<u>9,413,009</u>
-	-	-	-	165,175
-	1,562	-	2,012	9,002,505
<u>23,283</u>	<u>-</u>	<u>26,685</u>	<u>-</u>	<u>297,444</u>
<u>23,283</u>	<u>1,562</u>	<u>26,685</u>	<u>2,012</u>	<u>9,465,124</u>
<u>\$ -</u>	<u>\$ 87</u>	<u>\$ 22,388</u>	<u>\$ 388</u>	<u>\$ 7,414,012</u>

MONROE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Property and other County tax	\$ 3,299,545	\$ 3,080,565	\$ 3,005,448	\$ 3,121,389
Interest and penalty on property tax	36,861	41,246	40,642	41,636
Intergovernmental	3,419,355	3,308,942	2,843,497	3,538,916
Licenses and permits	490	505	1,618	440
Charges for service	252,875	248,374	222,929	211,982
Use of money and property	171,331	133,310	144,542	172,475
Miscellaneous	32,010	24,023	49,624	19,157
Total	\$ 7,212,467	\$ 6,836,965	\$ 6,308,300	\$ 7,105,995
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,042,222	\$ 933,073	\$ 941,315	\$ 965,643
Physical health and social services	668,924	671,063	619,735	607,922
Mental health	795,100	1,077,603	616,402	624,963
County environment and education services	260,494	595,876	210,864	306,927
Roads and transportation	2,822,780	2,384,357	2,176,526	2,273,959
Governmental services to residents	332,531	275,864	259,773	236,668
Administrative services	853,821	912,850	780,756	736,267
Debt service	270,955	273,830	270,990	272,130
Capital projects	1,117,862	566,999	278,303	1,075,318
Total	\$ 8,164,689	\$ 7,691,515	\$ 6,154,664	\$ 7,099,797

See accompanying independent auditor's report.

MONROE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Commerce:			
Grants for Public Works and Economic Development Facilities	11.300	05-01-03909	\$ <u>647,351</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561	FY 06	<u>8,556</u>
U.S. Department of Justice:			
Iowa Department of Secretary of State:			
Protection of Voting Rights	16.104	FY 06	<u>10,478</u>
U.S. General Services Administration:			
Iowa Department of Secretary of State:			
Election Reform Payments	39.011	FY 06	<u>82,793</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558	FY 06	<u>10,331</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY 06	<u>2,451</u>
Foster Care - Title IV-E	93.658	FY 06	<u>5,323</u>
Adoption Assistance	93.659	FY 06	<u>1,305</u>
Medical Assistance Program	93.778	FY 06	<u>13,788</u>
Social Services Block Grant	93.667	FY 06	<u>6,919</u>
Social Services Block Grant	93.667	FY 06	<u>35,208</u>
			<u>42,127</u>

MONROE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect (continued):			
U.S. Department of Health and Human Services (continued):			
Iowa Department of Health:			
Immunization grants	93.268	5885I435	\$ <u>1,539</u>
Immunization grants	93.268	5886I435	<u>1,310</u>
Total indirect			<u>180,001</u>
Total			<u>\$ 827,352</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Monroe County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with 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.

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

To the Officials of Monroe County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated January 11, 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 Monroe County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Monroe County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 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 Monroe County and other parties to whom Monroe County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Oskaloosa, Iowa
January 11, 2007

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 Monroe County:

Compliance

We have audited the compliance of Monroe County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Monroe 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 Monroe County's management. Our responsibility is to express an opinion on Monroe 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 Monroe 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 Monroe County's compliance with those requirements.

In our opinion, Monroe 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 Monroe County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants agreements applicable to federal programs. In planning and performing our audit, we considered Monroe 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.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Monroe County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements.

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 non-compliance with applicable requirements of laws, regulations, contracts and grant agreements 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. Our consideration of the internal control over compliance 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. We noted no material weaknesses during the course of our audit.

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

Oskaloosa, Iowa
January 11, 2007

MONROE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (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 11.300 Grants for Public Works and Economic Development Facilities
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Monroe County did not qualify as a low-risk auditee.

MONROE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

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

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties

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

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension, Auditor, Recorder, Sheriff, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, Auditor, Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety.	Auditor, Recorder
(4) After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Auditor, Recorder,

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

MONROE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

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

REPORTABLE CONDITIONS (continued):

II-A-06 Segregation of Duties (continued)

Responses –

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

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

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

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

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

Conclusion – Responses accepted.

II-B-06 Jail Commissary Account – The Sheriff's office deposits inmate money in a separate Commissary account at the Sheriff's office. Inmates are allowed to purchase items from the jail commissary with their money upon which the County makes a profit.

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

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

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

MONROE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

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

REPORTABLE CONDITIONS (continued):

- II-C-06 County Jail Inmate Account – The Sheriff’s office collects phone commission proceeds and deposits them into a separate checking account at the Sheriff’s office. Expenditures were made directly from this account for blankets, pillows, mattresses, newspapers, and a television for the jail. These revenues and related expenditures were not included in the normal County budgeting, receiving, and disbursing procedures.

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

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

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

- II-D-06 Electronic Data Processing Systems – During our review of internal controls, the existing control activities in the County’s computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weakness in the County’s computer based systems was noted:

The County does not have a written disaster recovery plan in case of computer failure or destruction.

Recommendation – The County should develop a written disaster recovery plan in order to improve the County’s control over computer based systems.

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

Conclusion – Response accepted.

- II-E-06 Sheriff’s Civil Account – Bank reconciliations are performed for the Sheriff’s civil account. However, there is no documented reconciliation between the book balance and a listing of items held in trust. The unreconciled balance at June 30, 2006, was excess cash long in the amount of \$518.77. There were also several small outstanding checks which were over one year old.

Recommendation – A listing of items held in trust should be compared to the book balance on a monthly basis in the civil account. Any differences should be timely investigated. Any outstanding checks over one year old should be written off and remitted to the County Treasurer on the next quarterly report.

MONROE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

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

REPORTABLE CONDITIONS (continued):

II-E-06 Sheriff's Civil Account (continued)

Response – These recommendations will be implemented.

Conclusion – Response accepted.

II-F-06 K-9 Drug Dog and D.A.R.E. Accounts – We noted that the County receives donations to help fund the expenditures of their drug dog. These donations and related expenditures are accounted for in a separate checking and savings account at the Sheriff's office. Control over revenues and expenditures is vested in one individual.

Recommendation – In order to help safeguard these assets, the County should deposit these funds with the County Treasurer and record them in new Special Revenue K-9 and D.A.R.E. Funds. Any future deposits would then be credited to these funds. When expenditures need to be made the Sheriff's office would then file a claim with the Auditor's office and have them issue a warrant against the applicable Special Revenue Fund. Budgeted expenditures would fall under the public safety function and the new K-9 and D.A.R.E. departments, which would be separate from the Sheriff's normal operating department.

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

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

II-G-06 Authorized Signatures – We noted in our testing of bank confirmations that the K-9 account at the Sheriff's office still listed the former County Sheriff as an authorized check signer.

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

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

Conclusion – Response accepted.

MONROE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

MONROE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted in any of the County functions. However, disbursements in one department exceeded the amount appropriated.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We unintentionally omitted appropriations for expenditures related to local option sales and services tax revenues from the original appropriations approved. We will be more careful in the future.

Conclusion – Response accepted.

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

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.

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 Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.

IV-H-06 Resource Enhancement and Protection Certification – The County did not properly dedicate property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa. As a result, the County will not receive the additional resource enhancement and protection funds allocated in accordance with subsections (b)(2) and (b)(3).

Recommendation – The County should consider dedicating an adequate amount of property tax revenue for conservation purposes in order to receive the additional REAP funding.

Response – We will consider this.

Conclusion – Response accepted.

MONROE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

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

- IV-I-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.

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

- IV-J-06 Economic Development Expenditures – We noted in our testing of expenditures for County economic development that no documentation was made as to the public purpose served by the expenditures as required by Chapter 15A of the Code of Iowa.

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

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

Conclusion – Response accepted.

- IV-K-06 Personal Allowance – We noted that one County employee is allowed a \$500 annual allowance for use of a personal vehicle for County business. However, no support documentation such as mileage, time, date, and purpose of trip is required.

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

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

Conclusion – Response accepted.

- IV-L-06 Debt Service Expenditures – We noted that payments made by the County for capital leases were made through the county environment function.

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

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

Conclusion – Response accepted.