

MONROE COUNTY

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

JUNE 30, 2008

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MONROE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Paul V. Koffman (Board President)	Board of Supervisors	(Deceased 4-10-08) Jan. 2009
Dennis J. Ryan (Board President eff. 4-29-08)	Board of Supervisors	Jan. 2011
Michael Beary	Board of Supervisors	Jan. 2009
William Dien Judge	Board of Supervisors	(Appointed 5-12-08) Jan. 2009
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, 2008, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Monroe County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with 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 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 as of June 30, 2008 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 9, 2009 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 and contracts 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 13 and 56 through 58 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monroe County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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 9, 2009

## 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, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follows.

### 2008 Financial Highlights

- Revenues of the County's governmental activities decreased approximately 19.5%, or approximately \$1.8 million from fiscal 2007 to fiscal 2008. Property tax revenues increased \$129,069 and operating grants and contributions decreased \$128,574 from fiscal 2007 to fiscal 2008.
- Program expenses were \$960,662 more in fiscal 2008 than in fiscal 2007. Secondary Road expenses increased \$457,062; County Environment & education expenses increased \$401,032 due to construction expenses for the Honey Creek Resort.
- The County's net assets decreased approximately \$610,000 from June 30, 2007 to June 30, 2008.

### 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 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 decreased by approximately 5.7% from a year ago, from \$10,634,883 to \$10,024,876. 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, 2008</u>	<u>June 30, 2007</u>	<u>%Change</u>
Current and other assets	\$	8,536	8,363	2.10
Capital Assets		7,140	6,636	7.6
Total Assets		15,676	14,999	4.40
Long-term liabilities		1,624	658	147.0
Other liabilities		4,026	3,706	8.00
Total Liabilities	\$	5,650	4,364	29.0
Net assets				
Invested in capital assets				
Net of related debt		5,657	6,089	(7.1)
Restricted		2,196	2,362	(7.0)
Unrestricted		2,172	2,183	(0.5)
Total net assets	\$	10,025	10,634	(5.7)

Net assets of Monroe County's governmental activities decreased by approximately 5.7% (\$10,634,883 to \$10,024,876). 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—decreased from \$2,183,389 at June 30, 2007 to \$2,172,048 at June 30, 2008, a decrease of 0.52%.

This decrease of \$11,341 in unrestricted net assets was a result of decreased revenues in a variety of areas.

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

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>%Change</u>
Revenues:			
Program revenues:			
Charges for service	\$ 361	347	4.0
Operating grants, contributions and restricted interest	2,568	2,696	(4.75)
Capital grants, contributions and restricted interest	156	1,928	(92.)
General revenues:			
Property tax	3,403	3,274	4.0
Penalty and interest on property tax	4	97	(96.0)
State Tax Credits	143	159	(10.)
Local Option Sales Tax	412	430	(4.0)
Grants and contributions not restricted to specific purposes	0	0	(0.0)
Unrestricted investment earnings	181	185	(2.0)
Other general revenues	118	11	972.00
Total Revenues	7,346	9,127	(20.0)
Program expenses:			
Public Safety and legal services	1,035	982	5.0
Physical health and social services	752	686	9.0
Mental Health	784	858	(8.7)
County environment and education	678	277	145.0
Roads and transportation	3,486	3,029	14.2
Governmental services to residents	273	255	7.0
Administration	871	880	(1.0)
Interest on long term debt	76	27	181.
Total Expenses	7,955	6,994	13.7
Increase(Decrease) in net assets	(610)	2,133	
Net assets beginning of year	10,635	8,502	
Net assets end of year	\$ 10,025	10,635	(5.7)

Monroe County's net assets of governmental activities decreased by approximately \$610,000 during the year.

The cost of all governmental activities this year was approximately \$7.9 million. However, as shown on the Statement of Activities - Exhibit B, the amount taxpayers ultimately financed for these activities was only \$4.2 million because some of the cost was paid by those directly benefited from the programs (\$361,315) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,723,310). The County paid for the remaining “public benefit” portion of governmental activities with \$3,403,351 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 \$3,012,024, a decrease of \$273,641 below last years total of \$3.3 million. The following are the major reasons for the changes in fund balances of major funds from the prior year:

- General Fund revenues and expenditures decreased and increased by approximately \$30,052 and \$485,195, respectively, when compared to the prior year. The ending fund balance showed an increase of \$91,155 from the prior year to \$1,540,327. The County’s General Fund financial position is the result of many factors.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures total \$784,399, a decrease from the prior year. The Mental Health Fund balance at year end increased by approximately \$32,507.
- Secondary Roads Fund expenditures increased by \$799,411 over the prior year. Revenues also increased by \$103,143 from the prior year. The Secondary Road Fund balance at year end was \$864,343.

### **Budgetary Highlights**

Over the course of the year, Monroe County amended its budget one time; increasing budgeted disbursements by \$1,064,683. The amendment was made in November 2007 and resulted in an increase in budgeted disbursements related to a bio-terrorism grant funding and secondary road expenses and purchase of an office building; veteran affairs grant; and sheriff vehicle insurance proceeds.

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, 2008, Monroe County had invested approximately \$7.1 million in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$504,005 or 7.5% over the prior year.

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

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Land	\$ 140	111
Construction in Progress	136	
Buildings and improvements	1,604	1,359
Equipment and vehicles	1,484	1,235
Infrastructure	3,776	3,931
	<hr/>	<hr/>
Total	\$ 7,140	6,636
	<hr/>	<hr/>

The County had depreciation expense of \$492,794 for fiscal year 2008 and total accumulated depreciation of \$4,491,405 at June 30, 2008.

**Long-Term Liability**

At June 30, 2008, Monroe County had approximately \$1,624,379 in general obligation bonds and other outstanding liabilities.

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

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
General Obligation notes and bonds	\$ 950	322
Capital lease purchase agreements	362	11
Notes payable	171	214
Compensated absences	141	111
	<hr/>	<hr/>
Totals	\$ 1,624	658
	<hr/>	<hr/>

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 2009 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 2000-2008, averaging per year gains of 3.6 percent. Unemployment in the County now stands at 5.0 percent. This compares with the State's unemployment rate of 4.6 percent and the national rate of 7.2 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The Federal's CPI increase was 5.1 percent for fiscal year 2008. Inflation has been modest here due in part to the slowing of the residential housing market and increases in energy prices in 2007-2008.

These indicators were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are \$8.3 million, a decrease of approximately 2.3 percent of the final 2008 budget. Receipts are budgeted at approximately \$7.3 million. Increased wage and cost of living adjustments, and County environment & education (Honey Creek Resort) disbursements 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 2009 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of 2009.

## **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.

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## Basic Financial Statements

MONROE COUNTY

STATEMENT OF NET ASSETS  
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,886,371
Receivables:	
Property tax:	
Delinquent	78,334
Succeeding year	3,391,000
Interest and penalty on property tax	398,824
Accounts	10,399
Accrued interest	8,950
Due from other governments	345,664
Loan receivable (note 3)	171,429
Inventories	188,242
Prepaid expenses	56,756
Capital assets, net of accumulated depreciation (note 5)	<u>7,139,661</u>
 Total assets	 <u>15,675,630</u>
Liabilities	
Accounts payable	304,482
Salaries and benefits payable	58,516
Due to other governments (note 6)	189,703
Health claims incurred but not reported	58,716
Accrued interest payable	23,958
Deferred revenue:	
Succeeding year property tax	3,391,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Capital lease purchase agreements	2,022
Installment purchases	12,951
Capital loan notes	48,810
Road use tax revenue notes	100,000
Loans payable	42,857
Compensated absences	141,025
Portion due or payable after one year:	
Capital lease purchase agreements	6,853
Installment purchases	340,099
Capital loan notes	751,190
Road use tax revenue notes	50,000
Loans payable	<u>128,572</u>
 Total liabilities	 <u>5,650,754</u>

MONROE COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2008

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 5,656,464
Restricted for:	
Supplemental levy purposes	733,477
Mental health purposes	158,269
Rural services	334,012
Secondary roads	790,377
Debt service	10,197
Other special revenue purposes	111,670
Cemetery levy	14,864
Inmate room and board	43,498
Unrestricted	<u>2,172,048</u>
Total net assets	<u><u>\$ 10,024,876</u></u>

See notes to financial statements.

MONROE COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

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	\$ 1,034,697	\$ 66,962	\$ 85,162	\$ -	(882,573)
Physical health and social services	751,589	22,612	328,381	-	(400,596)
Mental health	784,399	38,478	436,943	-	(308,978)
County environment and education	677,736	57,351	11,598	21,490	(587,297)
Roads and transportation	3,485,972	19,152	1,668,119	132,410	(1,666,291)
Government services to residents	273,061	147,239	11,978	-	(113,844)
Administration	871,466	9,521	25,562	1,667	(834,716)
Interest on long-term debt	76,325	-	-	-	(76,325)
<b>Total</b>	<b>\$ 7,955,245</b>	<b>\$ 361,315</b>	<b>\$ 2,567,743</b>	<b>\$ 155,567</b>	<b>(4,870,620)</b>
General Revenues:					
Property and other county tax levied for:					
General purposes					3,351,081
Debt service					52,270
Penalty and interest on property tax					3,579
State tax credits					142,730
Local option sales and services tax					411,673
Unrestricted investment earnings					181,131
Miscellaneous					19,307
Gain on sale of assets					98,842
<b>Total general revenues</b>					<b>4,260,613</b>
Change in net assets					(610,007)
Net assets beginning of year					10,634,883
Net assets end of year					<b>\$ 10,024,876</b>

See notes to financial statements.

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MONROE COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,506,788	\$ 249,836	\$ 354,444	\$ 618,376
Receivables:				
Property tax:				
Delinquent	43,494	7,128	26,208	-
Succeeding year	1,975,000	324,000	1,024,000	-
Interest and penalty on property tax	398,824	-	-	-
Accounts	7,601	-	575	630
Accrued interest	8,677	-	-	-
Loan receivable (note 3)	171,429	-	-	-
Due from other governments	51,821	10,322	72,066	211,455
Inventories	-	-	-	188,242
Prepaid expenses	41,881	-	-	14,875
Total assets	\$ <u>4,205,515</u>	\$ <u>591,286</u>	\$ <u>1,477,293</u>	\$ <u>1,033,578</u>

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 224,362	\$ 2,953,806
1,504	78,334
68,000	3,391,000
-	398,824
-	8,806
273	8,950
-	171,429
-	345,664
-	188,242
-	56,756
<u>\$ 294,139</u>	<u>\$ 7,601,811</u>

MONROE COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 42,786	\$ 29,618	\$ 147	\$ 147,844
Salaries and benefits payable	33,388	905	3,078	21,145
Due to other governments (note 6)	2,014	78,494	108,949	246
Deferred revenue:				
Succeeding year property tax	1,975,000	324,000	1,024,000	-
Other	612,000	6,932	25,691	-
<b>Total liabilities</b>	<b>2,665,188</b>	<b>439,949</b>	<b>1,161,865</b>	<b>169,235</b>
<b>Fund balance:</b>				
Reserved for:				
Inventories	-	-	-	188,242
Prepaid expenses	41,881	-	-	14,875
Supplemental levy purposes	687,606	-	-	-
Debt service	-	-	-	-
Inmate room and board	43,498	-	-	-
Cemetery levy	14,721	-	-	-
Unreserved, reported in:				
General fund	752,621	-	-	-
Special revenue funds	-	151,337	315,428	661,226
Capital projects fund	-	-	-	-
<b>Total fund balances</b>	<b>1,540,327</b>	<b>151,337</b>	<b>315,428</b>	<b>864,343</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,205,515</b>	<b>\$ 591,286</b>	<b>\$ 1,477,293</b>	<b>\$ 1,033,578</b>

See notes to financial statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 84,087	\$ 304,482
-	58,516
-	189,703
68,000	3,391,000
1,463	646,086
<u>153,550</u>	<u>4,589,787</u>
-	188,242
-	56,756
-	687,606
28,762	28,762
-	43,498
-	14,721
-	752,621
111,670	1,239,661
157	157
<u>140,589</u>	<u>3,012,024</u>
<u>\$ 294,139</u>	<u>\$ 7,601,811</u>

## MONROE COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2008

Total fund balances of governmental funds	\$ 3,012,024
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 \$11,631,066 and the accumulated depreciation is \$4,491,405.	7,139,661
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	646,086
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.	875,442
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.	(23,958)
Long-term liabilities, including notes and loans payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,624,379)</u>
Net assets of governmental activities	<u>\$ 10,024,876</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, 2008

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other County tax	\$ 2,011,413	\$ 326,260	\$ 1,351,397	\$ -
Interest and penalty on property tax	38,012	-	-	-
Intergovernmental	550,112	490,646	35,523	1,784,993
Licenses and permits	-	-	-	1,390
Charges for service	213,563	-	8,916	78
Use of money and property	186,515	-	-	-
Miscellaneous	17,525	-	28,178	17,682
<b>Total revenues</b>	<b>3,017,140</b>	<b>816,906</b>	<b>1,424,014</b>	<b>1,804,143</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	869,437	-	209,224	-
Physical health and social services	738,444	-	12,450	-
Mental health	-	784,399	-	-
County environment and education	482,770	-	126,580	-
Roads and transportation	-	-	-	3,164,319
Government services to residents	271,701	-	-	-
Administration	878,986	-	-	-
Debt service	42,750	-	-	110,647
Capital projects	-	-	411,673	-
<b>Total expenditures</b>	<b>3,284,088</b>	<b>784,399</b>	<b>759,927</b>	<b>3,274,966</b>
Excess (deficiency) of revenues over (under) expenditures	(266,948)	32,507	664,087	(1,470,823)
<b>Other financing sources (uses):</b>				
Sale of capital assets	925	-	-	-
Interfund transfers in (note 4)	-	-	-	749,792
Interfund transfers out (note 4)	(42,822)	-	(706,970)	-
Installment purchase	-	-	-	392,250
Capital loan notes issued	400,000	-	-	-
<b>Total other financing sources (uses)</b>	<b>358,103</b>	<b>-</b>	<b>(706,970)</b>	<b>1,142,042</b>

Nonmajor Governmental		
Funds		Total
\$ 56,190	\$	3,745,260
-		38,012
34,650		2,895,924
-		1,390
15,601		238,158
4,511		191,026
1,200		64,585
<u>112,152</u>		<u>7,174,355</u>
		- 1,078,661
		- 750,894
		- 784,399
		- 609,350
		- 3,164,319
3,500		275,201
-		878,986
72,666		226,063
<u>565,965</u>		<u>977,638</u>
<u>642,131</u>		<u>8,745,511</u>
<u>(529,979)</u>		<u>(1,571,156)</u>
104,340		105,265
-		749,792
-		(749,792)
-		392,250
<u>400,000</u>		<u>800,000</u>
<u>504,340</u>		<u>1,297,515</u>

MONROE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2008

		<u>Special Revenue</u>		
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Net change in fund balances	\$ 91,155	\$ 32,507	\$ (42,883)	\$ (328,781)
Fund balances beginning of year	<u>1,449,172</u>	<u>118,830</u>	<u>358,311</u>	<u>1,193,124</u>
Fund balances end of year	<u>\$ 1,540,327</u>	<u>\$ 151,337</u>	<u>\$ 315,428</u>	<u>\$ 864,343</u>

See notes to financial statements.

Nonmajor Governmental	
<u>Funds</u>	<u>Total</u>
\$ (25,639)	\$ (273,641)
<u>166,228</u>	<u>3,285,665</u>
<u>\$ 140,589</u>	<u>\$ 3,012,024</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, 2008

Net change in fund balances - total governmental funds \$ (273,641)

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:

Expenditures for capital assets	\$ 986,761	
Capital assets contributed by other entities	15,536	
Depreciation expense	<u>(492,794)</u>	509,503

In the Statement of Activities, the gain on the disposition of capital assets  
is reported, whereas the governmental funds report the proceeds from the  
disposition as an increase in financial resources. (5,498)

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	69,764	
Other	<u>(34,433)</u>	35,331

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. (1,192,250)

Repayment of note principal and other long-term debt obligations is an  
expenditure in the governmental funds, but the repayment reduces  
long-term liabilities in the Statement of Net Assets. 212,663

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	(29,315)	
Interest on long-term debt	<u>(21,881)</u>	(51,196)

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, 2008

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 change in net assets of the Internal Service Fund is reported with governmental activities.

\$ 155,081

Change in net assets of governmental activities

\$ (610,007)

See notes to financial statements.

MONROE COUNTY  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 June 30, 2008

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and investments	\$ 932,565
Accounts receivable	<u>1,593</u>
Total assets	<u>934,158</u>
Liabilities	
Health claims incurred but not reported (note 11)	<u>58,716</u>
Net Assets	
Unrestricted	<u><u>\$ 875,442</u></u>

See notes to financial statements.

## MONROE COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2008

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 756,936
Reimbursements from retirees	13,701
Insurance reimbursements	<u>61,719</u>
Total operating revenues	<u>832,356</u>
Operating expenses:	
Medical claims	473,826
Administrative fees	219,957
Stop loss insurance premiums	<u>3,741</u>
Total operating expenses	<u>697,524</u>
Operating income	134,832
Non-operating revenues:	
Interest on investments	<u>20,249</u>
Net income	155,081
Net assets beginning of year	<u>720,361</u>
Net assets end of year	<u>\$ 875,442</u>

See notes to financial statements.

MONROE COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2008

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 756,936
Cash received from employees and others	141,001
Cash payments to suppliers for services	<u>(722,561)</u>
Net cash provided by operating activities	<u>175,376</u>
Cash flows from investing activities:	
Interest on investments	20,249
Redemption of investments	186,579
Purchase of investments	(275,000)
Interest reinvested	<u>(18,057)</u>
Net cash used by investing activities	<u>(86,229)</u>
Net increase in cash and cash equivalents	89,147
Cash and cash equivalents beginning of year	<u>400,376</u>
Cash and cash equivalents end of year	<u>\$ 489,523</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 134,832
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Decrease) in health claims incurred but not reported	(25,037)
Decrease in accounts receivable	<u>65,581</u>
Net cash provided by operating activities	<u>\$ 175,376</u>
Reconciliation of cash and cash equivalents end of year to specific assets included on the Statement of Net Assets:	
Cash and investments	\$ 932,565
Less items not meeting the definition of cash equivalents:	
Certificates of deposit	<u>(443,042)</u>
Cash and cash equivalent end of year	<u>\$ 489,523</u>

See notes to financial statements.

MONROE COUNTY  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2008

## Assets

Cash and pooled investments:		
County Treasurer	\$	525,640
Other County officials		27,994
Receivables:		
Property tax:		
Delinquent		154,836
Succeeding year		7,322,000
Accounts		9,119
Accrued interest		232
Due from other governments		5,868
Prepaid expenses		<u>851</u>
 Total assets	 \$	 <u><u>8,046,540</u></u>

## Liabilities

Accounts payable	\$	6,776
Due to other governments (note 6)		7,978,371
Trusts payable		<u>61,393</u>
 Total liabilities	 \$	 <u><u>8,046,540</u></u>

See notes to financial statements.

## MONROE COUNTY

### NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

#### 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 meet the Governmental Accounting Standards Board criteria.

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

##### B. Basis of Presentation

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

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

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

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

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 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, 2008

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, 2008

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 financial statements:

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2008 included certificates of deposit of \$443,042 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.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

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 consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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 County), 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

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 the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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.

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

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

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, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

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.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2008 consists of \$2,196,364.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted in any County function.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2008 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.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 2. Cash and Pooled Investments (continued)

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. Loan 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 explained in note 7, this transaction was enabled by a Community Economic Betterment Account interest free promissory note obtained by the County.

A summary of annual collections due to the County as of June 30, 2008 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2009	\$ 42,857
2010	42,857
2011	42,857
2012	<u>42,858</u>
Total	<u>\$ 171,429</u>

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 42,822
	Special Revenue: Rural Services	<u>706,970</u>
		<u>\$ 749,792</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, 2008

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 111,262	\$ 34,191	\$ 5,498	\$ 139,955
Construction in progress	-	135,743	-	135,743
Total capital assets not being depreciated	<u>111,262</u>	<u>169,934</u>	<u>5,498</u>	<u>275,698</u>
Capital assets being depreciated:				
Buildings	2,144,680	316,877	-	2,461,557
Improvements other than buildings	72,000	-	-	72,000
Machinery and equipment	4,259,995	515,486	49,413	4,726,068
Infrastructure	4,095,743	-	-	4,095,743
Total capital assets being depreciated	<u>10,572,418</u>	<u>832,363</u>	<u>49,413</u>	<u>11,355,368</u>
Less accumulated depreciation for:				
Buildings	798,496	69,143	-	867,639
Improvements other than buildings	59,616	2,592	-	62,208
Machinery and equipment	3,024,785	266,268	49,413	3,241,640
Infrastructure	165,127	154,791	-	319,918
Total accumulated depreciation	<u>4,048,024</u>	<u>492,794</u>	<u>49,413</u>	<u>4,491,405</u>
Total capital assets being depreciated, net	<u>6,524,394</u>	<u>339,569</u>	<u>-</u>	<u>6,863,963</u>
Governmental activities capital assets, net	<u>\$ 6,635,656</u>	<u>\$ 509,503</u>	<u>\$ 5,498</u>	<u>\$ 7,139,661</u>

MONROE COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended June 30, 2008

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	21,622
Physical health and social services		9,506
County environment and education		17,576
Roads and transportation		393,579
Government services to residents		2,093
Administration		<u>48,418</u>
Total depreciation expense - governmental activities	\$	<u><u>492,794</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	\$ 2,014
Special Revenue:		
Mental Health		78,494
Rural Services		108,949
Secondary Roads		<u>246</u>
Total for governmental funds		<u><u>\$ 189,703</u></u>
Agency:		
County Assessor	Collections	\$ 381,430
Schools		4,887,652
Area Schools		290,857
Corporations		1,336,874
Townships		133,818
Auto License and Use Tax		125,709
County Hospital		615,650
All Other		<u>206,381</u>
Total for agency funds		<u><u>\$ 7,978,371</u></u>

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Capital Lease Purchase Agreements	\$ 10,719	\$ -	\$ 1,844	\$ 8,875	\$ 2,022
Installment Purchase	-	392,250	39,200	353,050	12,951
General Obligation Corporate Purpose Notes	-	400,000	-	400,000	9,013
General Obligation Office Building Note	-	400,000	-	400,000	39,797
Capital Loan Notes	71,619	-	71,619	-	-
Road Use Tax Revenue Notes	250,000	-	100,000	150,000	100,000
Loans Payable	214,286	-	42,857	171,429	42,857
Compensated Absences	111,710	141,025	111,710	141,025	141,025
<b>Total</b>	<b>\$ 658,334</b>	<b>\$ 1,333,275</b>	<b>\$ 367,230</b>	<b>\$ 1,624,379</b>	<b>\$ 347,665</b>

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, 2008:

Year Ending June 30,	Total
2009	\$ 2,759
2010	2,759
2011	2,759
2012	2,299
Total minimum lease payments	10,576
Less amount representing interest	1,701
Present value of net minimum lease payments	<u>\$ 8,875</u>

Payments under capital lease purchase agreements for the year ended June 30, 2008 totaled \$2,759.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 7. Long-Term Liabilities (continued)

Installment Purchase

During the year ended June 30, 2008, the County entered into an installment purchase agreement to purchase two motorgraders at a total historical cost of \$392,250. The agreement calls for two bi-annual payments, including interest, of \$15,047 for the first year of the agreement and \$33,055 for the remaining lease period through the year ending June 30, 2015. The purchase agreement has an effective annual interest rate of 4.96 percent. The following is a schedule of future installment purchase payments:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	4.90 %	\$ 12,951	\$ 17,143	\$ 30,094
2010	4.90	50,051	16,059	66,110
2011	4.90	52,533	13,577	66,110
2012	4.90	55,139	10,971	66,110
2013	4.90	57,874	8,236	66,110
2014	4.90	60,744	5,366	66,110
2015	4.90	63,758	2,351	66,109
		<u>\$ 353,050</u>	<u>\$ 73,703</u>	<u>\$ 426,753</u>

Payments under installment purchase agreements for the year ended June 30, 2008 totaled \$39,200.

General Obligation Corporate Purpose Notes

During the year ended June 30, 2008, the County issued \$400,000 in general obligation corporate purpose notes for the County's share of constructing the Honey Creek Resort State Park. The notes have an interest rate of 4.5 percent per annum and are payable through the year ending June 30, 2018.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 7. Long-Term Liabilities (continued)

General Obligation Corporate Purpose Notes (continued)

Details of the County's general obligation corporate purpose notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	4.50 %	\$ 9,013	\$ 22,850	\$ 31,863
2010	4.50	37,245	17,208	54,453
2011	4.50	38,974	15,480	54,454
2012	4.50	40,745	13,708	54,453
2013	4.50	42,673	11,780	54,453
2014	4.50	44,654	9,799	54,453
2015	4.50	46,726	7,727	54,453
2016	4.50	48,880	5,573	54,453
2017	4.50	51,164	3,290	54,454
2018	4.50	39,926	915	40,841
		<u>\$ 400,000</u>	<u>\$ 108,330</u>	<u>\$ 508,330</u>

General Obligation Office Building Note

During the year ended June 30, 2008, the County issued a \$400,000 general obligation office building note for the purpose of purchasing and renovating additional courthouse office and storage space. The note bears an interest rate of 5.5 percent per annum and is payable through the year ending June 30, 2015.

Details of the County's general obligation office building note are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	5.50 %	\$ 39,797	\$ 31,673	\$ 71,470
2010	5.50	52,097	19,373	71,470
2011	5.50	55,043	16,427	71,470
2012	5.50	58,121	13,349	71,470
2013	5.50	61,441	10,029	71,470
2014	5.50	64,915	6,555	71,470
2015	5.50	68,586	2,884	71,470
		<u>\$ 400,000</u>	<u>\$ 100,290</u>	<u>\$ 500,290</u>

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 7. Long-Term Liabilities (continued)

Road Use Tax Revenue Notes

Details of the County's June 30, 2008 road use tax revenue notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	4.75 %	\$ 100,000	\$ 6,030	\$ 106,030
2010	4.75	50,000	1,214	51,214
		<u>\$ 150,000</u>	<u>\$ 7,244</u>	<u>\$ 157,244</u>

The County pledged future road use tax revenues to repay the \$400,000 notes issued in September 2005. The notes were issued for the purpose of financing Secondary Roads maintenance equipment. The notes are payable solely from the proceeds of the road use tax revenues received by the County and are payable through 2010. The notes are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County. Annual principal and interest payments on the notes are expected to require approximately seven percent of the road use tax revenues. The total principal and interest remaining to be paid on the notes is \$157,244. For the current year, principal and interest of \$110,872 was paid on the notes and total road use tax revenues were \$1,626,977.

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.

Details of the County's loans payable at June 30, 2008 are as follows:

Year Ending June 30,	Community Economic Betterment Account Promissory Note		
	Interest Rates	Principal	Interest
2009	N/A	\$ 42,857	\$ -
2010	N/A	42,857	-
2011	N/A	42,857	-
2012	N/A	42,858	-
		<u>\$ 171,429</u>	<u>\$ -</u>

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

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
2009	\$ 3,360
2010	2,240
	\$ 5,600

Payments under the operating lease agreements for the year ended June 30, 2008 totaled \$5,678.

Note 9. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$156,191, \$147,263 and \$139,440, 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.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

Note 10. Risk Management (continued)

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, 2008 were \$115,214.

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 \$10,000,000 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.

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, 2008, no liability has been recorded in the County's financial statements. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$500,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2008

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, 2008 was \$756,936.

Amounts payable from the Employee Group Health Fund at June 30, 2008 total \$58,716, 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 \$875,442 at June 30, 2008 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, 2007	\$ <u>83,753</u>
Incurred claims (including claims incurred but not reported at June 30, 2008):	
Current year events	438,726
Prior year events	<u>35,100</u>
Total incurred claims	<u>473,826</u>
Payments:	
Current year events	463,763
Prior year events	<u>35,100</u>
Total payments	<u>498,863</u>
Unpaid claims at June 30, 2008	\$ <u><u>58,716</u></u>

Note 12. Construction Commitment

The County has entered into a contract totaling \$232,037, including change orders, for construction of a nature center. As of June 30, 2008, costs of \$135,743 have been incurred against the contract. The balance remaining at June 30, 2008 of \$96,294 will be paid as work on the project progresses.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2008

Note 13. Contingent Liabilities

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, 2008, the County had no financial assurance obligation.

In the event of 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.

In September, 2007 the County approved the 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 will have only limited obligations and will have no pecuniary liability.

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 14. Subsequent Events

On September 5, 2008, the County issued \$70,000 in general obligation education center notes. Proceeds from the issuance are to be used for constructing, furnishing and equipping the education center at Lake Miami Park. The notes have an interest rate of 4.44 percent per annum and are payable through the year ending June 30, 2014.

On October 28, 2008, the County issued \$600,000 in general obligation County road improvement notes. Proceeds from the issuance are to be used for paying costs of constructing County road improvements. The notes have an interest rate of 3 percent per annum and are payable through the year ending June 30, 2010.

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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, 2008

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 3,740,794	\$ 4,009,360	\$ 4,009,360	\$ (268,566)
Interest and penalty on property tax	37,751	3,000	3,000	34,751
Intergovernmental	2,837,588	2,570,584	2,605,633	231,955
Licenses and permits	1,420	350	350	1,070
Charges for service	237,704	165,350	165,350	72,354
Use of money and property	196,639	97,630	97,630	99,009
Miscellaneous	68,297	153,675	181,704	(113,407)
Total receipts	<u>7,120,193</u>	<u>6,999,949</u>	<u>7,063,027</u>	<u>57,166</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	1,071,836	1,206,189	1,246,876	175,040
Physical health and social services	747,353	823,590	862,476	115,123
Mental health	783,570	998,831	998,831	215,261
County environment and education	611,129	654,637	654,637	43,508
Roads and transportation	2,634,365	2,219,350	2,800,460	166,095
Government services to residents	273,154	321,235	321,235	48,081
Administration	874,709	980,346	984,346	109,637
Debt service	226,063	236,391	236,391	10,328
Capital projects	854,268	934,500	1,334,500	480,232
Total disbursements	<u>8,076,447</u>	<u>8,375,069</u>	<u>9,439,752</u>	<u>1,363,305</u>
Excess (deficiency) of receipts over (under) disbursements	(956,254)	(1,375,120)	(2,376,725)	1,420,471
Other financing sources, net	<u>905,265</u>	<u>405,000</u>	<u>805,000</u>	<u>100,265</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(50,989)	(970,120)	(1,571,725)	1,520,736
Balance beginning of year	<u>3,004,795</u>	<u>1,910,880</u>	<u>2,682,075</u>	<u>322,720</u>
Balance end of year	<u>\$ 2,953,806</u>	<u>\$ 940,760</u>	<u>\$ 1,110,350</u>	<u>\$ 1,843,456</u>

See accompanying independent auditor's report.

MONROE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,120,193	\$ 54,162	\$ 7,174,355
Expenditures	8,076,447	669,064	8,745,511
Net	(956,254)	(614,902)	(1,571,156)
Other financing sources, net	905,265	392,250	1,297,515
Beginning fund balances	3,004,795	280,870	3,285,665
Ending fund balances	<u>\$ 2,953,806</u>	<u>\$ 58,218</u>	<u>\$ 3,012,024</u>

See accompanying independent auditor's report.

MONROE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
June 30, 2008

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. 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 \$1,064,683. 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, 2008, disbursements did not exceed the amounts budgeted in any County function.

## Other Supplementary Information

MONROE COUNTY

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2008

	<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	\$ 9,912	\$ 8	\$ 61,013	\$ 124,628
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accrued interest	32	-	164	-
	<hr/>			
Total assets	<u>\$ 9,944</u>	<u>\$ 8</u>	<u>\$ 61,177</u>	<u>\$ 124,628</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 84,087
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	<hr/> -	<hr/> -	<hr/> -	<hr/> 84,087
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Unreserved	9,944	8	61,177	40,541
Total fund equity	<hr/> 9,944	<hr/> 8	<hr/> 61,177	<hr/> 40,541
	<hr/>			
Total liabilities and fund equity	<u>\$ 9,944</u>	<u>\$ 8</u>	<u>\$ 61,177</u>	<u>\$ 124,628</u>

See accompanying independent auditor's report.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 28,644	\$ 157	\$ 224,362
1,504	-	1,504
68,000	-	68,000
77	-	273
<u>\$ 98,225</u>	<u>\$ 157</u>	<u>\$ 294,139</u>
\$ -	\$ -	\$ 84,087
68,000	-	68,000
1,463	-	1,463
69,463	-	153,550
28,762	-	28,762
-	157	111,827
28,762	157	140,589
<u>\$ 98,225</u>	<u>\$ 157</u>	<u>\$ 294,139</u>

MONROE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2008

	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	-	-	11,598	20,290
Charges for service	2,161	-	-	13,440
Use of money and property	493	1	2,379	-
Miscellaneous	-	-	-	1,200
Total revenues	<u>2,654</u>	<u>1</u>	<u>13,977</u>	<u>34,930</u>
Expenditures:				
Operating:				
Government services to residents	3,500	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	166,122
Total expenditures	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>166,122</u>
Excess (deficiency) of revenues over (under) expenditures	(846)	1	13,977	(131,192)
Other financing sources (uses):				
Sale of capital assets	-	-	-	104,340
Capital loan note issued	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,340</u>
Net change in fund balances	(846)	1	13,977	(26,852)
Fund balances beginning of year	<u>10,790</u>	<u>7</u>	<u>47,200</u>	<u>67,393</u>
Fund balances end of year	<u>\$ 9,944</u>	<u>\$ 8</u>	<u>\$ 61,177</u>	<u>\$ 40,541</u>

See accompanying independent auditor's report.

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$	56,190	\$ -	\$ 56,190
	2,762	-	34,650
	-	-	15,601
	1,638	-	4,511
	-	-	1,200
	<u>60,590</u>	-	<u>112,152</u>
	-	-	3,500
	72,666	-	72,666
	-	399,843	565,965
	<u>72,666</u>	<u>399,843</u>	<u>642,131</u>
	(12,076)	(399,843)	(529,979)
	-	-	104,340
	-	400,000	400,000
	<u>-</u>	<u>400,000</u>	<u>504,340</u>
	(12,076)	157	(25,639)
	<u>40,838</u>	-	<u>166,228</u>
\$	<u><u>28,762</u></u>	<u><u>157</u></u>	<u><u>\$ 140,589</u></u>

MONROE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2008

	<u>County Auditor</u>	<u>County Recorder</u>	<u>County Sheriff</u>	<u>Agricultural Extension Education</u>
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	1,715
Other County officials	10,235	172	17,587	-
Receivables:				
Property tax:				
Delinquent	-	-	-	2,206
Succeeding year	-	-	-	100,000
Accounts	-	34	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	-
	<hr/>			
Total assets	\$ <u>10,235</u>	\$ <u>206</u>	\$ <u>17,587</u>	\$ <u>103,921</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 161	\$ 143	\$ -
Due to other governments	-	45	-	103,921
Trusts payable	10,235	-	17,444	-
	<hr/>			
Total liabilities	\$ <u>10,235</u>	\$ <u>206</u>	\$ <u>17,587</u>	\$ <u>103,921</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>
\$ 139,399	\$ 84,998	\$ 4,687	\$ 11,647	\$ 29,908	\$ 2,038	\$ 131,406
-	-	-	-	-	-	-
5,031	112,654	6,170	13,003	11,966	3,780	-
237,000	4,690,000	280,000	591,000	1,295,000	128,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 381,430</u>	<u>\$ 4,887,652</u>	<u>\$ 290,857</u>	<u>\$ 615,650</u>	<u>\$ 1,336,874</u>	<u>\$ 133,818</u>	<u>\$ 131,406</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,697
381,430	4,887,652	290,857	615,650	1,336,874	133,818	125,709
-	-	-	-	-	-	-
<u>\$ 381,430</u>	<u>\$ 4,887,652</u>	<u>\$ 290,857</u>	<u>\$ 615,650</u>	<u>\$ 1,336,874</u>	<u>\$ 133,818</u>	<u>\$ 131,406</u>

MONROE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2008

	<u>E-911</u>	<u>Tuberculosis/ Brucellosis Eradication</u>	<u>Special Assessments</u>	<u>Advance Tax</u>
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 85,156	\$ 20	\$ 636	\$ 33,714
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	26	-	-
Succeeding year	-	1,000	-	-
Accounts	9,085	-	-	-
Accrued interest	231	-	-	-
Due from other governments	5,868	-	-	-
Prepaid expenses	851	-	-	-
	<u>101,191</u>	<u>1,046</u>	<u>636</u>	<u>33,714</u>
Total assets	<u>\$ 101,191</u>	<u>\$ 1,046</u>	<u>\$ 636</u>	<u>\$ 33,714</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 775	\$ -	\$ -	-
Due to other governments	100,416	1,046	636	-
Trusts payable	-	-	-	33,714
	<u>101,191</u>	<u>1,046</u>	<u>636</u>	<u>33,714</u>
Total liabilities	<u>\$ 101,191</u>	<u>\$ 1,046</u>	<u>\$ 636</u>	<u>\$ 33,714</u>

See accompanying independent auditor's report.

Recorder's Electronic Transaction Fee	Total
\$ 316	\$ 525,640
-	27,994
-	154,836
-	7,322,000
-	9,119
1	232
-	5,868
-	851
<u>\$ 317</u>	<u>\$ 8,046,540</u>
\$ -	\$ 6,776
317	7,978,371
-	61,393
<u>\$ 317</u>	<u>\$ 8,046,540</u>

MONROE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2008

	County Auditor	County Recorder	County Sheriff	Agricultural Extension Education
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 10,233	\$ 1,205	\$ 13,985	\$ 100,182
Additions:				
Property and other County tax	-	-	-	100,369
State tax credits	-	-	-	4,358
Payments in lieu of taxes	-	-	-	52
E-911 surcharge	-	-	-	-
Office fees and collections	356	165,998	23,627	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	472	-	96,444	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>828</u>	<u>165,998</u>	<u>120,071</u>	<u>104,779</u>
Deductions:				
Agency remittances:				
To other funds	356	76,222	23,212	-
To other governments	-	90,775	415	101,040
Trusts paid out	470	-	92,842	-
Total deductions	<u>826</u>	<u>166,997</u>	<u>116,469</u>	<u>101,040</u>
Balances end of year	<u>\$ 10,235</u>	<u>\$ 206</u>	<u>\$ 17,587</u>	<u>\$ 103,921</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>
\$ 380,943	\$ 4,686,412	\$ 273,072	\$ 585,993	\$ 1,262,918	\$ 129,711	\$ 141,174
237,995	4,616,232	281,585	593,723	1,269,114	129,456	-
10,304	305,330	11,911	25,447	84,723	5,229	-
366	2,603	141	303	3,332	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,697,072
-	-	-	-	-	-	-
-	-	-	-	-	-	-
384	-	-	-	-	-	-
<u>249,049</u>	<u>4,924,165</u>	<u>293,637</u>	<u>619,473</u>	<u>1,357,169</u>	<u>134,685</u>	<u>1,697,072</u>
-	-	-	-	-	-	54,168
248,562	4,722,925	275,852	589,816	1,283,213	130,578	1,652,672
-	-	-	-	-	-	-
<u>248,562</u>	<u>4,722,925</u>	<u>275,852</u>	<u>589,816</u>	<u>1,283,213</u>	<u>130,578</u>	<u>1,706,840</u>
<u>\$ 381,430</u>	<u>\$ 4,887,652</u>	<u>\$ 290,857</u>	<u>\$ 615,650</u>	<u>\$ 1,336,874</u>	<u>\$ 133,818</u>	<u>\$ 131,406</u>

MONROE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2008

	<u>E-911</u>	<u>Tuberculosis/ Brucellosis Eradication</u>	<u>Special Assessments</u>	<u>Advance Tax</u>
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 102,274	\$ 1,042	\$ 1,867	\$ 25,858
Additions:				
Property and other County tax	-	1,123	-	-
State tax credits	-	51	-	-
Payments in lieu of taxes	-	1	-	-
E-911 surcharge	37,807	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	4,531	-
Trusts	-	-	-	34,837
Interest	4,164	-	-	-
Miscellaneous	25,435	-	-	-
Total additions	<u>67,406</u>	<u>1,175</u>	<u>4,531</u>	<u>34,837</u>
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	68,489	1,171	5,762	-
Trusts paid out	-	-	-	26,981
Total deductions	<u>68,489</u>	<u>1,171</u>	<u>5,762</u>	<u>26,981</u>
Balances end of year	<u>\$ 101,191</u>	<u>\$ 1,046</u>	<u>\$ 636</u>	<u>\$ 33,714</u>

See accompanying independent auditor's report.

Recorder's Electronic Transaction Fee	Tax Sale Redemption Trust	Total
\$ <u>411</u>	\$ <u>-</u>	\$ <u>7,717,280</u>
-	-	7,229,597
-	-	447,353
-	-	6,798
-	-	37,807
-	-	189,981
-	-	1,697,072
-	-	4,531
-	153,070	284,823
2,161	-	6,325
9	24	25,852
<u>2,170</u>	<u>153,094</u>	<u>9,930,139</u>
-	-	153,958
2,264	-	9,173,534
-	153,094	273,387
<u>2,264</u>	<u>153,094</u>	<u>9,600,879</u>
\$ <u><u>317</u></u>	\$ <u><u>-</u></u>	\$ <u><u>8,046,540</u></u>

## MONROE COUNTY

## SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2008	2007	2006	2005
<b>Revenues:</b>				
Property and other County tax	\$ 3,745,260	\$ 3,719,710	\$ 3,299,545	\$ 3,080,565
Interest and penalty on property tax	38,012	124,528	36,861	41,246
Intergovernmental	2,895,924	2,897,772	3,419,355	3,308,942
Licenses and permits	1,390	715	490	505
Charges for service	238,158	240,365	252,875	248,374
Use of money and property	191,026	195,205	171,331	133,310
Miscellaneous	64,585	42,154	32,010	24,023
<b>Total</b>	<b>\$ 7,174,355</b>	<b>\$ 7,220,449</b>	<b>\$ 7,212,467</b>	<b>\$ 6,836,965</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,078,661	\$ 1,008,343	\$ 1,042,222	\$ 933,073
Physical health and social services	750,894	705,034	668,924	671,063
Mental health	784,399	857,955	795,100	1,077,603
County environment and education services	609,350	264,183	260,494	595,876
Roads and transportation	3,164,319	2,350,659	2,822,780	2,384,357
Governmental services to residents	275,201	264,770	332,531	275,864
Administrative services	878,986	863,002	853,821	912,850
Debt service	226,063	409,729	270,955	273,830
Capital projects	977,638	447,538	1,117,862	566,999
<b>Total</b>	<b>\$ 8,745,511</b>	<b>\$ 7,171,213</b>	<b>\$ 8,164,689</b>	<b>\$ 7,691,515</b>

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 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, 2008, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated February 9, 2009. 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 effectiveness of Monroe County's 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 in internal control over financial reporting that might be significant 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. We noted no material weaknesses during the course of our audit.

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, 2008 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 9, 2009

MONROE COUNTY  
 SCHEDULE OF FINDINGS  
 Year Ended June 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-08 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, 2008

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

SIGNIFICANT DEFICIENCIES (continued):

I-A-08 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-08 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, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted in any County function. Disbursements did not exceed the amounts appropriated in any department.
- II-B-08 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-08 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-08 Business Transactions – No business transactions between the County and County officials or employees were noted.
- II-E-08 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-08 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-08 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-08 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 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-08 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, 2008 for the County Extension Office did not exceed the amount budgeted.

MONROE COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2008

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

II-J-08 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-08 Debt Service Expenditures – We noted that payments made by the County for capital leases were made through the County environment and education 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.