

MONROE COUNTY

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

JUNE 30, 2007

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MONROE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2007)		
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
(After January 2007)		
Paul V. Koffman (Board President)	Board of Supervisors	Jan. 2009
Michael Beary	Board of Supervisors	Jan. 2009
Dennis J. Ryan	Board of Supervisors	Jan. 2011
Jeannie Bettis	County Auditor	Jan. 2009
Sandy Clark	County Treasurer	Jan. 2011
Tracy Casady	County Recorder	Jan. 2011
Daniel Johnson	County Sheriff	Jan. 2009
Steve Goodlow	County Attorney	Jan. 2011
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, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Monroe County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, 2007 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2008 on our consideration of Monroe County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 50 through 52 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 two years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2004 (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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
February 19, 2008

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, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follows.

2007 Financial Highlights

- Revenues of the County's governmental activities increased 17.3%, or approximately \$1.3 million from fiscal 2006 to fiscal 2007. Property tax revenues increased \$306,919 and operating grants and contributions increased \$234,698 from fiscal 2006 to fiscal 2007.
- Program expenses were \$138,406 more in fiscal 2007 than in fiscal 2006. Mental Health expenses increased \$62,855.
- The County's net assets increased approximately \$2,132,000 from June 30, 2006 to June 30, 2007.

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 tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. Monroe County's combined net assets increased by approximately 25% from a year ago, from \$8,502,223 to \$10,634,883. 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, 2007</u>	<u>June 30, 2006</u>	<u>%Change</u>
Current and other assets	\$	8,363	8,171	2.35
Capital Assets		6,636	5,128	29.5
Total Assets		14,999	13,299	12.78
Long-term liabilities		658	1,072	(38.7)
Other liabilities		3,706	3,725	(0.51)
Total Liabilities	\$	4,364	4,797	(9.0)
Net assets				
Invested in capital assets				
Net of related debt		6,089	4,426	37.6
Restricted		2,362	2,342	1.0
Unrestricted		2,183	1,734	25.89
Total net assets	\$	10,634	8,502	25.08

Net assets of Monroe County's governmental activities increased by approximately 25% (\$8,502,223 to \$10,634,883). 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 \$1,734,000 at June 30, 2006 to approximately \$2,183,000 at June 30, 2007, an increase of approximately 25.9%.

This increase of approximately \$449,000 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, 2007</u>	<u>June 30, 2006</u>	<u>%Change</u>
Revenues:			
Program revenues:			
Charges for service	\$ 347	363	(4.5)
Operating grants, contributions and restricted interest	2,696	2,462	9.5
Capital grants, contributions and restricted interest	1,928	1,252	54.0
General revenues:			
Property tax	3,274	2,968	10.3
Penalty and interest on property tax	97	76	27.5
State Tax Credits	159	148	7.4
Local Option Sales Tax	430	350	23.0
Unrestricted investment earnings	185	142	30.0
Other general revenues	11	20	(45.0)
Total Revenues	9,127	7,781	17.3
Program expenses:			
Public Safety and legal services	982	970	1.3
Physical health and social services	686	645	6.4
Mental Health	858	795	7.9
County environment and education	277	251	10.3
Roads and transportation	3,029	3,052	(0.75)
Governmental services to residents	255	323	(21.0)
Administration	880	794	10.8
Interest on long term debt	27	26	4.0
Total Expenses	6,994	6,856	2.0
Increase in net assets	2,133	925	
Net assets beginning of year	8,502	7,577	
Net assets end of year	\$ 10,635	8,502	25.1

Monroe County's net assets of governmental activities increased by \$2,132,660 during the year.

The cost of all governmental activities this year was approximately \$7.0 million. However, as shown on the Statement of Activities - Exhibit B, the amount taxpayers ultimately financed for these activities was only \$4.1 million because some of the cost was paid by those directly benefited from the programs (\$346,616) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,624,303). The County paid for the remaining "public benefit" portion of governmental activities with \$3,704,682 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 \$3,285,665, an increase of \$64,832 above last year's total of \$3.2 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 \$33,168 and expenditures decreased by \$16,873 when compared to the prior year. The ending fund balance showed an increase of \$218,408 from the prior year to \$1,449,172. The County's General Fund financial position is the result of many factors.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$ 857,955, an increase from the prior year. The Mental Health Fund balance at year end increased by \$92,304.
- Secondary Roads Fund expenditures decreased by \$1,110,182 from the prior year. Revenues also decreased by \$601,186 from the prior year. The Secondary Road Fund balance at year end was \$1,193,124.

Budgetary Highlights

Over the course of the year, Monroe County amended its budget one time, increasing budgeted disbursements by \$1,568,729. The amendment was made in October 2006 and resulted in an increase in budgeted disbursements related to a bio-terrorism grant funding and secondary road expenses and increases in local option sales tax monies and a HAVA grant.

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, 2007, Monroe County had approximately invested \$6.6 million in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$1,507,809, or 29.4%, over the prior year.

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Land	\$ 111	111
Construction in Progress		833
Buildings and improvements	1,359	1,420
Equipment and vehicles	1,235	1,470
Infrastructure	3,931	1,293
Total	\$ 6,636	5,127

The County had depreciation expense of \$472,276 for fiscal year 2007 and total accumulated depreciation of \$4,048,024 at June 30, 2007.

Long-Term Liability

At June 30, 2007, Monroe County had approximately \$ 658,334 in general obligation bonds and other outstanding liabilities.

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
General Obligation notes and bonds	\$ 322	682
Capital lease purchase agreements	11	2
Notes payable	214	278
Compensated absences	111	110
Totals	\$ 658	1,072

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 2008 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 2000-2007, averaging per year gains of 2.2 percent. Unemployment in the County now stands at 4.6 percent. This compares with the State's unemployment rate of 4.0 percent and the national rate of 4.9 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The Federal CPI increase was 2.3 percent for fiscal year 2007. Inflation has been modest here due in part to the slowing of the residential housing market and increases in energy prices in 2006-2007.

These indicators were taken into account when adopting the budget for fiscal year 2008. Amounts available for appropriation in the operating budget are \$8.5 million, an increase of approximately 13 percent of the final 2007 budget. Receipts are budgeted at approximately \$7.0 million. Increased wage and cost of living adjustments, and local option sales tax revenue and disbursements (to the 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 2008 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of 2008.

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, 2007

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,741,735
Receivables:	
Property tax:	
Delinquent	76,221
Succeeding year	3,313,000
Interest and penalty on property tax	364,129
Accounts	80,395
Accrued interest	12,786
Due from other governments	284,728
Loan receivable (note 3)	214,286
Inventories	218,103
Prepaid expenses	58,011
Capital assets, net of accumulated depreciation (note 5)	<u>6,635,656</u>
 Total assets	 <u>14,999,050</u>
Liabilities	
Accounts payable	108,643
Salaries and benefits payable	42,657
Due to other governments (note 6)	155,703
Health claims incurred but not reported	83,753
Accrued interest payable	2,077
Deferred revenue:	
Succeeding year property tax	3,313,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Capital lease purchase agreements	1,844
Capital loan notes	71,619
Road use tax revenue notes	100,000
Loans payable	42,857
Compensated absences	111,710
Portion due or payable after one year:	
Capital lease purchase agreements	8,875
Road use tax revenue notes	150,000
Loans payable	<u>171,429</u>
 Total liabilities	 <u>4,364,167</u>

MONROE COUNTY
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 6,089,032
Restricted for:	
Supplemental levy purposes	509,393
Mental health purposes	126,072
Rural services	370,763
Secondary roads	1,136,793
Debt service	44,144
Other special revenue purposes	125,390
Inmate room and board	38,619
Cemetery levy	11,288
Unrestricted	<u>2,183,389</u>
Total net assets	<u><u>\$ 10,634,883</u></u>

See notes to financial statements.

MONROE COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

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	\$ 981,699	\$ 49,211	\$ 94,930	\$ -	(837,558)
Physical health and social services	685,949	22,851	311,958	-	(351,140)
Mental health	857,955	36,308	570,822	-	(250,825)
County environment and education	276,704	44,861	4,930	-	(226,913)
Roads and transportation	3,028,910	16,544	1,684,454	1,927,986	600,074
Government services to residents	255,692	139,865	4,596	-	(111,231)
Administration	880,121	36,976	24,627	-	(818,518)
Interest on long-term debt	27,553	-	-	-	(27,553)
Total	\$ 6,994,583	\$ 346,616	\$ 2,696,317	\$ 1,927,986	(2,023,664)
General Revenues:					
Property and other county tax levied for:					
General purposes					3,032,591
Debt service					241,691
Penalty and interest on property tax					97,109
State tax credits					158,696
Local option sales and services tax					430,400
Unrestricted investment earnings					184,812
Miscellaneous					11,025
Total general revenues					4,156,324
Change in net assets					2,132,660
Net assets beginning of year					8,502,223
Net assets end of year					\$ 10,634,883

See notes to financial statements.

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MONROE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,367,925	\$ 226,944	\$ 362,997	\$ 881,112
Receivables:				
Property tax:				
Delinquent	43,973	7,316	19,494	-
Succeeding year	2,003,000	325,000	929,000	-
Interest and penalty on property tax	364,129	-	-	-
Accounts	7,537	-	-	5,684
Accrued interest	12,430	-	-	-
Loan receivable (note 3)	214,286	-	-	-
Due from other governments	81,170	-	68,816	134,742
Inventories	-	-	-	218,103
Prepaid expenses	43,048	-	-	14,963
Total assets	<u>\$ 4,137,498</u>	<u>\$ 559,260</u>	<u>\$ 1,380,307</u>	<u>\$ 1,254,604</u>

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 165,817	\$ 3,004,795
5,438	76,221
56,000	3,313,000
-	364,129
-	13,221
356	12,786
-	214,286
-	284,728
-	218,103
-	58,011
<u>\$ 227,611</u>	<u>\$ 7,559,280</u>

MONROE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 35,144	\$ 24,940	\$ 2,223	\$ 46,336
Salaries and benefits payable	25,838	712	1,775	14,332
Due to other governments (note 6)	2,689	82,536	69,666	812
Deferred revenue:				
Succeeding year property tax	2,003,000	325,000	929,000	-
Other	621,655	7,242	19,332	-
Total liabilities	<u>2,688,326</u>	<u>440,430</u>	<u>1,021,996</u>	<u>61,480</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	218,103
Prepaid expenses	43,048	-	-	14,963
Supplemental levy purposes	497,122	-	-	-
Debt service	-	-	-	-
Inmate room and board	38,619	-	-	-
Cemetery levy	11,147	-	-	-
Unreserved, reported in:				
General fund	859,236	-	-	-
Special revenue funds	-	118,830	358,311	960,058
Total fund balances	<u>1,449,172</u>	<u>118,830</u>	<u>358,311</u>	<u>1,193,124</u>
Total liabilities and fund balances	<u>\$ 4,137,498</u>	<u>\$ 559,260</u>	<u>\$ 1,380,307</u>	<u>\$ 1,254,604</u>

See notes to financial statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 108,643
-	42,657
-	155,703
-	-
56,000	3,313,000
5,383	653,612
<u>61,383</u>	<u>4,273,615</u>
-	218,103
-	58,011
-	497,122
40,838	40,838
-	38,619
-	11,147
-	859,236
<u>125,390</u>	<u>1,562,589</u>
<u>166,228</u>	<u>3,285,665</u>
<u>\$ 227,611</u>	<u>\$ 7,559,280</u>

MONROE COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total fund balances of governmental funds	\$ 3,285,665
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 \$10,683,680 and the accumulated depreciation is \$4,048,024.	6,635,656
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	653,612
The Internal Service Fund is used by management to charge the costs of the 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.	720,361
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.	(2,077)
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>(658,334)</u>
Net assets of governmental activities	\$ <u><u>10,634,883</u></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, 2007

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 1,962,013	\$ 326,456	\$ 1,188,538	\$ -
Interest and penalty on property tax	124,528	-	-	-
Intergovernmental	541,656	622,688	32,482	1,683,684
Licenses and permits	50	-	-	665
Charges for service	216,077	-	6,669	117
Use of money and property	186,902	-	-	-
Miscellaneous	15,966	1,115	39	16,534
Total revenues	<u>3,047,192</u>	<u>950,259</u>	<u>1,227,728</u>	<u>1,701,000</u>
Expenditures:				
Operating:				
Public safety and legal services	816,929	-	191,414	-
Physical health and social services	692,584	-	12,450	-
Mental health	-	857,955	-	-
County environment and education	140,107	-	124,076	-
Roads and transportation	-	-	-	2,350,659
Government services to residents	264,770	-	-	-
Administration	863,002	-	-	-
Debt service	21,501	-	-	115,463
Capital projects	-	-	430,400	9,433
Total expenditures	<u>2,798,893</u>	<u>857,955</u>	<u>758,340</u>	<u>2,475,555</u>
Excess (deficiency) of revenues over (under) expenditures	<u>248,299</u>	<u>92,304</u>	<u>469,388</u>	<u>(774,555)</u>
Other financing sources (uses):				
Sale of capital assets	846	-	-	3,740
Interfund transfers in (note 4)	-	-	-	630,209
Interfund transfers out (note 4)	(41,747)	-	(588,462)	-
Execution of capital lease	11,010	-	-	-
Total other financing sources (uses)	<u>(29,891)</u>	<u>-</u>	<u>(588,462)</u>	<u>633,949</u>
Net change in fund balances	218,408	92,304	(119,074)	(140,606)
Fund balances beginning of year	<u>1,230,764</u>	<u>26,526</u>	<u>477,385</u>	<u>1,333,730</u>
Fund balances end of year	<u>\$ 1,449,172</u>	<u>\$ 118,830</u>	<u>\$ 358,311</u>	<u>\$ 1,193,124</u>

See notes to financial statements.

Nonmajor Governmental		
<u>Funds</u>		<u>Total</u>
\$ 242,703	\$	3,719,710
-		124,528
17,262		2,897,772
-		715
17,502		240,365
8,303		195,205
8,500		42,154
<u>294,270</u>		<u>7,220,449</u>
		- 1,008,343
		- 705,034
		- 857,955
		- 264,183
		- 2,350,659
		- 264,770
		- 863,002
272,765		409,729
7,705		447,538
<u>280,470</u>		<u>7,171,213</u>
<u>13,800</u>		<u>49,236</u>
		- 4,586
		- 630,209
		- (630,209)
		- 11,010
		<u>15,596</u>
13,800		64,832
<u>152,428</u>		<u>3,220,833</u>
<u>\$ 166,228</u>	<u>\$</u>	<u>3,285,665</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, 2007

Net change in fund balances - total governmental funds \$ 64,832

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 outlay
expenditures and depreciation expense in the current year are as follows:

	Capital outlays	\$ 52,099	
Capital assets contributed by the Iowa Department of Transportation		1,927,986	
Depreciation expense		<u>(472,276)</u>	1,507,809

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

	Property tax	(15,027)	
Penalty and interest on property tax		<u>(27,419)</u>	(42,446)

Proceeds from issuing long-term liabilities provide current financial resources
to governmental funds, but issuing debt increases long-term liabilities in the
Statement of Net Assets. (11,010)

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. 382,650

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

	Compensated absences	(957)	
Interest on long-term debt		<u>2,288</u>	1,331

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. 229,494

Change in net assets of governmental activities \$ 2,132,660

See notes to financial statements.

MONROE COUNTY
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 June 30, 2007

		<u>Internal Service - Employee Group Health</u>
Assets		
Cash and investments	\$	736,940
Accounts receivable		<u>67,174</u>
Total assets		<u>804,114</u>
Liabilities		
Health claims incurred but not reported		<u>83,753</u>
Net Assets		
Unrestricted	\$	<u><u>720,361</u></u>

See notes to financial statements.

MONROE COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 Year Ended June 30, 2007

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 758,725
Reimbursements from retirees	12,915
Insurance reimbursements	<u>83,602</u>
Total operating revenues	<u>855,242</u>
Operating expenses:	
Medical claims	474,532
Administrative fees	154,799
Stop loss insurance premiums	<u>13,085</u>
Total operating expenses	<u>642,416</u>
Operating income	212,826
Non-operating revenues:	
Interest on investments	<u>16,668</u>
Net income	229,494
Net assets beginning of year	<u>490,867</u>
Net assets end of year	<u>\$ 720,361</u>

See notes to financial statements.

MONROE COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2007

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 758,725
Cash received from employees and others	29,343
Cash payments to suppliers for services	<u>(623,653)</u>
Net cash provided by operating activities	<u>164,415</u>
Cash flows from investing activities:	
Interest on investments	16,668
Purchase of investments	<u>(336,564)</u>
Net cash used by investing activities	<u>(319,896)</u>
Net decrease in cash and cash equivalents	(155,481)
Cash and cash equivalents beginning of year	<u>555,857</u>
Cash and cash equivalents end of year	<u>\$ 400,376</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 212,826
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in health claims incurred but not reported	18,763
(Increase) in accounts receivable	<u>(67,174)</u>
Net cash provided by operating activities	<u>\$ 164,415</u>
Reconciliation of cash and cash equivalents end of year to specific assets included on the Statement of Net Assets:	
Cash and investments	\$ 736,940
Less items not meeting the definition of cash equivalents:	
Certificates of deposit	<u>(336,564)</u>
Cash and cash equivalents end of year	<u>\$ 400,376</u>

See notes to financial statements.

MONROE COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2007

Assets

Cash and pooled investments:		
County Treasurer	\$	488,460
Other County officials		25,306
Receivables:		
Property tax:		
Delinquent		145,146
Succeeding year		7,038,000
Accounts		9,909
Accrued interest		300
Due from other governments		9,277
Prepaid expenses		<u>882</u>
 Total assets	 \$	 <u><u>7,717,280</u></u>

Liabilities

Accounts payable	\$	1,110
Due to other governments (note 6)		7,666,237
Trusts payable		<u>49,933</u>
 Total liabilities	 \$	 <u><u>7,717,280</u></u>

See notes to financial statements.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

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 accounting principles generally accepted in the United States of America, 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 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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

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

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

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

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

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs 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, 2007

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 liabilities 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, 2007

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. Cash investments not meeting the definition of cash equivalents at June 30, 2007 included certificates of deposit of \$336,564 with maturity dates 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, 2007

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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.

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

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

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 sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

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

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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, 2007, disbursements did not exceed the amounts budgeted in any of the County functions.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 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.

Note 3. Note Receivable

During the year ended 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. As noted in note 7, this transaction was enabled by a Community Economic Betterment Account interest free promissory note obtained by the County.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 3. Note Receivable (continued)

A summary of annual collections due to the County as of June 30, 2007 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2008	\$ 42,857
2009	42,857
2010	42,857
2011	42,857
2012	<u>42,858</u>
Total	<u>\$ 214,286</u>

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 41,747
	Special Revenue: Rural Services	<u>588,462</u>
		<u>\$ 630,209</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, 2007

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2007 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	832,873	-	832,873	-
Total capital assets not being depreciated	<u>944,135</u>	<u>-</u>	<u>832,873</u>	<u>111,262</u>
Capital assets being depreciated:				
Buildings	2,144,680	-	-	2,144,680
Improvements other than buildings	72,000	-	-	72,000
Machinery and equipment	4,309,895	62,099	111,999	4,259,995
Infrastructure	1,344,884	2,750,859	-	4,095,743
Total capital assets being depreciated	<u>7,871,459</u>	<u>2,812,958</u>	<u>111,999</u>	<u>10,572,418</u>
Less accumulated depreciation for:				
Buildings	738,859	59,637	-	798,496
Improvements other than buildings	57,024	2,592	-	59,616
Machinery and equipment	2,839,733	297,051	111,999	3,024,785
Infrastructure	52,131	112,996	-	165,127
Total accumulated depreciation	<u>3,687,747</u>	<u>472,276</u>	<u>111,999</u>	<u>4,048,024</u>
Total capital assets being depreciated, net	<u>4,183,712</u>	<u>2,340,682</u>	<u>-</u>	<u>6,524,394</u>
Governmental activities capital assets, net	<u>\$ 5,127,847</u>	<u>\$ 2,340,682</u>	<u>\$ 832,873</u>	<u>\$ 6,635,656</u>

MONROE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 Year Ended June 30, 2007

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	45,911
County environment and education		27,340
Roads and transportation		356,441
Government services to residents		2,092
Administration		<u>40,492</u>
Total depreciation expense - governmental activities	\$	<u><u>472,276</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	\$ 2,689
Special Revenue:		
Mental Health		82,536
Rural Services		69,666
Secondary Roads		<u>812</u>
Total for governmental funds		<u><u>\$ 155,703</u></u>
Agency:		
County Assessor	Collections	\$ 380,943
Townships		129,711
Schools		4,686,412
Corporations		1,262,918
Area Schools		273,072
Auto License and Use Tax		141,174
County Hospital		585,993
All Other		<u>206,014</u>
Total for agency funds		<u><u>\$ 7,666,237</u></u>

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Capital Lease Purchase Agreements	\$ 2,471	\$ 11,010	\$ 2,762	\$ 10,719	\$ 1,844
General Obligation Bonds	190,000	-	190,000	-	-
Capital Loan Notes	140,519	-	68,900	71,619	71,619
Road Use Tax Revenue Notes	350,000	-	100,000	250,000	100,000
Loans Payable	278,131	-	63,845	214,286	42,857
Compensated Absences	110,753	111,710	110,753	111,710	111,710
Balance end of year	<u>\$ 1,071,874</u>	<u>\$ 122,720</u>	<u>\$ 536,260</u>	<u>\$ 658,334</u>	<u>\$ 328,030</u>

Capital Lease Purchase Agreements

During the year ended June 30, 2007, the County entered into a capital lease purchase agreement to purchase a conservation area mower with historical cost totaling \$11,010. The following is a schedule of the future minimum lease payments, including interest ranging from 5.09% to 5.50% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2007:

Year Ending June 30,	Total
2008	\$ 2,759
2009	2,759
2010	2,759
2011	2,759
2012	<u>2,299</u>
Total minimum lease payments	13,335
Less amount representing interest	<u>2,616</u>
Present value of net minimum lease payments	<u>\$ 10,719</u>

Payments under capital lease purchase agreements for the year ended June 30, 2007 totaled \$2,762.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 7. Long-Term Liabilities (continued)

Capital Loan Note Payable

A summary of the County's June 30, 2007, capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest
2008	3.75 %	\$ 71,619	\$ 2,022

During the year ended June 30, 2007, the County retired \$68,900 of capital loan notes.

Road Use Tax Revenue Notes

Details of the County's Road Use Tax Revenue Notes at June 30, 2007 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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
		\$ 250,000	\$ 18,116	\$ 268,116

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 (note 3). Upon exhaustion of the County's rights in the collateral granted by such security interest, the County will have no liability for any deficiency owing on the note except in the event of County fraud, negligence, or gross mismanagement of the loan agreement.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 7. Long-Term Liabilities (continued)

Loans Payable (continued)

Details of the County's loans payable at June 30, 2007, are as follows:

Year Ending June 30,	Community Economic Development Account Promissory Note		
	Interest Rates	Principal	Interest
2008	N/A	\$ 42,857	\$ -
2009	N/A	42,857	-
2010	N/A	42,857	-
2011	N/A	42,857	-
2012	N/A	42,858	-
		<u>\$ 214,286</u>	<u>\$ -</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
2008	\$ 4,494
2009	3,360
2010	<u>2,240</u>
	<u>\$ 10,094</u>

Payments under the operating lease agreements for the year ended June 30, 2007 totaled \$5,628.

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.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 9. Pension and Retirement Benefits (continued)

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, 2007, 2006 and 2005 were \$147,263, \$139,440 and \$142,393, 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 whose 556 members include 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, 2007 were \$113,928.

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 \$3,000,000 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.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 10. Risk Management (continued)

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, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, 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 to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with First Administrators, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$30,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Monroe County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to First Administrators, Inc. from the Monroe County Employee Group Health Fund. The County records the plan assets and related liabilities of the Monroe County Health Insurance Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2007 was \$758,725.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 11. Employee Health Insurance Plan (continued)

Amounts payable from the Employee Group Health Fund at June 30, 2007 total \$83,753 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 \$720,361 at June 30, 2007 and is reported as net assets of the Employee Group Health Fund. 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, 2006	\$ <u>64,990</u>
Incurred claims (including claims incurred but not reported at June 30, 2007):	
Current year events	447,054
Prior year events	<u>27,478</u>
Total incurred claims	<u>474,532</u>
Payments:	
Current year events	428,291
Prior year events	<u>27,478</u>
Total payments	<u>455,769</u>
Unpaid claims at June 30, 2007	\$ <u><u>83,753</u></u>

Note 12. 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, 2007, 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, 2007

Note 12. Contingent Liability (continued)

The County received notice in November, 2006 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.

Note 13. Subsequent Events

In November, 2007 the County issued \$400,000 in general obligation office building notes with an interest rate of 5.5%. The notes are payable through the year ending June 30, 2015 and will be used for the purchase and renovation of new County office space.

In September, 2007 the County approved the future issuance of \$100,000,000 in Taxable Industrial Development Revenue Bonds or Notes for the purpose of the development of the Mid-West Chlor-Alkali Project for the production of food-grade liquid caustic soda, liquid hydrochloric acid and sodium hypochloride. As the issuer of the bonds, the County would have only limited obligations and would have no pecuniary liability.

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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, 2007

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 3,712,968	\$ 3,737,770	\$ 3,907,770	\$ (194,802)
Interest and penalty on property tax	124,322	3,000	3,000	121,322
Intergovernmental	2,912,781	2,572,591	2,614,433	298,348
Licenses and permits	765	350	350	415
Charges for service	238,809	171,405	171,405	67,404
Use of money and property	194,980	97,630	97,630	97,350
Miscellaneous	38,430	25,675	200,675	(162,245)
Total receipts	<u>7,223,055</u>	<u>6,608,421</u>	<u>6,995,263</u>	<u>227,792</u>
DISBURSEMENTS:				
Public safety and legal services	1,008,708	1,150,281	1,150,281	141,573
Physical health and social services	702,640	759,402	796,976	94,336
Mental health	907,594	944,425	944,425	36,831
County environment and education	265,425	284,651	641,901	376,476
Roads and transportation	2,399,051	2,206,784	2,880,198	481,147
Government services to residents	267,111	303,990	308,258	41,147
Administration	870,019	927,770	936,243	66,224
Debt service	409,729	414,278	457,028	47,299
Capital projects	486,262	516,576	961,576	475,314
Total disbursements	<u>7,316,539</u>	<u>7,508,157</u>	<u>9,076,886</u>	<u>1,760,347</u>
Excess (deficiency) of receipts over (under) disbursements	(93,484)	(899,736)	(2,081,623)	1,988,139
Other financing sources, net	<u>15,596</u>	<u>5,000</u>	<u>405,000</u>	<u>(389,404)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(77,888)	(894,736)	(1,676,623)	1,598,735
Balance beginning of year	<u>3,082,683</u>	<u>1,750,320</u>	<u>2,749,099</u>	<u>333,584</u>
Balance end of year	<u>\$ 3,004,795</u>	<u>\$ 855,584</u>	<u>\$ 1,072,476</u>	<u>\$ 1,932,319</u>

See accompanying independent auditor's report.

MONROE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,223,055	\$ (2,606)	\$ 7,220,449
Expenditures	7,316,539	(145,326)	7,171,213
Net	(93,484)	142,720	49,236
Other financing sources	15,596	-	15,596
Beginning fund balances	3,082,683	138,150	3,220,833
Ending fund balances	<u>\$ 3,004,795</u>	<u>\$ 280,870</u>	<u>\$ 3,285,665</u>

See accompanying independent auditor's report.

MONROE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2007

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, internal service funds, 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 \$1,568,729. 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, 2007, disbursements did not exceed the amounts budgeted in any of the County functions.

Other Supplementary Information

MONROE COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	<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	\$ 10,751	\$ 7	\$ 47,030	\$ 67,393
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accrued interest	39	-	170	-
	<hr/>			
Total assets	<u>\$ 10,790</u>	<u>\$ 7</u>	<u>\$ 47,200</u>	<u>\$ 67,393</u>
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ -	\$ -	\$ -	-
Other	-	-	-	-
Total liabilities	<hr/> -	<hr/> -	<hr/> -	<hr/> -
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Unreserved	10,790	7	47,200	67,393
Total fund equity	<hr/> 10,790	<hr/> 7	<hr/> 47,200	<hr/> 67,393
	<hr/>			
Total liabilities and fund equity	<u>\$ 10,790</u>	<u>\$ 7</u>	<u>\$ 47,200</u>	<u>\$ 67,393</u>

See accompanying independent auditor's report.

<u>Debt Service</u>	<u>Total</u>
\$ 40,636	\$ 165,817
5,438	5,438
56,000	56,000
147	356
\$ 102,221	\$ 227,611

\$ 56,000	\$ 56,000
5,383	5,383
61,383	61,383

40,838	40,838
-	125,390
40,838	166,228
\$ 102,221	\$ 227,611

MONROE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2007

	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	-	-	4,930	-
Charges for service	2,137	-	-	15,365
Use of money and property	427	-	2,020	-
Miscellaneous	-	-	-	8,500
Total revenues	<u>2,564</u>	<u>-</u>	<u>6,950</u>	<u>23,865</u>
Expenditures:				
Debt service	-	-	-	-
Capital projects	-	-	-	5,630
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,630</u>
Excess (deficiency) of revenues over (under) expenditures	2,564	-	6,950	18,235
Fund balances beginning of year	<u>8,226</u>	<u>7</u>	<u>40,250</u>	<u>49,158</u>
Fund balances end of year	<u>\$ 10,790</u>	<u>\$ 7</u>	<u>\$ 47,200</u>	<u>\$ 67,393</u>

See accompanying independent auditor's report.

	<u>Debt Service</u>		<u>Capital Projects</u>		<u>Total</u>
\$	242,703	\$	-	\$	242,703
	12,332		-		17,262
	-		-		17,502
	5,856		-		8,303
	-		-		8,500
	<u>260,891</u>		-		<u>294,270</u>
	272,765		-		272,765
	-		2,075		7,705
	<u>272,765</u>		<u>2,075</u>		<u>280,470</u>
	(11,874)		(2,075)		13,800
	<u>52,712</u>		<u>2,075</u>		<u>152,428</u>
\$	<u><u>40,838</u></u>	\$	<u><u>-</u></u>	\$	<u><u>166,228</u></u>

MONROE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2007

	<u>County Auditor</u>	<u>County Recorder</u>	<u>County Sheriff</u>	<u>Agricultural Extension Education</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	1,054
Other County officials	10,233	1,088	13,985	-
Receivables:				
Property tax:				
Delinquent	-	-	-	2,128
Succeeding year	-	-	-	97,000
Accounts	-	117	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expense	-	-	-	-
	<hr/>			
Total assets	<u>\$ 10,233</u>	<u>\$ 1,205</u>	<u>\$ 13,985</u>	<u>\$ 100,182</u>
LIABILITIES				
Accounts payable	\$ -	\$ 151	\$ 143	\$ -
Due to other governments	-	1,054	-	100,182
Trusts payable	10,233	-	13,842	-
	<hr/>			
Total liabilities	<u>\$ 10,233</u>	<u>\$ 1,205</u>	<u>\$ 13,985</u>	<u>\$ 100,182</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>
\$ 146,920	\$ 51,846	\$ 2,673	\$ 7,713	\$ 25,793	\$ 1,114	\$ 141,174
-	-	-	-	-	-	-
5,023	105,566	5,399	12,280	11,125	3,597	-
229,000	4,529,000	265,000	566,000	1,226,000	125,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 380,943</u>	<u>\$ 4,686,412</u>	<u>\$ 273,072</u>	<u>\$ 585,993</u>	<u>\$ 1,262,918</u>	<u>\$ 129,711</u>	<u>\$ 141,174</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
380,943	4,686,412	273,072	585,993	1,262,918	129,711	141,174
-	-	-	-	-	-	-
<u>\$ 380,943</u>	<u>\$ 4,686,412</u>	<u>\$ 273,072</u>	<u>\$ 585,993</u>	<u>\$ 1,262,918</u>	<u>\$ 129,711</u>	<u>\$ 141,174</u>

MONROE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2007

	<u>E-911</u>	<u>Tuberculosis/ Brucellosis Eradication</u>	<u>Special Assessments</u>	<u>Advance Tax</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 82,024	\$ 14	\$ 1,867	\$ 25,858
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	28	-	-
Succeeding year	-	1,000	-	-
Accounts	9,792	-	-	-
Accrued interest	299	-	-	-
Due from other governments	9,277	-	-	-
Prepaid expense	882	-	-	-
	<hr/>			
Total assets	<u>\$ 102,274</u>	<u>\$ 1,042</u>	<u>\$ 1,867</u>	<u>\$ 25,858</u>
LIABILITIES				
Accounts payable	\$ 816	\$ -	\$ -	-
Due to other governments	101,458	1,042	1,867	-
Trusts payable	-	-	-	25,858
	<hr/>			
Total liabilities	<u>\$ 102,274</u>	<u>\$ 1,042</u>	<u>\$ 1,867</u>	<u>\$ 25,858</u>

See accompanying independent auditor's report.

Recorder's Electronic Transaction Fee	Total
\$ 410	\$ 488,460
-	25,306
-	145,146
-	7,038,000
-	9,909
1	300
-	9,277
-	882
<u>\$ 411</u>	<u>\$ 7,717,280</u>
\$ -	\$ 1,110
411	7,666,237
-	49,933
<u>\$ 411</u>	<u>\$ 7,717,280</u>

MONROE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2007

	County Auditor	County Recorder	County Sheriff	Agricultural Extension Education
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 10,232	\$ 200	\$ 12,994	\$ 97,275
Additions:				
Property and other County tax	-	-	-	98,522
State tax credits	-	-	-	4,734
Payments in lieu of taxes	-	-	-	45
E-911 surcharge	-	-	-	-
Office fees and collections	138	188,476	29,903	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	444	-	78,518	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>582</u>	<u>188,476</u>	<u>108,421</u>	<u>103,301</u>
Deductions:				
Agency remittances:				
To other funds	138	75,272	29,565	-
To other governments	-	112,199	392	100,394
Trusts paid out	443	-	77,473	-
Total deductions	<u>581</u>	<u>187,471</u>	<u>107,430</u>	<u>100,394</u>
Balances end of year	<u>\$ 10,233</u>	<u>\$ 1,205</u>	<u>\$ 13,985</u>	<u>\$ 100,182</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>
\$ 372,042	\$ 4,546,517	\$ 246,743	\$ 564,089	\$ 1,216,308	\$ 125,479	\$ 122,306
232,166	4,584,881	268,837	573,567	1,210,224	127,612	-
11,176	232,895	12,012	27,322	87,142	5,656	-
227	2,259	115	263	2,879	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,676,788
-	-	-	-	-	-	-
-	-	-	-	-	-	-
684	-	-	-	-	-	-
<u>244,253</u>	<u>4,820,035</u>	<u>280,964</u>	<u>601,152</u>	<u>1,300,245</u>	<u>133,268</u>	<u>1,676,788</u>
-	-	-	-	-	-	64,152
235,352	4,680,140	254,635	579,248	1,253,635	129,036	1,593,768
-	-	-	-	-	-	-
<u>235,352</u>	<u>4,680,140</u>	<u>254,635</u>	<u>579,248</u>	<u>1,253,635</u>	<u>129,036</u>	<u>1,657,920</u>
<u>\$ 380,943</u>	<u>\$ 4,686,412</u>	<u>\$ 273,072</u>	<u>\$ 585,993</u>	<u>\$ 1,262,918</u>	<u>\$ 129,711</u>	<u>\$ 141,174</u>

MONROE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2007

	E-911	Tuberculosis/ Brucellosis Eradication	Special Assessment	Advance Tax
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 75,907	\$ 1,057	\$ 87	\$ 22,388
Additions:				
Property and other County tax	-	1,251	-	-
State tax credits	-	63	-	-
Payments in lieu of taxes	-	1	-	-
E-911 surcharge	48,791	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	2,691	-
Trusts	-	-	-	27,191
Interest	3,766	-	-	-
Miscellaneous	22,468	-	-	-
Total additions	<u>75,025</u>	<u>1,315</u>	<u>2,691</u>	<u>27,191</u>
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	48,658	1,330	911	-
Trusts paid out	-	-	-	23,721
Total deductions	<u>48,658</u>	<u>1,330</u>	<u>911</u>	<u>23,721</u>
Balances end of year	<u>\$ 102,274</u>	<u>\$ 1,042</u>	<u>\$ 1,867</u>	<u>\$ 25,858</u>

See accompanying independent auditor's report.

Recorder's Electronic Transaction Fee	Tax Sale Redemption Trust	Hospital Bond	Total
\$ 388	\$ -	\$ -	\$ 7,414,012
-	-	-	7,097,060
-	-	-	381,000
-	-	-	5,789
-	-	-	48,791
-	-	-	218,517
-	-	-	1,676,788
-	-	-	2,691
-	154,244	23,283	283,680
9	-	-	3,775
2,137	-	-	25,289
<u>2,146</u>	<u>154,244</u>	<u>23,283</u>	<u>9,743,380</u>
-	-	-	169,127
2,123	-	-	8,991,821
-	154,244	23,283	279,164
<u>2,123</u>	<u>154,244</u>	<u>23,283</u>	<u>9,440,112</u>
<u>\$ 411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,717,280</u>

MONROE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2007	2006	2005	2004
Revenues:				
Property and other County tax	\$ 3,719,710	\$ 3,299,545	\$ 3,080,565	\$ 3,005,448
Interest and penalty on property tax	124,528	36,861	41,246	40,642
Intergovernmental	2,897,772	3,419,355	3,308,942	2,843,497
Licenses and permits	715	490	505	1,618
Charges for service	240,365	252,875	248,374	222,929
Use of money and property	195,205	171,331	133,310	144,542
Miscellaneous	42,154	32,010	24,023	49,624
Total	\$ 7,220,449	\$ 7,212,467	\$ 6,836,965	\$ 6,308,300
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,008,343	\$ 1,042,222	\$ 933,073	\$ 941,315
Physical health and social services	705,034	668,924	671,063	619,735
Mental health	857,955	795,100	1,077,603	616,402
County environment and education services	264,183	260,494	595,876	210,864
Roads and transportation	2,350,659	2,822,780	2,384,357	2,176,526
Governmental services to residents	264,770	332,531	275,864	259,773
Administrative services	863,002	853,821	912,850	780,756
Debt service	409,729	270,955	273,830	270,990
Capital projects	447,538	1,117,862	566,999	278,303
Total	\$ 7,171,213	\$ 8,164,689	\$ 7,691,515	\$ 6,154,664

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, 2007, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated February 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Monroe County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Monroe County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Monroe County's financial statements that is more than inconsequential will not be prevented or detected by Monroe County's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Monroe County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-07 and I-B-07 are material weaknesses.

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, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 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.

Monroe County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Monroe County's responses and, accordingly, we express no opinion on them.

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
February 19, 2008

MONROE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 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
(5) Payroll checks or warrants are prepared and signed in a single process. Since the preparation and signing are combined, there should be review procedures by supervisory personnel.	Auditor

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

MONROE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

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

SIGNIFICANT DEFICIENCIES (continued):

I-A-07 Segregation of Duties (continued)

Responses –

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

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

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

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

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

Conclusion – Responses accepted.

I-B-07 Financial Reporting – During the audit, we identified material amounts of receivables not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables are identified and included in the County's financial statements.

Response – We will review our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

MONROE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

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

SIGNIFICANT DEFICIENCIES (continued):

- I-C-07 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.

MONROE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted in any of the County functions. Disbursements did not exceed the amounts appropriated in any department.
- II-B-07 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.
- II-C-07 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-07 Business Transactions – No business transactions between the County and County officials or employees were noted.
- II-E-07 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-F-07 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- II-H-07 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.

- II-I-07 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, 2007 for the County Extension Office did not exceed the amount budgeted.

MONROE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

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

- II-J-07 Economic Development Expenditures – We noted in our testing of expenditures for County economic development that no documentation was made as to the public purpose served by the expenditures as required by Chapter 15A of the Code of Iowa.

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

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

Conclusion – Response accepted.

- II-K-07 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 are now including this allowance in payroll starting in fiscal year 2008.

Conclusion – Response accepted.

- II-L-07 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.