

MONROE COUNTY

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

JUNE 30, 2012

TABLE OF CONTENTS

	Page
OFFICIALS	3
INDEPENDENT AUDITOR’S REPORT	4-5
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	6-12
BASIC FINANCIAL STATEMENTS:	
Exhibit	
Government-Wide Financial Statements:	
A Statement of Net Assets	14-15
B Statement of Activities	16
Governmental Fund Financial Statements:	
C Balance Sheet	18-21
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	22
E Statement of Revenues, Expenditures and Changes in Fund Balances	24-25
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	26-27
Proprietary Fund Financial Statements:	
G Statement of Net Assets	28
H Statement of Revenues, Expenses, and Changes in Net Assets	29
I Statement of Cash Flows	30
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Assets and Liabilities – Agency Funds	31
Notes to Financial Statements	32-50
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	52
Budget to GAAP Reconciliation	53
Notes to Required Supplementary Information – Budgetary Reporting	54
Schedule of Funding Progress for the Retiree Health Plan	55
SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	58-59
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	60-61
Agency Funds:	
3 Combining Schedule of Fiduciary Assets and Liabilities	62-65
4 Combining Schedule of Changes in Fiduciary Assets and Liabilities	66-69
5 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	70-71
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	72-73
SCHEDULE OF FINDINGS	74-78

MONROE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Beary	Board of Supervisors	Jan. 2013
John Hughes	Board of Supervisors	Jan. 2013
Dennis J. Ryan	Board of Supervisors	Jan. 2015
Jeannie Bettis	County Auditor	Jan. 2013
Peggy Vandenberg	County Treasurer	Jan. 2015
Tracy Casady	County Recorder	Jan. 2015
Daniel Johnson	County Sheriff	Jan. 2013
Steve Goodlow	County Attorney	Jan. 2015
Karen Fontinel	County Assessor (Resigned January 2012)	
Randall Noe	County Assessor (Appointed January 2012)	Jan. 2016

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, 2012, 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe County at June 30, 2012 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2013 on our consideration of Monroe County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 12 and 52 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 year ended June 30, 2011 and the four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the two years ended June 30, 2010 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The 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 is the responsibility of County management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
March 28, 2013

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, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- The County's Governmental Fund total revenues increased \$72,391 from fiscal year 2011 to fiscal year 2012, mainly due to miscellaneous revenues.
- The County's Governmental Fund expenditures increased \$987,403 from fiscal year 2011 to fiscal year 2012. Mental health and roads and transportation expenditures made up the largest increases with \$216,204 and \$522,619, respectively.
- The net assets of the County's governmental activities increased approximately 4.7%, or \$614,217, from June 30, 2011 to June 30, 2012.

USING THIS ANNUAL REPORT

This 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 and the schedule of funding progress for the retiree health plan.

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental Funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) Permanent Funds. 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.

Net assets of Monroe County's governmental activities increased by \$614,217 from 2011 (\$13,739,625 compared to \$13,125,408). 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 will be 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 – are reported at \$2,647,878 at June 30, 2012.

Changes in Net Assets of Governmental Activities

	Year Ended June 30, 2012	Year Ended June 30, 2011
Revenues:		
Program Revenues:		
Charges for services	\$ 583,329	\$ 406,176
Operating grants, contributions and restricted interest	2,877,190	3,023,248
Capital grants and contributions	270,830	78,960
General Revenues:		
Property tax	4,247,819	4,169,335
Penalty and interest on property tax	0	83,940
State tax credits	123,027	137,021
Local option sales and services tax	265,531	433,822
Unrestricted investment earnings	56,023	68,326
Miscellaneous revenues	<u>4,099</u>	<u>640</u>
Total revenues	<u>8,427,848</u>	<u>8,401,468</u>
Program and General Expenses:		
Public safety and legal services	1,218,234	1,185,357
Physical health and social services	736,080	818,699
Mental health	951,389	737,473
County environment and education	591,160	727,599
Roads and transportation	3,085,928	3,027,464
Governmental services to residents	339,843	340,525
Administration	965,450	921,863
Interest on long-term debt	45,849	82,038
Loss on property tax abatement	<u>95,094</u>	<u>0</u>
Total expenses	<u>8,029,027</u>	<u>7,841,018</u>
Special item – gain on disposal of capital assets	215,396	0
Increase in net assets	614,217	560,450
Net assets beginning of year	<u>13,125,408</u>	<u>12,564,958</u>
Net assets end of year	<u>\$ 13,739,625</u>	<u>\$ 13,125,408</u>

INDIVIDUAL MAJOR FUND ANALYSIS

As Monroe County completed the year, its governmental funds reported a combined fund balance of \$3,388,757, an increase of \$21,219 compared to last year's total of \$3,367,538. The slight increase in fund balance is primarily attributable to an increase in the General Fund and a decrease in the Secondary Roads Fund. The following are the main reasons for the changes in fund balances of the major governmental funds from the prior year:

1. The General Fund ending balance increased \$174,266 compared to June 30, 2011. Revenues increased by \$136,429 from FY 2011 to FY 2012, while expenditures only increased by \$90,455 compared to FY 2011. Property and other County tax revenue increased \$95,531 due to a higher assessed taxable valuation.
2. The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$953,220, an increase of \$216,204 over the prior year due mainly to an increase in the number of clients served. The Mental Health Fund ending balance was up \$65,691 from the prior year, helped by the increase of \$92,799 in revenues.
3. The Rural Services Fund ending balance had a small decrease of \$18,723 from the June 30, 2011 balance. Compared to FY 2011, revenues decreased \$125,817 and expenditures decreased \$168,079, both due mainly to a lower local option sales and services tax.
4. The Secondary Roads Fund expenditures for 2012 increased \$877,937 compared to the prior year. Revenues were up \$18,482 in 2012 and interfund transfers also were up \$136,960. The cumulative effect was a decrease of \$216,341 in the ending fund balance compared to the prior year ending fund balance.

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2012, Monroe County amended its budget one time on January 24, 2012, which increased budgeted disbursements by \$1,110,920. Actual disbursements were \$1,644,793 less than budgeted for FY 2012. The County did not exceed appropriations in any department. However, disbursements exceeded the amount budgeted in the debt service function due to the payment on the new installment purchase.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Monroe County had \$9,787,289 invested in a broad range of capital assets (net of accumulated depreciation), including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase of \$712,715, or 7.9% over last year, due primarily to the installment purchase of four new motor graders.

**Capital Assets of Governmental Activities
At Year End**

	June 30, 2012
<u>Acquisition cost:</u>	
Land	\$ 176,455
Construction in progress	308,290
Buildings and improvement	2,711,557
Improvements other than buildings	72,000
Equipment and vehicles	4,790,588
Infrastructure	<u>7,110,541</u>
Total	<u>\$ 15,169,431</u>
 <u>Accumulated depreciation:</u>	
Buildings and improvements	\$(1,170,408)
Improvements other than buildings	(64,800)
Equipment and vehicles	(2,845,831)
Infrastructure	<u>(1,301,103)</u>
Total	<u>\$ (5,382,142)</u>
Net governmental activities capital assets	<u>\$ 9,787,289</u>

The County had depreciation expense of \$650,688 in FY12 and total accumulated depreciation of \$5,382,142 at June 30, 2012. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2012, Monroe County had \$1,558,492 in long-term liabilities compared to \$1,534,753 at June 30, 2011, as shown below:

Outstanding Debt of Governmental Activities at Year End

	June 30, 2012	June 30, 2011
Capital lease purchase agreements	\$ 25,272	\$ 39,878
Installment purchases	644,988	255,170
General obligation notes	711,288	1,023,563
Loans payable	7,143	42,857
Compensated absences	143,001	157,185
Net OPEB liability	<u>26,800</u>	<u>16,100</u>
Total	<u>\$ 1,558,492</u>	<u>\$1,534,753</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County. Monroe County's outstanding general obligation debt is significantly below this limitation. Additional information about the County's long-term debt 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 2013 budget, tax rates and fees that will be charged for various County activities.

Various indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are \$10,122,402, a decrease of 1.2% from the final fiscal year 2012 budget. The total County property tax levy for fiscal year 2013 increased \$326,192, or 7.8% compared to fiscal year 2012. The property tax levy rates, however, remained the same or decreased for all County governmental funds except the cemetery levy.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Monroe County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Monroe County Auditor's Office, 10 Benton Avenue East Street, Albia, Iowa 52531.

Basic Financial Statements

MONROE COUNTY
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,636,193
Receivables:	
Property tax:	
Delinquent	70,378
Succeeding year	4,443,000
Interest and penalty on property tax	379,527
Accounts	10,537
Due from other governments	311,007
Loans receivable (note 4)	327,860
Inventories	170,630
Prepaid expenses	111,168
Capital assets, net of accumulated depreciation (note 5)	<u>9,787,289</u>
Total assets	<u>20,247,589</u>
Liabilities	
Accounts payable	179,884
Salaries and benefits payable	108,594
Due to other governments (note 6)	135,330
Incurred but not reported claims (note 11)	73,607
Accrued interest payable	9,057
Deferred revenue:	
Succeeding year property tax	4,443,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Capital lease purchase agreements	13,419
Installment purchases	159,231
General obligation notes	317,737
Loans payable	7,143
Compensated absences	112,574
Portion due or payable after one year:	
Capital lease purchase agreements	11,853
Installment purchases	485,757
General obligation notes	393,551
Compensated absences	30,427
Net OPEB liability	<u>26,800</u>
Total liabilities	<u>6,507,964</u>

MONROE COUNTY
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 8,744,417
Restricted for:	
Supplemental levy purposes	564,497
Cemetery levy purposes	10,333
Mental health purposes	283,695
Rural services purposes	358,327
Secondary roads purposes	941,571
Debt service	55,089
Capital projects	157
Conservation purposes	119,311
Other purposes	14,350
Unrestricted	<u>2,647,878</u>
Total net assets	<u>\$ 13,739,625</u>

See notes to financial statements.

MONROE COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 1,218,234	\$ 203,127	\$ 10,376	\$ -	\$ (1,004,731)
Physical health and social services	736,080	15,696	274,234	-	(446,150)
Mental health	951,389	42,881	638,003	-	(270,505)
County environment and education	591,160	29,377	16,508	-	(545,275)
Roads and transportation	3,085,928	58,805	1,932,191	234,330	(860,602)
Government services to residents	339,843	148,955	-	-	(190,888)
Administration	965,450	84,488	5,878	36,500	(838,584)
Interest on long-term debt	45,849	-	-	-	(45,849)
Total	\$ 7,933,933	\$ 583,329	\$ 2,877,190	\$ 270,830	(4,202,584)
General Revenues (Expenses) and Special Items:					
Property and other county tax levied for:					
General purposes					3,944,487
Debt service					303,332
State tax credits					123,027
Local option sales and services tax					265,531
Payments in lieu of taxes					3,051
Unrestricted investment earnings					56,023
Miscellaneous					1,048
Loss on property tax abatement					(95,094)
Special item - gain on disposal of capital assets					215,396
Total general revenues (expenses) and special items					4,816,801
Change in net assets					614,217
Net assets beginning of year					13,125,408
Net assets end of year					\$ 13,739,625

See notes to financial statements.

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MONROE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,583,721	\$ 413,564	\$ 362,009	\$ 732,891
Receivables:				
Property tax:				
Delinquent	39,372	5,164	21,026	-
Succeeding year	2,628,000	328,000	1,189,000	-
Interest and penalty on property tax	379,527	-	-	-
Accounts	7,261	-	-	3,276
Due from other governments	75,179	2,227	-	233,601
Loans receivable (note 4)	327,860	-	-	-
Inventories	-	-	-	170,630
Prepaid expenses	79,453	-	-	12,774
Total assets	\$ 5,120,373	\$ 748,955	\$ 1,572,035	\$ 1,153,172

<u>Nonmajor</u>	<u>Total</u>
\$ 135,675	\$ 3,227,860
4,816	70,378
298,000	4,443,000
-	379,527
-	10,537
-	311,007
-	327,860
-	170,630
-	92,227
<u>\$ 438,491</u>	<u>\$ 9,033,026</u>

MONROE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue			
General	Mental Health	Rural Services	Secondary Roads	
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 58,198	\$ 23,965	\$ 3,826	\$ 92,651
Salaries and benefits payable	61,844	1,614	6,075	39,061
Due to other governments (note 6)	21,928	111,278	1,061	1,063
Deferred revenue:				
Succeeding year property tax	2,628,000	328,000	1,189,000	-
Other	746,475	5,157	21,020	-
Total liabilities	3,516,445	470,014	1,220,982	132,775
Fund balances:				
Nonspendable:				
Inventories	-	-	-	170,630
Prepaid expenses	79,453	-	-	12,774
Restricted for:				
Supplemental levy purposes	539,366	-	-	-
Cemetery levy purposes	10,217	-	-	-
Mental health purposes	-	278,941	-	-
Rural services purposes	-	-	351,053	-
Secondary roads purposes	-	-	-	836,993
Debt service	-	-	-	-
Capital projects	-	-	-	-
Conservation purposes	54,842	-	-	-
Other purposes	-	-	-	-
Unassigned	920,050	-	-	-
Total fund balances	1,603,928	278,941	351,053	1,020,397
Total liabilities and fund balances	\$ 5,120,373	\$ 748,955	\$ 1,572,035	\$ 1,153,172

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 1,244	\$ 179,884
-	108,594
-	135,330
298,000	4,443,000
4,809	777,461
<u>304,053</u>	<u>5,644,269</u>
-	170,630
-	92,227
-	539,366
-	10,217
-	278,941
-	351,053
-	836,993
54,327	54,327
157	157
65,604	120,446
14,350	14,350
-	920,050
<u>134,438</u>	<u>3,388,757</u>
<u>\$ 438,491</u>	<u>\$ 9,033,026</u>

MONROE COUNTY

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

June 30, 2012

Total fund balances of governmental funds	\$ 3,388,757
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 \$15,169,431 and the accumulated depreciation is \$5,382,142.	9,787,289
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	777,461
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.	1,353,667
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.	(9,057)
Long-term liabilities, including capital lease purchase agreements, installment purchases, notes payable, loans payable, compensated absences payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,558,492)</u>
Net assets of governmental activities	<u>\$ 13,739,625</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, 2012

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 2,499,495	\$ 327,822	\$ 1,403,894	\$ -
Interest and penalty on property tax	41,113	-	-	-
Intergovernmental	603,158	648,213	28,706	2,166,521
Licenses and permits	-	-	-	2,335
Charges for service	219,258	-	3,940	48
Use of money and property	85,551	-	-	-
Miscellaneous	34,872	42,876	-	23,366
Total revenues	3,483,447	1,018,911	1,436,540	2,192,270
Expenditures:				
Operating:				
Public safety and legal services	975,707	-	270,307	-
Physical health and social services	754,711	-	16,500	-
Mental health	-	953,220	-	-
County environment and education	166,928	-	127,951	-
Roads and transportation	-	-	-	3,322,030
Government services to residents	347,314	-	-	-
Administration	951,023	-	-	-
Debt service	42,352	-	-	114,730
Capital projects	23,125	-	265,531	326,361
Total expenditures	3,261,160	953,220	680,289	3,763,121
Excess (deficiency) of revenues over (under) expenditures	222,287	65,691	756,251	(1,570,851)
Other financing sources (uses):				
Sale of capital assets	-	-	-	33,059
Interfund transfers in (note 3)	-	-	-	822,995
Interfund transfers out (note 3)	(48,021)	-	(774,974)	-
Execution of installment purchase	-	-	-	498,456
Total other financing sources (uses)	(48,021)	-	(774,974)	1,354,510
Net change in fund balances	174,266	65,691	(18,723)	(216,341)
Fund balances beginning of year	1,429,662	213,250	369,776	1,236,738
Fund balances end of year	<u>\$ 1,603,928</u>	<u>\$ 278,941</u>	<u>\$ 351,053</u>	<u>\$ 1,020,397</u>

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 305,676	\$ 4,536,887
-	41,113
9,448	3,456,046
-	2,335
1,721	224,967
1,893	87,444
-	101,114
318,738	8,449,906
-	1,246,014
-	771,211
-	953,220
-	294,879
-	3,322,030
12	347,326
-	951,023
302,400	459,482
-	615,017
302,412	8,960,202
16,326	(510,296)
-	33,059
-	822,995
-	(822,995)
-	498,456
-	531,515
16,326	21,219
118,112	3,367,538
\$ 134,438	\$ 3,388,757

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, 2012

Net change in fund balances - total governmental funds \$ 21,219

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	\$ 1,111,507	
Capital assets acquired through tax sale process	36,500	
Depreciation expense	<u>(650,688)</u>	497,319

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. 215,396

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	(23,537)	
Loans receivable	(49,620)	
Other	<u>(136,207)</u>	(209,364)

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 and does not affect the Statement of Activities. (498,456)

Repayment of long-term liabilities is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the Statement of
Net Assets. 435,519

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	14,184	
Net OPEB liability	(10,700)	
Interest on long-term debt	<u>3,625</u>	7,109

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, 2012

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.

\$ 145,475

Change in net assets of governmental activities

\$ 614,217

See notes to financial statements.

MONROE COUNTY
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 June 30, 2012

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and investments	\$ 1,408,333
Prepaid expenses	<u>18,941</u>
Total assets	<u>1,427,274</u>
Liabilities	
Incurred but not reported claims (note 11)	<u>73,607</u>
Net Assets	
Unrestricted	<u>\$ 1,353,667</u>

See notes to financial statements.

MONROE COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 Year Ended June 30, 2012

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Changes to operating funds	\$ 817,535
Charges to retirees	4,375
Insurance reimbursements	<u>90,121</u>
Total operating revenues	<u>912,031</u>
Operating expenses:	
Medical claims	551,906
Administrative fees	<u>227,739</u>
Total operating expenses	<u>779,645</u>
Operating income	132,386
Non-operating revenues:	
Interest on investments	<u>13,089</u>
Net income	145,475
Net assets beginning of year	<u>1,208,192</u>
Net assets end of year	<u>\$ 1,353,667</u>

See notes to financial statements.

MONROE COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2012

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 817,535
Cash received from retirees and others	98,973
Cash payments to suppliers for services	<u>(794,957)</u>
Net cash provided by operating activities	<u>121,551</u>
Cash flows from investing activities:	
Interest on investments	13,089
Purchase of investments	<u>(12,255)</u>
Net cash provided by investing activities	<u>834</u>
Net increase in cash and cash equivalents	122,385
Cash and cash equivalents beginning of year	<u>477,110</u>
Cash and cash equivalents end of year	<u>\$ 599,495</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 132,386
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	4,477
Decrease in prepaid expenses	2,139
(Decrease) in deferred revenue	<u>(17,451)</u>
Net cash provided by operating activities	<u>\$ 121,551</u>
Reconciliation of cash and cash equivalents at end of year to specific assets included on Statement of Net Assets:	
Cash and investments	\$ 1,408,333
Less items not meeting the definition of cash equivalents:	
Certificates of deposit	<u>808,838</u>
Cash and cash equivalents end of year	<u>\$ 599,495</u>

See notes to financial statements.

MONROE COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2012

Assets	
Cash and pooled investments:	
County Treasurer	\$ 543,518
Other County officials	32,082
Receivables:	
Property tax:	
Delinquent	119,143
Succeeding year	8,212,000
Accounts	7,239
Due from other governments	6,624
Prepaid expenses	<u>10,009</u>
 Total assets	 <u><u>\$ 8,930,615</u></u>
 Liabilities	
Accounts payable	\$ 788
Due to other governments (note 6)	8,871,456
Trusts payable	<u>58,371</u>
 Total liabilities	 <u><u>\$ 8,930,615</u></u>

See notes to financial statements.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Jointly Governed Organizations – The County 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

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments 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 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 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 the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

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.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 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. Investments not meeting the definition of cash equivalents at June 30, 2012 included \$808,838 of certificates of deposit with maturity dates longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property 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.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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 amounts outstanding and receivable from other entities for the payment of the Honey Creek notes and the Community Economic Betterment Account loan.

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.

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.

<u>Asset Class</u>	<u>Amount</u>
Intangibles	\$ 100,000
Infrastructure	65,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
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.

Deferred revenue in the Statement of Net Assets consists of the 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.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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 who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the debt service function. Disbursements did not exceed the amounts appropriated in any department.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 48,021
	Special Revenue:	
	Rural Services	<u>774,974</u>
		<u>\$ 822,995</u>

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

Note 4. Loans 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.

During the year ended June 30, 2008, the County entered into an agreement whereby the County issued \$400,000 of notes to help finance construction of Honey Creek Resort State Park. Rathburn Lake Resort Inc agreed to pay the County for the principal and interest on the notes when due from the pledge account. Appanoose County and the Hotel-Motel Tax Commission of the Centerville Area Chamber of Commerce agreed to contribute and pay to the donors, of which Monroe County is one of three, 85.71% of all hotel/motel tax revenues generated from the renting of the lodging facilities at the Honey Creek State Park to pay the principal and interest due on the donor obligations.

A summary of annual collections due to the County as of June 30, 2012 is as follows:

<u>Year Ending June 30,</u>	<u>Relco</u>	<u>Honey Creek Resort</u>	<u>Total</u>
2013	\$ 7,143	\$ 51,315	\$ 58,458
2014	-	51,315	51,315
2015	-	51,315	51,315
2016	-	51,315	51,315
2017	-	51,315	51,315
2018	-	51,314	51,314
2019	-	12,828	12,828
	<u>\$ 7,143</u>	<u>\$ 320,717</u>	<u>\$ 327,860</u>

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 139,955	\$ 36,500	\$ -	\$ 176,455
Construction in progress	-	308,290	-	308,290
Total capital assets not being depreciated	139,955	344,790	-	484,745
Capital assets being depreciated:				
Buildings	2,711,557	-	-	2,711,557
Improvements other than buildings	72,000	-	-	72,000
Machinery and equipment	4,587,942	1,083,217	880,571	4,790,588
Infrastructure	7,110,541	-	-	7,110,541
Total capital assets being depreciated	14,482,040	1,083,217	880,571	14,684,686
Less accumulated depreciation for:				
Buildings	1,094,716	75,692	-	1,170,408
Improvements other than buildings	64,800	-	-	64,800
Machinery and equipment	3,361,858	299,940	815,967	2,845,831
Infrastructure	1,026,047	275,056	-	1,301,103
Total accumulated depreciation	5,547,421	650,688	815,967	5,382,142
Total capital assets being depreciated, net	8,934,619	432,529	64,604	9,302,544
Governmental activities capital assets, net	\$ 9,074,574	\$ 777,319	\$ 64,604	\$ 9,787,289

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	30,277
Physical health and social services		12,077
County environment and education		24,447
Roads and transportation		535,466
Administration		<u>48,421</u>
Total depreciation expense - governmental activities	\$	<u><u>650,688</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	\$ 21,928
Special Revenue:		
Mental Health		111,278
Rural Services		1,061
Secondary Roads		<u>1,063</u>
Total for governmental funds		\$ <u><u>135,330</u></u>
Agency:		
County Assessor	Collections	\$ 428,742
Schools		5,214,356
Area Schools		312,885
County Hospital		733,905
Corporations		1,623,629
Townships		165,692
Auto License and Use Tax		163,931
All Other		<u>228,316</u>
Total for agency funds		\$ <u><u>8,871,456</u></u>

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Capital lease purchase agreements	\$ 39,878	\$ -	\$ 14,606	\$ 25,272	\$ 13,419
Installment purchases	255,170	498,456	108,638	644,988	159,231
General obligation notes	1,023,563	-	312,275	711,288	317,737
Loan payable	42,857	-	35,714	7,143	7,143
Compensated absences	157,185	112,574	126,758	143,001	112,574
Net OPEB liability	16,100	10,700	-	26,800	-
Total	\$ 1,534,753	\$ 621,730	\$ 597,991	\$ 1,558,492	\$ 610,104

Capital Lease Purchase Agreements

During the year ended June 30, 2009, the County entered into a capital lease purchase agreement to purchase computer equipment for the Public Health department with a total historical cost of \$55,000. The agreement is payable in six monthly payments of \$99 then fifty-four monthly payments of \$1,244.10 and includes interest at 7.75%. The following is a schedule of the future minimum lease payments, including interest and the present value of net minimum lease payments under the agreements in effect at June 30, 2012:

Year Ending June 30,	Computer Equipment
2013	\$ 14,929
2014	<u>12,281</u>
Total minimum lease payments	27,210
Less amount representing interest	<u>1,938</u>
Present value of net minimum lease payments	<u>\$ 25,272</u>

Payments under capital lease purchase agreements for the year ended June 30, 2012 totaled \$17,228.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Long-Term Liabilities (continued)

Installment Purchases

During the year ended June 30, 2008, the County entered into an installment purchase agreement to purchase two motor graders at a total historical cost of \$392,250. The agreement calls for two semi-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%.

During the year ended June 30, 2009, the County entered into an interest-free installment purchase agreement to purchase an imaging system for the County at a total historical cost of \$81,055. The agreement calls for five annual payments through the year ending June 30, 2014.

During the year ended June 30, 2012, the County entered into an installment purchase agreement to purchase four motor graders at a total historical cost of \$778,456. The agreement will be paid in ten semi-annual payments of \$54,542 including interest at 3.35%.

Details of the County's June 30, 2012 installment purchases are as follows:

Year Ending June 30,	Motor Graders			Imaging System
	Principal	Interest	Total	Principal
2013	\$ 52,690	\$ 7,498	\$ 60,188	\$ 11,813
2014	55,303	4,885	60,188	15,104
2015	58,047	2,142	60,189	-
	<u>\$ 166,040</u>	<u>\$ 14,525</u>	<u>\$ 180,565</u>	<u>\$ 26,917</u>

Year Ending June 30,	Motor Graders			Total		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 94,728	\$ 14,356	\$ 109,084	\$ 159,231	\$ 21,854	\$ 181,085
2014	97,927	11,157	109,084	168,334	16,042	184,376
2015	101,236	7,848	109,084	159,283	9,990	169,273
2016	104,655	4,429	109,084	104,655	4,429	109,084
2017	53,485	896	54,381	53,485	896	54,381
	<u>\$ 452,031</u>	<u>\$ 38,686</u>	<u>\$ 490,717</u>	<u>\$ 644,988</u>	<u>\$ 53,211</u>	<u>\$ 698,199</u>

Payments under installment purchase agreements for the year ended June 30, 2012 totaled \$126,743.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 7. Long-Term Liabilities (continued)

General Obligation 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 3.50% per annum.

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 5.50% per annum.

During the year ended June 30, 2009, the County issued a \$70,000 general obligation education center note for the purpose of purchasing real estate. The note bears an interest rate of 4.44% per annum.

During the year ended June 30, 2010, the County issued a \$600,000 general obligation county road improvement note for the purpose of paying for the improvement of county roads. The note bears an interest rate of 4.00% per annum.

Details of the County's June 30, 2012 general obligation notes are as follows:

Year Ending June 30,	Honey Creek Resort			Office Building		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 41,697	\$ 9,618	\$ 51,315	\$ 61,441	\$ 10,029	\$ 71,470
2014	43,197	8,118	51,315	64,915	6,555	71,470
2015	44,750	6,565	51,315	68,586	2,884	71,470
2016	46,348	4,967	51,315	-	-	-
2017	48,026	3,289	51,315	-	-	-
2018	49,753	1,562	51,315	-	-	-
2019	12,716	112	12,828	-	-	-
	<u>\$ 286,487</u>	<u>\$ 34,231</u>	<u>\$ 320,718</u>	<u>\$ 194,942</u>	<u>\$ 19,468</u>	<u>\$ 214,410</u>

Year Ending June 30,	Education Center			Road Improvement		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 14,599	\$ 1,348	\$ 15,947	\$ 200,000	\$ 8,000	\$ 208,000
2014	15,260	687	15,947	-	-	-
	<u>\$ 29,859</u>	<u>\$ 2,035</u>	<u>\$ 31,894</u>	<u>\$ 200,000</u>	<u>\$ 8,000</u>	<u>\$ 208,000</u>

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Long-Term Liabilities (continued)

General Obligation Notes (continued)

Year Ending June 30,	Total		
	Principal	Interest	Total
2013	\$ 317,737	\$ 28,995	\$ 346,732
2014	123,372	15,360	138,732
2015	113,336	9,449	122,785
2016	46,348	4,967	51,315
2017	48,026	3,289	51,315
2018	49,753	1,562	51,315
2019	12,716	112	12,828
	<u>\$ 711,288</u>	<u>\$ 63,734</u>	<u>\$ 775,022</u>

Loan 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 4). 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 June 30, 2012 loan payable are as follows:

Year Ending June 30,	Principal
2013	<u>\$ 7,143</u>

Note 8. Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 67 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage, which is a self-funded medical plan, is administered by First Administrators, Inc. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 8. Other Postemployment Benefits (OPEB) (continued)

Annual OPEB Cost and Net OPEB Obligation – The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 16,300
Interest on net OPEB obligation	600
Adjustment to annual required contribution	<u>(600)</u>
Annual OPEB cost	16,300
Contributions made	<u>(5,600)</u>
Increase in net OPEB obligation	10,700
Net OPEB obligation beginning of year	<u>16,100</u>
Net OPEB obligation end of year	<u><u>\$ 26,800</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed \$5,600 to the medical plan.

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 16,300	34.4%	\$ 26,800

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$137,632, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$137,632. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,394,000 and the ratio of the UAAL to covered payroll was 5.7%. As of June 30, 2012, there were no trust fund assets.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 8. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 combined Mortality Table projected to 2010 using scale AA, applied on a gender-specific basis. Projected claim costs of the medical plan are \$633 per month for retirees age 55 to 59 and \$783 per month for retirees age 60 to 64. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

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 5.38% of their annual covered salary and the County is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$226,240, \$199,656 and \$175,995, respectively, equal to the required contributions for each year.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 663 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 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2012 were \$111,504.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

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, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 10. Risk Management (continued)

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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty 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.

Note 11. Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the 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 the purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and weekly payments of claims processed are paid to First Administrators, Inc. from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2012 was \$817,535.

MONROE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 11. Employee Health Insurance Plan (continued)

Amounts payable from the Employee Group Health Fund at June 30, 2012 total \$73,607, 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 \$1,353,667 at June 30, 2012 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 liability for claims for the current year is as follows:

Unpaid claims at July 1, 2011	\$ 91,058
Incurred claims (including claims incurred but not reported at June 30, 2012)	551,906
Payments	<u>(569,357)</u>
Unpaid claims at June 30, 2012	<u>\$ 73,607</u>

Note 12. Construction Commitment

The County has entered into various contracts totaling \$494,751 for a bridge replacement and a trail project. As of June 30, 2012, costs of \$308,290 have been incurred against the contracts. The balance remaining at June 30, 2012 of \$186,461 will be paid as work on the projects progresses.

Note 13. Contingent Liability

Landfill Closure Assurance Guaranty

The County participates in an agreement with the South Central Iowa Solid Waste 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.

State and federal laws and regulations require the Agency to place final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and post-closure costs to the Agency have been estimated at \$2,112,643. The Agency has begun to accumulate resources to fund these closure costs, and as of June 30, 2012, has \$2,242,716 restricted for this purpose. The Agency is required to accumulate the full amount of funds required for closure and post-closure during the life of the landfill. However, it must have additional mechanisms in place at all times during the life of the landfill to equal 100 percent of the current cost estimates. No financial assurance guaranty was required from the County for the fiscal year ended June 30, 2012.

Note 14. Subsequent Events

In October 2012, the County entered into a contract totaling \$308,965 for a bridge replacement.

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, 2012

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 4,609,768	\$ 4,793,042	\$ 4,793,042	\$ (183,274)
Interest and penalty on property tax	40,937	3,000	3,000	37,937
Intergovernmental	3,372,201	3,254,855	3,546,755	(174,554)
Licenses and permits	2,455	2,500	2,500	(45)
Charges for service	218,423	161,670	161,670	56,753
Use of money and property	85,942	58,410	58,410	27,532
Miscellaneous	97,435	16,425	60,425	37,010
Total receipts	<u>8,427,161</u>	<u>8,289,902</u>	<u>8,625,802</u>	<u>(198,641)</u>
DISBURSEMENTS:				
Public safety and legal services	1,234,134	1,381,348	1,381,348	147,214
Physical health and social services	799,522	929,279	947,723	148,201
Mental health	950,297	1,053,842	1,097,842	147,545
County environment and education	289,054	340,500	350,571	61,517
Roads and transportation	2,886,192	2,673,417	3,387,822	501,630
Government services to residents	347,782	406,856	406,856	59,074
Administration	957,838	1,126,291	1,126,291	168,453
Debt service	484,908	433,429	433,429	(51,479)
Capital projects	655,862	794,500	1,118,500	462,638
Total disbursements	<u>8,605,589</u>	<u>9,139,462</u>	<u>10,250,382</u>	<u>1,644,793</u>
Excess (deficiency) of receipts over (under) disbursements	(178,428)	(849,560)	(1,624,580)	1,446,152
Other financing sources, net	33,059	12,000	12,000	21,059
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(145,369)	(837,560)	(1,612,580)	1,467,211
Balance beginning of year	<u>3,373,229</u>	<u>2,565,667</u>	<u>2,572,966</u>	<u>800,263</u>
Balance end of year	<u>\$ 3,227,860</u>	<u>\$ 1,728,107</u>	<u>\$ 960,386</u>	<u>\$ 2,267,474</u>

See accompanying independent auditor's report.

MONROE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,427,161	\$ 22,745	\$ 8,449,906
Expenditures	8,605,589	354,613	8,960,202
Net	(178,428)	(331,868)	(510,296)
Other financing sources, net	33,059	498,456	531,515
Beginning fund balances	3,373,229	(5,691)	3,367,538
Ending fund balances	<u>\$ 3,227,860</u>	<u>\$ 160,897</u>	<u>\$ 3,388,757</u>

See accompanying independent auditor's report.

MONROE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2012

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, one budget amendment increased budgeted disbursements by \$1,110,920. 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, 2012, disbursements exceeded the amount budgeted in the debt service function. Disbursements did not exceed the amounts appropriated.

MONROE COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 138	\$ 138	0.0%	\$ 2,484	5.5%
2011	July 1, 2009	-	138	138	0.0%	2,424	5.7%
2012	July 1, 2009	-	138	138	0.0%	2,394	5.7%

See note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

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Supplementary Information

MONROE COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2012

	Special Revenue			
	Resource Enhancement and Protection	County Recorder's Records Management	Debt Service	Capital Projects
Assets				
Cash and pooled investments	\$ 55,524	\$ 14,350	\$ 55,564	\$ 157
Receivables:				
Property tax:				
Delinquent	-	-	4,816	-
Succeeding year	-	-	298,000	-
Total assets	\$ 55,524	\$ 14,350	\$ 358,380	\$ 157
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	1,244	\$ -
Deferred revenue:				
Succeeding year property tax	-	-	298,000	-
Other	-	-	4,809	-
Total liabilities	-	-	304,053	-
Fund balances:				
Restricted for:				
Debt service	-	-	54,327	-
Capital projects	-	-	-	157
Conservation purposes	55,524	-	-	-
Other purposes	-	14,350	-	-
Total fund balances	55,524	14,350	54,327	157
Total liabilities and fund balances	\$ 55,524	\$ 14,350	\$ 358,380	\$ 157

See accompanying independent auditor's report.

<u>Permanent</u>	
<u>Ajinomoto Conservation Endowment</u>	<u>Total</u>
\$ 10,080	\$ 135,675
-	4,816
-	298,000
<u>\$ 10,080</u>	<u>\$ 438,491</u>
\$ -	\$ 1,244
-	298,000
-	4,809
-	304,053
-	54,327
-	157
10,080	65,604
-	14,350
<u>10,080</u>	<u>134,438</u>
<u>\$ 10,080</u>	<u>\$ 438,491</u>

MONROE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Special Revenue			
	Resource Enhancement and Protection	County Recorder's Records Management	Debt Service	Capital Projects
Revenues:				
Property and other County tax	\$ -	\$ -	\$ 305,676	\$ -
Intergovernmental	-	-	9,448	-
Charges for service	-	1,721	-	-
Use of money and property	529	127	1,198	-
Total revenues	<u>529</u>	<u>1,848</u>	<u>316,322</u>	<u>-</u>
Expenditures:				
Operating:				
Government services to residents	-	12	-	-
Debt service	-	-	302,400	-
Total expenditures	<u>-</u>	<u>12</u>	<u>302,400</u>	<u>-</u>
Excess of revenues over expenditures	529	1,836	13,922	-
Fund balances beginning of year	<u>54,995</u>	<u>12,514</u>	<u>40,405</u>	<u>157</u>
Fund balances end of year	<u>\$ 55,524</u>	<u>\$ 14,350</u>	<u>\$ 54,327</u>	<u>\$ 157</u>

See accompanying independent auditor's report.

<u>Permanent</u>	
<u>Ajinomoto Conservation Endowment</u>	<u>Total</u>
\$ -	\$ 305,676
-	9,448
-	1,721
39	1,893
<u>39</u>	<u>318,738</u>
-	12
-	302,400
-	<u>302,412</u>
39	16,326
<u>10,041</u>	<u>118,112</u>
<u>\$ 10,080</u>	<u>\$ 134,438</u>

MONROE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2012

	County Offices			Agricultural Extension Education
	County Auditor	County Recorder	County Sheriff	
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	1,430
Other County officials	10,000	179	21,903	-
Receivables:				
Property tax:				
Delinquent	-	-	-	1,793
Succeeding year	-	-	-	118,000
Accounts	-	117	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	\$ 10,000	\$ 296	\$ 21,903	\$ 121,223
LIABILITIES				
Accounts payable	\$ -	\$ 150	\$ -	-
Due to other governments	-	146	-	121,223
Trusts payable	10,000	-	21,903	-
Total liabilities	\$ 10,000	\$ 296	\$ 21,903	\$ 121,223

<u>County Assessor</u>	<u>Schools</u>	<u>Area Schools</u>	<u>County Hospital</u>	<u>Corporations</u>	<u>Townships</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 140,553	\$ 70,138	\$ 4,262	\$ 10,047	\$ 32,288	\$ 1,581	\$ 15
-	-	-	-	-	-	-
4,180	85,218	4,623	10,858	9,341	3,111	19
274,000	5,059,000	304,000	713,000	1,582,000	161,000	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
10,009	-	-	-	-	-	-
<u>\$ 428,742</u>	<u>\$ 5,214,356</u>	<u>\$ 312,885</u>	<u>\$ 733,905</u>	<u>\$ 1,623,629</u>	<u>\$ 165,692</u>	<u>\$ 1,034</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
428,742	5,214,356	312,885	733,905	1,623,629	165,692	1,034
-	-	-	-	-	-	-
<u>\$ 428,742</u>	<u>\$ 5,214,356</u>	<u>\$ 312,885</u>	<u>\$ 733,905</u>	<u>\$ 1,623,629</u>	<u>\$ 165,692</u>	<u>\$ 1,034</u>

MONROE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2012

	Auto License and Use Tax	E-911	City Special Assessments	Advance Tax
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 163,931	\$ 91,051	\$ 1,436	\$ 26,468
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	7,122	-	-
Due from other governments	-	6,624	-	-
Prepaid expenses	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 163,931</u>	<u>\$ 104,797</u>	<u>\$ 1,436</u>	<u>\$ 26,468</u>
LIABILITIES				
Accounts payable	\$ -	\$ 638	\$ -	\$ -
Due to other governments	163,931	104,159	1,436	-
Trusts payable	-	-	-	26,468
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 163,931</u>	<u>\$ 104,797</u>	<u>\$ 1,436</u>	<u>\$ 26,468</u>

See accompanying independent auditor's report.

	County Recorder's Electronic <u>Transaction Fee</u>	<u>Total</u>
\$	318	\$ 543,518
	-	32,082
	-	119,143
	-	8,212,000
	-	7,239
	-	6,624
	-	10,009
	<u>318</u>	<u>8,930,615</u>
\$	<u>318</u>	<u>\$ 8,930,615</u>
\$	-	\$ 788
	318	8,871,456
	-	58,371
	<u>318</u>	<u>8,930,615</u>
\$	<u>318</u>	<u>\$ 8,930,615</u>

MONROE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2012

	County Offices			Agricultural Extension Education
	County Auditor	County Recorder	County Sheriff	
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 10,239	\$ 521	\$ 20,607	\$ 113,832
Additions:				
Property and other County tax	-	-	-	118,227
State tax credits	-	-	-	3,335
Payments in lieu of taxes	-	-	-	59
E-911 surcharge	-	-	-	-
Office fees and collections	260	126,341	34,515	-
Auto licenses, use tax, driver licenses, and postage	-	-	-	-
Assessments	-	-	-	-
Interest income	-	-	-	-
Trusts	160	-	137,873	-
Miscellaneous	-	-	-	-
Total additions	420	126,341	172,388	121,621
Deductions:				
Agency remittances:				
To other funds	260	54,788	34,515	-
To other governments	-	71,778	2,965	114,230
Trusts paid out	399	-	133,612	-
Total deductions	659	126,566	171,092	114,230
Balances end of year	\$ 10,000	\$ 296	\$ 21,903	\$ 121,223

<u>County Assessor</u>	<u>Schools</u>	<u>Area Schools</u>	<u>County Hospital</u>	<u>Corporations</u>	<u>Townships</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 417,113	\$ 5,286,591	\$ 340,858	\$ 673,287	\$ 1,555,630	\$ 155,713	\$ 1,043
273,723	5,032,433	302,570	712,443	1,551,887	161,347	1,165
7,919	163,242	9,939	20,227	68,667	3,749	36
232	2,919	176	347	3,751	-	1
-	-	-	-	-	-	-
101	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
281,975	5,198,594	312,685	733,017	1,624,305	165,096	1,202
-	-	-	-	-	-	-
270,346	5,270,829	340,658	672,399	1,556,306	155,117	1,211
-	-	-	-	-	-	-
270,346	5,270,829	340,658	672,399	1,556,306	155,117	1,211
\$ 428,742	\$ 5,214,356	\$ 312,885	\$ 733,905	\$ 1,623,629	\$ 165,692	\$ 1,034

MONROE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2012

	Auto License and Use Tax	E-911	City Special Assessments	Advance Tax
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 207,760	\$ 96,227	\$ 2,083	\$ 31,367
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Payments in lieu of taxes	-	-	-	-
E-911 surcharge	-	63,061	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax, driver licenses, and postage	2,118,424	-	-	-
Assessments	-	-	7,397	-
Interest income	-	957	-	-
Trusts	-	-	-	26,757
Miscellaneous	-	891	-	-
Total additions	<u>2,118,424</u>	<u>64,909</u>	<u>7,397</u>	<u>26,757</u>
Deductions:				
Agency remittances:				
To other funds	80,818	-	-	-
To other governments	2,081,435	56,339	8,044	-
Trusts paid out	-	-	-	31,656
Total deductions	<u>2,162,253</u>	<u>56,339</u>	<u>8,044</u>	<u>31,656</u>
Balances end of year	<u>\$ 163,931</u>	<u>\$ 104,797</u>	<u>\$ 1,436</u>	<u>\$ 26,468</u>

See accompanying independent auditor's report.

Tax Sale Redemption	County Recorder's Electronic Transaction Fee	Total
\$ -	\$ 924	\$ 8,913,795
-	-	8,153,795
-	-	277,114
-	-	7,485
-	-	63,061
-	1,721	162,938
-	-	2,118,424
-	-	7,397
-	2	959
205,080	-	369,870
-	-	891
<u>205,080</u>	<u>1,723</u>	<u>11,161,934</u>
-	-	170,381
-	2,329	10,603,986
205,080	-	370,747
<u>205,080</u>	<u>2,329</u>	<u>11,145,114</u>
<u>\$ -</u>	<u>\$ 318</u>	<u>\$ 8,930,615</u>

MONROE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2012	2011	2010	2009
Revenues:				
Property and other County tax	\$ 4,536,887	\$ 4,586,232	\$ 3,881,781	\$ 3,834,653
Interest and penalty on property tax	41,113	45,079	38,146	39,229
Intergovernmental	3,456,046	3,383,998	3,039,879	3,276,523
Licenses and permits	2,335	2,700	1,880	1,890
Charges for service	224,967	235,812	236,927	223,518
Use of money and property	87,444	97,623	95,820	127,306
Miscellaneous	101,114	26,071	87,541	61,883
Total	\$ 8,449,906	\$ 8,377,515	\$ 7,381,974	\$ 7,565,002
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,246,014	\$ 1,166,839	\$ 1,105,998	\$ 1,080,991
Physical health and social services	771,211	813,476	832,829	861,323
Mental health	953,220	737,016	760,724	748,216
County environment and education	294,879	298,548	291,736	243,782
Roads and transportation	3,322,030	2,799,411	2,836,146	2,999,673
Government services to residents	347,326	338,963	331,811	448,299
Administration	951,023	890,568	851,811	906,215
Debt service	459,482	448,052	465,290	642,935
Capital projects	615,017	479,926	343,167	761,535
Total	\$ 8,960,202	\$ 7,972,799	\$ 7,819,512	\$ 8,692,969

See accompanying independent auditor's report.

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	3,745,260	\$ 3,719,710	\$ 3,299,545	\$ 3,080,565
	38,012	124,528	36,861	41,246
	2,895,924	2,897,772	3,419,355	3,308,942
	1,390	715	490	505
	238,158	240,365	252,875	248,374
	191,026	195,205	171,331	133,310
	64,585	42,154	32,010	24,023
	<u>\$ 7,174,355</u>	<u>\$ 7,220,449</u>	<u>\$ 7,212,467</u>	<u>\$ 6,836,965</u>
\$	1,078,661	\$ 1,008,343	\$ 1,042,222	\$ 933,073
	750,894	705,034	668,924	671,063
	784,399	857,955	795,100	1,077,603
	609,350	264,183	260,494	595,876
	3,164,319	2,350,659	2,822,780	2,384,357
	275,201	264,770	332,531	275,864
	878,986	863,002	853,821	912,850
	226,063	409,729	270,955	273,830
	977,638	447,538	1,117,862	566,999
	<u>\$ 8,745,511</u>	<u>\$ 7,171,213</u>	<u>\$ 8,164,689</u>	<u>\$ 7,691,515</u>

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, 2012, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 28, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Monroe County is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-B-12 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-12, I-C-12, and I-D-12 to be significant deficiencies.

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 Monroe County's operations for the year ended June 30, 2012 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
March 28, 2013

MONROE COUNTY
 SCHEDULE OF FINDINGS
 Year Ended June 30, 2012

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 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, Recorder, Sheriff
(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, Recorder, Sheriff
(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. 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.	Recorder

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

MONROE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2012

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

INTERNAL CONTROL DEFICIENCIES (continued):

I-A-12 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 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.

Conclusion – Responses accepted.

I-B-12 Financial Reporting – During the audit, we identified material amounts of payables not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

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

Conclusion – Response accepted.

I-C-12 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, 2012

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

INTERNAL CONTROL DEFICIENCIES (continued):

I-D-12 Receipt Recorded in Improper Fund – We noted a receipt for a state grant that was recorded in the Conservation Land Acquisition Fund reported within the General Fund but should have been recorded in the Special Revenue, Resource Enhancement and Protection Fund.

Recommendation – The County should transfer \$9,402 from the Conservation Land Acquisition Fund to the Special Revenue, Resource Enhancement and Protection Fund for this receipt.

Response – We have made the recommended corrective transfer for this receipt.

Conclusion – Response accepted.

MONROE COUNTY
 SCHEDULE OF FINDINGS
 Year Ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the debt service function. Disbursements did not exceed the amounts appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – This was due to the first payment on the new installment purchase. We will amend the budget when required in the future.

Conclusion – Response accepted.

II-B-12 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-12 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-D-12 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Aaron Kelly, employee, Owner of Kelly Komputers	Computer services and equipment	\$3,531
Ray Vitko, employee, Co-owner of Vitkos	Fuel/vehicle parts	\$2,310

In accordance with Chapter 331.342(2)(d) of the Code of Iowa, the transactions noted above do not appear to represent conflicts of interest since the employees were not directly involved in the procurement or preparation of any part of the contracts.

II-E-12 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-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-12 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-12 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

MONROE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2012

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

- II-I-12 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, 2012 for the County Extension Office did not exceed the amount budgeted.