



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

June 22, 2006

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515/281-5834

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

The County had local tax revenue of \$11,566,275 for the year ended June 30, 2005, which included \$754,940 in tax credits from the state. The County forwarded \$8,100,204 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,466,071 of the local tax revenue to finance County operations, an 8 percent decrease from the prior year. Other revenues included charges for service of \$789,550, operating grants, contributions and restricted interest of \$3,383,258, capital grants, contributions and restricted interest of \$2,082,642, local option sales tax of \$279,548, unrestricted investment earnings of \$126,976 and other general revenues of \$95,540.

Expenses for County operations totaled \$8,341,248, a 6 percent decrease from the prior year. Expenses included \$3,810,122 for roads and transportation, \$1,301,065 for public safety and legal services and \$955,665 for administration.

A copy of the report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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MONONA COUNTY

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

JUNE 30, 2005

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Monona County
Officials
(Before January 2005)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lester Nordaker	Board of Supervisors	Jan 2005
Richard C. Merritt, Sr.	Board of Supervisors	Jan 2007
Stanley Skow	Board of Supervisors	Jan 2007
Benita J. Davis	County Auditor	Jan 2005
Lawrence Framke	County Treasurer	Jan 2007
Tena L. Hinkel	County Recorder	Jan 2007
Jeffrey R. Pratt	County Sheriff	Jan 2005
Michael D. Jensen	County Attorney	Jan 2007
Lawrence E. Keitges	County Assessor	Jan 2010

(After January 2005)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard C. Merritt, Sr.	Board of Supervisors	Jan 2007
Stanley Skow	Board of Supervisors	Jan 2007
Lester Nordaker	Board of Supervisors	Jan 2009
Benita J. Davis	County Auditor	Jan 2009
Lawrence Framke	County Treasurer	Jan 2007
Tena L. Hinkel	County Recorder	Jan 2007
Jeffrey R. Pratt	County Sheriff	Jan 2009
Michael D. Jensen	County Attorney	Jan 2007
Lawrence E. Keitges	County Assessor	Jan 2010

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Independent Auditor's Report

To the Officials of Monona County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Monona County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Monona County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Monona County at June 30, 2005, 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 February 16, 2006 on our consideration of Monona County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 42 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monona County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 16, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Monona County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- The County's governmental activities revenues decreased approximately 17%, or \$2,091,000, from fiscal 2004 to fiscal 2005. Property and other county tax decreased approximately \$347,000.
- The County's governmental activities expenses decreased approximately 6%, or \$506,000, from fiscal 2004 to fiscal 2005.
- The County's net assets increased 14%, or approximately \$1.9 million, from June 30, 2004 to June 30, 2005.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Monona County as a whole and present an overall view of the County's finances.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse 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, interest on long-term debt and non-program activities. 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, and 3) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Monona County's combined net assets increased from \$13.5 million to \$15.4 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

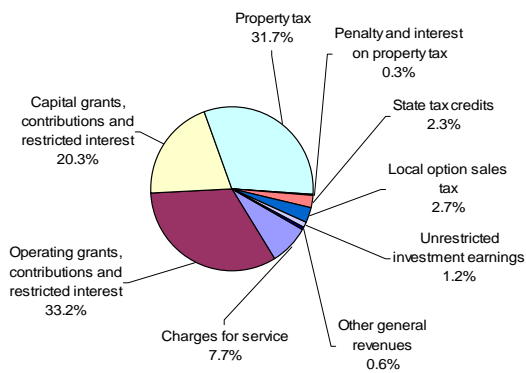
Net Assets of Governmental Activities		
(Expressed in Thousands)		
	June 30,	
	2005	2004
Current and other assets	\$ 9,758	10,398
Capital assets	10,201	8,128
Total assets	19,959	18,526
Long-term debt outstanding	744	387
Other liabilities	3,827	4,633
Total liabilities	4,571	5,020
Net assets:		
Invested in capital assets, net of related debt	9,801	8,128
Restricted	3,407	4,079
Unrestricted	2,180	1,299
Total net assets	\$ 15,388	13,506

Net assets of Monona County's governmental activities increased by \$1.9 million compared to FY04. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are approximately \$2.2 million at June 30, 2005.

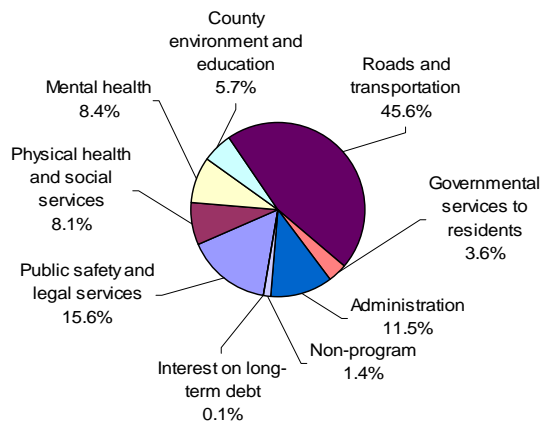
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2005	2004
Revenues:		
Program revenues:		
Charges for service	\$ 790	941
Operating grants, contributions and restricted interest	3,383	3,324
Capital grants, contributions and restricted interest	2,083	3,814
General revenues:		
Property tax	3,233	3,580
Penalty and interest on property tax	29	35
State tax credits	233	195
Local option sales tax	279	266
Grants and contributions not restricted to specific purpose	-	14
Unrestricted investment earnings	127	110
Other general revenues	66	35
Total revenues	10,223	12,314
Program expenses:		
Public safety and legal services	1,301	1,247
Physical health and social services	674	673
Mental health	704	743
County environment and education	472	421
Roads and transportation	3,810	4,331
Governmental services to residents	299	294
Administration	956	1,017
Non-program	113	116
Interest on long-term debt	12	5
Total expenses	8,341	8,847
Increase in net assets	1,882	3,467
Net assets beginning of year	13,506	10,039
Net assets end of year	\$ 15,388	13,506

Revenues by Source



Expenses by Function



The County increased property tax rates for fiscal 2005 by approximately 5.2%. However, the taxable valuation declined approximately 10%, or \$40 million. This resulted in a decrease in the County's property tax revenue of approximately \$347,000 in fiscal 2005.

The cost of all governmental activities this year was approximately \$8.3 million compared to \$8.8 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was \$2,100,000 this year compared to \$768,000 last year. Some of the cost was paid by those directly benefited from the programs (\$790,000 this year compared to \$941,000 last year) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,466,000 this year compared to \$7,138,000 last year.). The County paid for the remaining "public benefit" portion of governmental activities with approximately \$3,233,000 in taxes this year compared to \$3,580,000 last year, (some of which could only be used for certain programs) and with other revenues, such as local option sales tax, state tax credits, interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Monona County completed the year, its governmental funds reported a combined fund balance of \$5.3 million, an increase of approximately \$637,000 from last year's total of \$4.6 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures decreased by approximately \$128,000 and \$32,000, respectively. The ending fund balance showed a modest increase of approximately \$65,000, or 3%. Property tax decreased by \$180,000. A roof replacement project planned in FY05 was not accomplished until FY06. Therefore, it was reflected in the FY05 carry over balance. Even with an increase in levy rate of \$.12 per \$1,000 of taxable valuation, due to lower taxable valuations, the tax revenue was lower.
- The County has continued to look for ways to effectively manage the cost of mental health services. Mental Health Fund revenues increased approximately \$48,000. For the year, expenditures totaled approximately \$704,000, a decrease of 5% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$34,000 from the prior year. Due to a lower fund balance, the mental health tax levy was increased \$.18316 per \$1,000 of taxable valuation, which resulted in an increase in tax revenue of approximately \$43,000. There was an increase in state credits received of approximately \$6,000 and a decrease in the social services block grant receipts of approximately \$2,000. The decrease in expenditures was due to a decrease in the number of clients being served.
- Rural Services Fund revenues decreased approximately \$190,000. This was primarily due to a decrease in property tax revenues of approximately \$205,000. Rural Services Fund expenditures increased approximately \$45,000, due in part to a \$20,000 increase in the uniformed patrol portion of the Sheriff's budget being paid out of the Rural Services Fund during 2005. The transfer from the Rural Services Fund to the Secondary Roads Fund was decreased by approximately \$245,000. The ending fund balance decreased approximately \$103,000. With the assurance local option sales tax used in the Secondary Roads Fund can be considered local effort and the significant decrease in rural valuation, the decision was made to transfer a lower amount from the Rural Services Fund to the Secondary Roads Fund.
- Secondary Roads Fund expenditures decreased by approximately \$270,000 from the prior year, due in part to a decrease in capital projects expenditures of \$214,000 for various road projects because the projects did not start on the anticipated schedule. The revenues increased approximately \$68,000. This increase was attributed partially to an increase in road use tax revenue of approximately \$25,000 and an increase in local option sales tax revenue of approximately \$13,000. The transfers from the Rural Services Fund decreased approximately \$245,000. The decrease in the Secondary Roads Fund ending balance was approximately 13%, or \$338,000. Due to the fact the local option sales tax can be

considered in the calculation of the County's local effort funding and due to the fact there was a significant decrease in rural valuation, which resulted in a decrease in taxes collected in the Rural Services Fund, the decision was made to transfer a lower amount to the Secondary Roads Fund.

- The Capital Projects Fund was established during FY04 to account for revenues and expenditures associated with construction of the Visitor Center at Lewis and Clark State Park. The fund had a deficit fund balance of \$1,074,786 on June 30, 2004. When a lawsuit was filed by a contractor, the County was forced to secure a \$400,000 bank loan to make payments to document expenditures necessary for the application of a reimbursable DOT grant and to negotiate settlement with contractors up to the work stoppage in July 2004. The deficit was eliminated through receipt of a grant from the Iowa Department of Transportation, funding of \$270,000 from the Iowa Department of Natural Resources and proceeds from a bank loan during the 2005 fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Monona County amended its budget twice for a total amount of \$1,100,179. The amendment made in December 2004 resulted in an increase in budgeted disbursements of \$1,062,152 related to the Lewis and Clark project and to implement the recorder's electronic website. The amendment in April 2005 of \$38,027 was the result of increases in the Sheriff's budget due to increases in fuel prices, changes in employee health insurance for additional coverage for several employees and unanticipated vehicle repairs, increases in the local health nurses budget due to expenditures for a new grant program and for increases as the result of an Iowa Department of Transportation reimbursement for GIS equipment to track the spraying program. The County did not exceed the budgeted amounts in the disbursement functions for the year ended June 30, 2005.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, Monona County had approximately \$10.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$2.1 million, or 25 percent, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2005	2004
Land	\$ 202	85
Construction in progress	1,684	1,907
Buildings and improvements	816	834
Equipment and vehicles	2,705	2,833
Infrastructure	4,794	2,469
Total	\$ 10,201	8,128
This year's major additions included (in thousands):		
Capital assets contributed by the Iowa Department of Transportation		1,721
County bridge and culvert construction		388
Replacement of a motorgrader, crane, pickups and other secondary roads equipment		306
County Sheriff vehicle		13
Courthouse equipment		6
Total		\$ 2,434

The County had depreciation expense of approximately \$576,000 in FY05 and total accumulated depreciation of approximately \$6 million at June 30, 2005.

The County's fiscal year 2005 additions totaled \$2,648,571. More detailed information about the County's capital assets is presented in Note 3 to the financial statements.

Long-Term Debt

At June 30, 2005, Monona County had approximately \$560,000 long-term debt outstanding compared to approximately \$185,000 at June 30, 2004.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	Year ended June 30,	
	2005	2004
General obligation loans	\$ 400	-
Drainage warrants	160	185
Total	\$ 560	185

The County borrowed \$400,000 during the year to eliminate the deficit balance in the Capital Projects Fund for the Lewis and Clark project. Additional information about the County's long-term debt is presented in Note 6 to the financial statements. 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's corporate limits. Monona County's outstanding general obligation debt is significantly below its constitutional debt limit of \$19 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Monona County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 5.5 percent versus 7.4 percent a year ago. This compares with the State's unemployment rate of 4.6 percent and the national rate of 5.1 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.4 percent for fiscal year 2005 compared with the national rate of 2.7 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2004-2005.

These indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are \$11,070,463, an increase of 14 percent over the final 2005 disbursements. Property taxes are projected to increase due to a property rate increase and increases in assessed valuations of 7%. Budgeted disbursements are expected to rise by \$1,356,000. The County is applying for Vision Iowa CAT grant funding to complete the Lewis and Clark Visitor's Center. If the Vision Iowa CAT grant is not funded, other alternatives will be pursued along with DNR to complete the project.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of FY06 by \$943,227, or a 25 percent reduction.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Monona County

Basic Financial Statements

Exhibit A

Monona County
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,322,697
Receivables:	
Property tax:	
Delinquent	11,324
Succeeding year	3,495,000
Interest and penalty on property tax	9,613
Accounts	50,788
Accrued interest	39,295
Drainage assessments:	
Current	159,449
Future	33,484
Due from other governments	354,622
Inventories	1,082,763
Prepaid expense	199,625
Capital assets - nondepreciable	1,886,385
Capital assets - depreciable, net	8,314,220
Total assets	<u>19,959,265</u>
Liabilities	
Accounts payable	213,659
Accrued interest payable	32,894
Due to other governments	85,662
Deferred revenue:	
Succeeding year property tax	3,495,000
Long-term liabilities:	
Portion due or payable within one year:	
Loan agreement	400,000
Drainage warrants	159,947
Compensated absences	148,703
Portion due or payable after one year:	
Compensated absences	34,977
Total liabilities	<u>4,570,842</u>
Net Assets	
Invested in capital assets, net of related debt	9,800,605
Restricted for:	
Supplemental levy purposes	740,345
Mental health purposes	157,986
Secondary roads purposes	2,256,411
Drainage warrants	155,341
Other purposes	97,237
Unrestricted	2,180,498
Total net assets	<u>\$ 15,388,423</u>

See notes to financial statements.

Monona County
Statement of Activities
Year ended June 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,301,065	142,027	12,933	-	(1,146,105)
Physical health and social services	673,897	215,896	312,050	-	(145,951)
Mental health	704,121	-	393,983	-	(310,138)
County environment and education	471,787	25,804	32,998	-	(412,985)
Roads and transportation	3,810,122	79,073	2,627,403	1,721,126	617,480
Governmental services to residents	299,642	149,462	-	-	(150,180)
Administration	955,665	121,878	658	361,516	(471,613)
Non-program	112,790	55,410	3,233	-	(54,147)
Interest on long-term debt	12,159	-	-	-	(12,159)
Total	\$ 8,341,248	789,550	3,383,258	2,082,642	(2,085,798)
General Revenues:					
Property and other county tax levied for general purposes					3,233,207
Penalty and interest on property tax					29,307
State tax credits					232,864
Local option sales tax					279,548
Unrestricted investment earnings					126,976
Miscellaneous					66,233
Total general revenues					3,968,135
Change in net assets					1,882,337
Net assets beginning of year					13,506,086
Net assets end of year					\$ 15,388,423

See notes to financial statements.

Monona County
Balance Sheet
Governmental Funds

June 30, 2005

	General	Special Mental Health
Assets		
Cash and pooled investments	\$ 2,199,372	252,037
Receivables:		
Property tax:		
Delinquent	6,264	928
Succeeding year	2,004,000	297,000
Interest and penalty on property tax	9,613	-
Accounts	49,959	-
Accrued interest	38,175	-
Drainage assessments	-	-
Due from other governments	60,910	-
Inventories	-	-
Prepaid items	101,000	-
	\$ 4,469,293	549,965
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 22,569	11,873
Due to other governments	2,330	83,106
Deferred revenue:		
Succeeding year property tax	2,004,000	297,000
Other	60,209	906
Total liabilities	2,089,108	392,885
Fund balances:		
Reserved for:		
Supplemental levy purposes	625,004	-
Drainage warrants	-	-
Unreserved, reported in:		
General fund	1,755,181	-
Special revenue funds	-	157,080
Total fund balances	2,380,185	157,080
	\$ 4,469,293	549,965

See notes to financial statements.

Revenue		Capital Projects	Nonmajor Special Revenue	Total
Rural Services	Secondary Roads			
249,496	853,800	57,566	250,370	3,862,641
4,132	-	-	-	11,324
1,194,000	-	-	-	3,495,000
-	-	-	-	9,613
-	829	-	-	50,788
-	-	-	141	38,316
-	-	-	192,933	192,933
-	273,083	20,629	-	354,622
-	1,082,763	-	-	1,082,763
5,095	93,530	-	-	199,625
1,452,723	2,304,005	78,195	443,444	9,297,625
13,002	47,594	78,195	147	173,380
226	-	-	-	85,662
1,194,000	-	-	-	3,495,000
4,011	4,764	-	192,933	262,823
1,211,239	52,358	78,195	193,080	4,016,865
112,739	-	-	-	737,743
-	-	-	16,723	16,723
-	-	-	-	1,755,181
128,745	2,251,647	-	233,641	2,771,113
241,484	2,251,647	-	250,364	5,280,760
1,452,723	2,304,005	78,195	443,444	9,297,625

Monona County

Monona County

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

June 30, 2005

Total governmental fund balances (page 19) \$ 5,280,760

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$16,259,470 and the accumulated depreciation is \$6,058,865. 10,200,605

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 262,823

The Internal Service Fund is used by management to charge the costs of the County's employee group health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 420,756

Long-term liabilities, including loan agreement, drainage warrants, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (776,521)

Net assets of governmental activities (page 16) \$ 15,388,423

See notes to financial statements.

Monona County

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

Year ended June 30, 2005

	General	Special Mental Health
Revenues:		
Property and other county tax	\$ 1,928,406	256,104
Interest and penalty on property tax	29,574	-
Intergovernmental	820,656	412,981
Licenses and permits	8,028	-
Charges for service	264,316	-
Use of money and property	134,680	-
Miscellaneous	28,491	555
Total revenues	<u>3,214,151</u>	<u>669,640</u>
Expenditures:		
Operating:		
Public safety and legal services	976,647	-
Physical health and social services	683,490	-
Mental health	-	704,122
County environment and education	249,040	-
Roads and transportation	-	-
Governmental services to residents	266,397	-
Administration	962,691	-
Non-program	-	-
Debt service	-	-
Capital projects	-	-
Total expenditures	<u>3,138,265</u>	<u>704,122</u>
Excess (deficiency) of revenues over (under) expenditures	<u>75,886</u>	<u>(34,482)</u>
Other financing sources (uses):		
Operating transfers in	-	-
Operating transfers out	(11,118)	-
General long-term debt proceeds	-	-
Drainage warrants issued	-	-
Total other financing sources (uses)	<u>(11,118)</u>	<u>-</u>
Net change in fund balances	<u>64,768</u>	<u>(34,482)</u>
Fund balances beginning of year	<u>2,315,417</u>	<u>191,562</u>
Fund balances end of year	<u>\$ 2,380,185</u>	<u>157,080</u>

See notes to financial statements.

Revenue				
Rural Services	Secondary Roads	Capital Projects	Nonmajor Special Revenue	Total
1,051,765	279,548	-	-	3,515,823
-	-	-	-	29,574
75,294	2,759,115	738,629	33,561	4,840,236
-	355	-	-	8,383
-	-	-	2,327	266,643
-	-	-	1,072	135,752
-	39,218	3,234	89,237	160,735
1,127,059	3,078,236	741,863	126,197	8,957,146
309,483	-	-	-	1,286,130
-	-	-	-	683,490
-	-	-	-	704,122
182,016	-	-	26,060	457,116
-	3,705,814	-	-	3,705,814
3,747	-	-	-	270,144
-	-	-	32,935	995,626
-	-	-	63,758	63,758
-	-	-	55,308	55,308
-	440,239	78,195	-	518,434
495,246	4,146,053	78,195	178,061	8,739,942
631,813	(1,067,817)	663,668	(51,864)	217,204
-	730,000	11,118	5,000	746,118
(735,000)	-	-	-	(746,118)
-	-	400,000	-	400,000
-	-	-	20,240	20,240
(735,000)	730,000	411,118	25,240	420,240
(103,187)	(337,817)	1,074,786	(26,624)	637,444
344,671	2,589,464	(1,074,786)	276,988	4,643,316
241,484	2,251,647	-	250,364	5,280,760

Monona County

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

Year ended June 30, 2005

Net change in fund balances - Total governmental funds (page 23) \$ 637,444

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

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

Expenditures for capital assets	\$ 898,445	
Capital assets contributed by the Iowa Department of Transportation	1,721,126	
Depreciation expense	<u>(576,120)</u>	2,043,451

In the Statement of Activities, the gain on the sale of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 29,000

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

Property tax	(2,794)	
Other	<u>(561,527)</u>	(564,321)

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

Issued	(420,240)	
Repaid	<u>45,507</u>	(374,733)

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

Compensated absences	18,126	
Interest on long-term debt	<u>(2,360)</u>	15,766

The Internal Service Fund is used by management to charge the costs of the County's employee group health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 95,730

Change in net assets of governmental activities (page 17) \$ 1,882,337

See notes to financial statements.

Monona County
 Statement of Net Assets
 Proprietary Fund
 June 30, 2005

	Internal Service - Employee Group Health
Assets	
Cash and cash equivalents	\$ 460,056
Accrued interest receivable	979
	461,035
Total assets	
Liabilities	
Accounts payable	40,279
Net Assets	
Unrestricted	\$ 420,756

See notes to financial statements.

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

Year ended June 30, 2005

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 820,300
Reimbursements from employees	9,382
Total operating revenues	<u>829,682</u>
Operating expenses:	
Insurance premiums	740,683
Operating income	<u>88,999</u>
Non-operating revenues:	
Interest income	6,731
Net income	<u>95,730</u>
Net assets beginning of year	<u>325,026</u>
Net assets end of year	<u>\$ 420,756</u>

See notes to financial statements.

Monona County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2005

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating funds	\$ 820,300
Cash received from employees and others	9,382
Cash paid to suppliers for services	(750,788)
Net cash provided by operating activities	78,894
Cash flows from investing activities:	
Interest on investments	5,965
Net increase in cash and cash equivalents	84,859
Cash and cash equivalents beginning of year	375,197
Cash and cash equivalents end of year	\$ 460,056
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 88,999
Adjustment to reconcile operating income to net cash provided by operating activities:	
(Decrease) in accounts payable	(10,105)
Net cash provided by operating activities	\$ 78,894

See notes to financial statements.

Monona County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,032,687
Other County officials	6,954
Receivables:	
Property tax:	
Delinquent	21,883
Succeeding year	7,597,000
Accounts	17,734
Accrued interest	583
Special assessments	170,806
Drainage assessments:	
Current	28,657
Future	217,340
Due from other governments	6,561
Total assets	<u>9,100,205</u>

Liabilities

Accounts payable	4,243
Due to other governments	8,846,339
Trusts payable	1,554
Compensated absences	6,697
Drainage warrants payable	241,372
Total liabilities	<u>9,100,205</u>

Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

Monona County

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Monona County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or

capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

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

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

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

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

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

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

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

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough

thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial

paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,457,226 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 85,300	116,733	-	202,033
Construction in progress, road network	300,365	2,128,493	(2,428,858)	-
Construction in progress	1,606,157	78,195	-	1,684,352
Total capital assets not being depreciated	<u>1,991,822</u>	<u>2,323,421</u>	<u>(2,428,858)</u>	<u>1,886,385</u>
Capital assets being depreciated:				
Buildings	987,029	-	-	987,029
Improvements other than buildings	537,714	-	-	537,714
Equipment and vehicles	7,795,839	325,150	(253,721)	7,867,268
Infrastructure, road network	2,552,216	2,428,858	-	4,981,074
Total capital assets being depreciated	<u>11,872,798</u>	<u>2,754,008</u>	<u>(253,721)</u>	<u>14,373,085</u>
Less accumulated depreciation for:				
Buildings	414,535	8,355	-	422,890
Improvements other than buildings	275,764	10,367	-	286,131
Equipment and vehicles	4,963,111	453,440	(253,721)	5,162,830
Infrastructure, road network	83,056	103,958	-	187,014
Total accumulated depreciation	<u>5,736,466</u>	<u>576,120</u>	<u>(253,721)</u>	<u>6,058,865</u>
Total capital assets being depreciated, net	<u>6,136,332</u>	<u>2,177,888</u>	<u>-</u>	<u>8,314,220</u>
Governmental activities capital assets, net	<u>\$ 8,128,154</u>	<u>4,501,309</u>	<u>(2,428,858)</u>	<u>10,200,605</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 49,573
Physical health and social services	1,606
County environment and education	17,404
Roads and transportation	495,465
Governmental services to residents	650
Administration	11,422
Total depreciation expense - governmental activities	<u>\$ 576,120</u>

(4) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 2,330
Special Revenue:		
Mental Health	Services	83,106
Rural Services	Services	226
		<u>83,332</u>
Total for governmental funds		<u>\$ 85,662</u>
Agency:		
County Assessor	Collections	\$ 322,742
Schools		5,307,416
Community Colleges		264,988
Corporations		1,696,785
Townships		168,487
Auto License and Use Tax		170,563
Special Assessments		173,305
All other		742,053
Total for agency funds		<u>\$ 8,846,339</u>

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	General	\$ 11,118
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	730,000
Flood and Erosion Control		5,000
Total		<u>\$ 746,118</u>

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

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	General Obligation Loan Agreement	Drainage Warrants	Compen- sated Absences	Total
Balance beginning of year	\$ -	185,214	201,806	387,020
Increases	400,000	20,240	186,570	606,810
Decreases	-	45,507	204,696	250,203
Balance end of year	\$ 400,000	159,947	183,680	743,627
Due within one year	\$ 400,000	159,947	148,703	708,650

In December 2004, the County entered into a loan agreement with Community Bank, Dunlap, Iowa for a \$400,000 loan payable on December 1, 2005 with an annual interest rate of 2.25%.

Drainage Warrants

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

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

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$196,248, \$192,501 and \$191,903 respectively, equal to the required contributions for each year.

(8) Risk Management

Monona County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2005 were \$191,615.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and a separate employee blanket bond in the amounts of \$1,000,000 and \$200,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Hospital Revenue Bonds

The County had issued a total of \$2,870,000 of hospital revenue bonds under the provisions of Chapter 419 of the Code of Iowa in 1996. The bonds and related interest were payable solely from the net revenues of the hospital and the bond principal and interest do not constitute a liability of the County.

On June 1, 2005 the Burgess Health Center deposited \$2,059,100 into an irrevocable escrow account at U.S. Bank, N.A. for the payment of the 1996 hospital revenue bonds. The bonds are to be redeemed May 1, 2006.

(10) Subsequent Event

The County retired the loan of \$400,000 with Community Bank, Dunlap, Iowa and issued \$400,000 in general obligation Visitor Center notes on December 15, 2005, maturing June 1, 2016.

Required Supplementary Information

Monona County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2005

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 3,510,017	-
Interest and penalty on property tax	29,574	-
Intergovernmental	4,850,596	488
Licenses and permits	7,458	-
Charges for service	263,255	227
Use of money and property	128,546	-
Miscellaneous	153,041	82,366
Total receipts	<u>8,942,487</u>	<u>83,081</u>
Disbursements:		
Public safety and legal services	1,293,006	-
Physical health and social services	682,389	-
Mental health	738,485	-
County environment and education	434,446	-
Roads and transportation	3,735,240	-
Governmental services to residents	303,497	-
Administration	988,336	-
Non-program	63,758	63,758
Debt service	55,307	55,307
Capital projects	1,538,950	-
Total disbursements	<u>9,833,414</u>	<u>119,065</u>
Deficiency of receipts under disbursements	(890,927)	(35,984)
Other financing sources, net	420,240	20,240
Deficiency of receipts and other financing sources under disbursements and other financing uses	(470,687)	(15,744)
Balance beginning of year	<u>4,333,328</u>	<u>168,866</u>
Balance end of year	<u>\$ 3,862,641</u>	<u>153,122</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
3,510,017	3,534,143	3,534,143	(24,126)
29,574	9,707	9,707	19,867
4,850,108	5,134,764	6,178,617	(1,328,509)
7,458	8,910	8,910	(1,452)
263,028	179,525	179,525	83,503
128,546	125,370	125,370	3,176
70,675	885,290	903,118	(832,443)
8,859,406	9,877,709	10,939,390	(2,079,984)
1,293,006	1,320,873	1,347,064	54,058
682,389	697,800	705,155	22,766
738,485	752,353	752,353	13,868
434,446	493,343	497,824	63,378
3,735,240	3,989,253	3,989,253	254,013
303,497	514,120	547,548	244,051
988,336	1,298,456	1,298,456	310,120
-	-	-	-
-	-	-	-
1,538,950	1,456,000	2,484,724	945,774
9,714,349	10,522,198	11,622,377	1,908,028
(854,943)	(644,489)	(682,987)	(171,956)
400,000	-	-	400,000
(454,943)	(644,489)	(682,987)	228,044
4,164,462	4,281,232	4,281,232	(116,770)
3,709,519	3,636,743	3,598,245	111,274

Monona County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,942,487	14,659	8,957,146
Expenditures	9,833,414	(1,093,472)	8,739,942
Net	(890,927)	1,108,131	217,204
Other financing sources, net	420,240	-	420,240
Beginning fund balances	4,333,328	309,988	4,643,316
Ending fund balances	\$ 3,862,641	1,418,119	5,280,760

See accompanying independent auditor's report.

Monona County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,100,179. The budget amendments are reflected in the final budgeted amounts.

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

Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted.

Monona County

Other Supplementary Information

Monona County
Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2005

	County Attorney Confiscated Property	County Sheriff Confiscated Prperty	DARE	Resource Enhancement and Protection
Assets				
Cash and pooled investments	\$ 27,027	17,725	2,836	13,982
Receivables:				
Accrued interest	-	-	-	30
Drainage assessments:				
Current	-	-	-	-
Future	-	-	-	-
Total assets	\$ 27,027	17,725	2,836	14,012
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	-	-	-	-
Fund equity:				
Fund balances:				
Reserved for drainage warrants	-	-	-	-
Unreserved	27,027	17,725	2,836	14,012
Total fund equity	27,027	17,725	2,836	14,012
Total liabilities and fund equity	\$ 27,027	17,725	2,836	14,012

See accompanying independent auditor's report.

County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Conservation Land Acquisition	Conservation Trust	Drainage Districts	Total
19,597	12,628	128	3,325	153,122	250,370
42	12	-	-	57	141
-	-	-	-	159,449	159,449
-	-	-	-	33,484	33,484
19,639	12,640	128	3,325	346,112	443,444
-	-	-	95	52	147
-	-	-	-	192,933	192,933
-	-	-	95	192,985	193,080
-	-	-	-	16,723	16,723
19,639	12,640	128	3,230	136,404	233,641
19,639	12,640	128	3,230	153,127	250,364
19,639	12,640	128	3,325	346,112	443,444

Monona County

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

Year ended June 30, 2005

	County Attorney Confiscated Property	County Sheriff Confiscated Property	DARE	Resource Enhancement and Protection
Revenues:				
Intergovernmental	\$ 4,730	4,730	-	9,417
Charges for service	-	-	-	-
Use of money and property	-	-	-	225
Miscellaneous	-	-	3,423	-
Total revenues	4,730	4,730	3,423	9,642
Expenditures:				
Operating:				
County environment and education	-	-	2,710	13,327
Administration	-	-	-	-
Non-program	-	-	-	-
Debt service	-	-	-	-
Total expenditures	-	-	2,710	13,327
Excess (deficiency) of revenues over (under) expenditures	4,730	4,730	713	(3,685)
Other financing sources:				
Operating transfers in	-	-	-	-
Drainage warrant proceeds	-	-	-	-
Total other financing sources	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	4,730	4,730	713	(3,685)
Fund balances beginning of year	22,297	12,995	2,123	17,697
Fund balances end of year	\$ 27,027	17,725	2,836	14,012

See accompanying independent auditor's report.

County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Conservation Land Acquisition	Conservation Trust	Drainage Districts	Flood and Erosion	Total
-	14,196	-	-	488	-	33,561
2,327	-	-	-	-	-	2,327
434	147	-	-	266	-	1,072
-	-	-	3,448	82,366	-	89,237
2,761	14,343	-	3,448	83,120	-	126,197
-	-	-	5,023	-	5,000	26,060
8,509	24,426	-	-	-	-	32,935
-	-	-	-	63,758	-	63,758
-	-	-	-	55,308	-	55,308
8,509	24,426	-	5,023	119,066	5,000	178,061
(5,748)	(10,083)	-	(1,575)	(35,946)	(5,000)	(51,864)
-	-	-	-	-	5,000	5,000
-	-	-	-	20,240	-	20,240
-	-	-	-	20,240	5,000	25,240
(5,748)	(10,083)	-	(1,575)	(15,706)	-	(26,624)
25,387	22,723	128	4,805	168,833	-	276,988
19,639	12,640	128	3,230	153,127	-	250,364

Monona County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,418	114,432	95,868
Other County officials	6,954	-	-	-
Receivables:				
Property tax:				
Delinquent	-	340	667	16,548
Succeeding year	-	109,000	213,000	5,195,000
Accounts	672	-	-	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Drainage assessments:				
Current	-	-	-	-
Future	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 7,626	110,758	328,099	5,307,416
Liabilities				
Accounts payable	\$ -	-	-	-
Due to other governments	6,072	110,758	322,742	5,307,416
Trusts payable	1,554	-	-	-
Compensated absences	-	-	5,357	-
Drainage warrants payable	-	-	-	-
Total liabilities	\$ 7,626	110,758	328,099	5,307,416

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
4,178	39,893	2,865	2,499	170,563	600,971	1,032,687
-	-	-	-	-	-	6,954
810	2,892	622	-	-	4	21,883
260,000	1,654,000	165,000	-	-	1,000	7,597,000
-	-	-	-	-	17,062	17,734
-	-	-	-	-	583	583
-	-	-	170,806	-	-	170,806
-	-	-	-	-	28,657	28,657
-	-	-	-	-	217,340	217,340
-	-	-	-	-	6,561	6,561
264,988	1,696,785	168,487	173,305	170,563	872,178	9,100,205
-	-	-	-	-	4,243	4,243
264,988	1,696,785	168,487	173,305	170,563	625,223	8,846,339
-	-	-	-	-	-	1,554
-	-	-	-	-	1,340	6,697
-	-	-	-	-	241,372	241,372
264,988	1,696,785	168,487	173,305	170,563	872,178	9,100,205

Monona County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2005

	Agricultural		County Assessor	Schools	Community Colleges
	County Offices	Extension Education			
Assets and Liabilities					
Balances beginning of year	\$ 7,739	71,740	308,744	4,903,112	211,302
Additions:					
Property and other county tax	-	109,065	212,488	5,203,013	260,214
E911 surcharges	-	-	-	-	-
State tax credits	-	5,196	15,561	350,562	15,298
Office fees and collections	299,810	-	1,360	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	14,517	-	-	-	-
Miscellaneous	-	-	465	-	-
Total additions	314,327	114,261	229,874	5,553,575	275,512
Deductions:					
Agency remittances:					
To other funds	206,127	-	-	-	-
To other governments	95,069	75,243	210,519	5,149,271	221,826
Trusts paid out	13,244	-	-	-	-
Total deductions	314,440	75,243	210,519	5,149,271	221,826
Balances end of year	\$ 7,626	110,758	328,099	5,307,416	264,988

See accompanying independent auditor's report.

Corpora- tions	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
1,735,608	163,699	161,638	183,437	785,940	8,532,959
1,625,666	166,247	-	-	1,435	7,578,128
-	-	-	-	72,737	72,737
124,345	11,008	-	-	106	522,076
-	-	-	-	-	301,170
-	-	-	-	2,325	2,325
-	-	-	2,128,175	-	2,128,175
-	-	52,572	-	632,590	685,162
-	-	-	-	113,893	128,410
-	-	-	-	228,574	229,039
1,750,011	177,255	52,572	2,128,175	1,051,660	11,647,222
-	-	-	92,705	-	298,832
1,788,834	172,467	40,905	2,048,344	865,209	10,667,687
-	-	-	-	100,213	113,457
1,788,834	172,467	40,905	2,141,049	965,422	11,079,976
1,696,785	168,487	173,305	170,563	872,178	9,100,205

Schedule 5

Monona County

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

For the Last Five Years

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

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on
Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Monona County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Monona County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 16, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monona County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Monona County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monona County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of

non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 16, 2006

Monona County

Schedule of Findings

Year ended June 30, 2005

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared, so the receipts listing can not be compared to deposits by an independent person.	Treasurer
(2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	Sheriff

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

Responses -

Treasurer - A mail log is being utilized reflecting who picked up the mail and opened the mail. Random payment receipts are traced from the list of mail receipts to receipts daily.

Sheriff - Checks or monies received via the mail are currently being logged by our communications operators. Review of the deposits will be done by another staff member and then sent to the Treasurer.

Conclusion - Responses accepted.

Monona County

Schedule of Findings

Year ended June 30, 2005

- (B) Electronic Data Processing Systems – The County does not have a complete written disaster recovery plan.

Recommendation – A complete written disaster recovery plan should be developed.

Response – The officials and department heads will make a cooperative effort to compile a complete written disaster recovery plan to be adopted by all County departments.

Conclusion – Response accepted.

- (C) Sanitarian/Zoning/Well Closing Office – Receipts received are not deposited timely with the County Treasurer. In addition, one receipt for \$150 could not be traced to a deposit in the County Treasurer's records.

Recommendation – All receipts should be deposited timely with the County Treasurer. In addition, refunds should be made by County warrant.

Response – The Sanitarian/Zoning Administrator responded by letter that the reason there is not a Treasurer's receipt of record is because the \$150 cash was refunded to the party as they changed their mind on having the work done. More timely deposits with the Treasurer were discussed with emphasis on the importance of personal checks being cashed, etc. The Sanitarian/Zoning Administrator responded that she would make deposits more frequently than she currently has been.

Conclusion – Response acknowledged. For a better audit trail, all receipts should be remitted to the County Treasurer for recording and any refunds should be made by County warrant.

- (D) County Sheriff – Deposits were not made on a timely basis. The Commissary Fund made disbursements for items which should have been paid out of the General Fund budget for the Sheriff's department. The jail account was not maintained for only prisoner funds. A summary of receipts, disbursements and balances was not compiled each month for both accounts. In addition, a list of outstanding checks and a list of trusts due at the end of each month for each account were not prepared. A list of the prisoners and the amounts due them at the end of each month was not printed and reconciled to the ending balance.

Recommendation – Deposits should be made intact and timely. The Commissary Fund should only make disbursements for commissary items and commissary profits should be remitted to the County Treasurer for deposit to the General Fund. Other items should be paid out of the General Fund budget for the Sheriff's department. The jail account should be maintained for prisoner funds only. A summary of receipts, disbursements and balances should be compiled each month for both accounts. In addition, a list of outstanding checks should be prepared for each account along with a list of trusts on hand at the end of each month for each account. A list of the prisoners and the amounts due them at the end of each month should be printed and reconciled to the ending balance.

Monona County

Schedule of Findings

Year ended June 30, 2005

Response – Contact will be made with our commissary provider to see if there is a portion of the software that will provide the needed information. An attempt will be made to make more timely deposits.

Conclusion – Response acknowledged. In addition, a summary of receipts and disbursements should be maintained for each account and a detailed record of amounts due prisoners should be maintained and reconciled to the trusts ending balance.

Monona County

Schedule of Findings

Year ended June 30, 2005

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories - A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- (2) Certified Budget - Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted.
- (3) Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Richard Merritt, Sr., Supervisor, owner of Merritt Pumping Service	Cesspool pumping	\$ 100

In accordance with Chapter 331.342(10) of the Code of Iowa, the above transaction does not appear to represent a conflict of interest since the total cumulative transactions by individual was less than \$1,500 during the fiscal year.

- (6) Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (9) 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).
- (10) Inmate Room and Board Collections - Inmate room and board collections are credited to the General Fund. However, adequate records are not maintained for the use of the funds to document compliance with Chapter 356.7(5) of the Code of Iowa.

Monona County

Schedule of Findings

Year ended June 30, 2005

Recommendation – Unspent balances, if any should be tracked by the County Sheriff and the Board of Supervisors since the funds are restricted and must be used for specific purposes.

Response – I will discuss with the Auditor the ability to get another line on the budget report to show inmate room and board collections. We will also try to make timely deposits to this account. I along with the board will make decisions on where and how this money should be spent.

Conclusion – Response accepted.

(11) Special Appraiser's Levy – Chapter 441.50 of the Code of Iowa states:

“The conference board shall have power to employ appraisers or other technical or expert help to assist in the valuation of property, the cost thereof to be paid in the same manner as other expenses of the assessor's office. The conference board may certify for levy annually an amount not to exceed forty and one-half cents per thousand dollars for the purpose of establishing a special appraiser's fund, to be used only for such purposes. From time to time the conference board may direct the transfer of any unexpended balance in the special appraiser's fund to the assessment expense fund.”

Pursuant to an Attorney General's letter of memorandum dated January 4, 2006, the “...salary, benefits, and other costs associated with employing appraisers and other personnel with a county assessor's office may be paid from the special appraiser's fund, as long as the employees provide “technical or expert help to assist in the valuation of property.”

The County Assessor's Conference Board levies annually for the special appraiser's levy and transfers the amount received to the Assessment Expense Fund to supplement operations. Pursuant to an Attorney General's letter of memorandum dated January 4, 2006, “Given that the special appraiser's fund is a limited use fund, I do not believe that this is a reasonable interpretation of section 441.50. Nor would I advise the State Appeal Board approve special appraiser fund levy which was not based upon a good faith estimate of anticipated costs which could legitimately be paid for with this fund.”

Recommendation – The Conference Board should discontinue budgeting and levying the special appraiser's levy to supplement the Assessment Expense Fund.

The County Assessor and Conference Board should consult the County Attorney to determine the proper disposition of the amounts levied for the Special Appraiser's Fund for fiscal 2006 and prior years.

Response – I agree with the recommendation.

Conclusion – Response accepted.

Monona County

Schedule of Findings

Year ended June 30, 2005

- (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, 2005 for the County Extension Office did not exceed the amount budgeted.

Monona County

Staff

This audit was performed by:

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