MAR-MAC UNIFIED LAW ENFORCEMENT DISTRICT

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

June 30, 2005

MAR-MAC UNIFIED LAW ENFORCEMENT DISTRICT

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MAR-MAC UNIFIED LAW ENFORCEMENT DISTRICT

Officials

Name	Title	Term Expires
Robyn Denning	Chairperson	Jun. 30, 2005
Harold Brooks	Vice-chairperson	Jun. 30, 2006
Melanie Prew	Public Safety Commissioner	Resigned Aug. 17, 2004
Amy Diehl	Public Safety Commissioner (appointed Nov. 1, 2004)	Jun. 30, 2005
Joe Muehlbauer	Public Safety Commissioner	Jun. 30, 2005
Norbert Hammes	Public Safety Commissioner	Jun. 30, 2006
Steve McCorkindale	Attorney	Indefinite
Kris Eulberg	Secretary/Treasurer	Indefinite

Dietz, Donald & Company
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA
124A Main • P.O. Box 359
Elkader, Iowa 52043
(563) 245-2154 • (800) 310-2154

INDEPENDENT AUDITORS REPORT

To the Public Safety Commission
of the Mar-Mac Unified Law Enforcement District

We have audited the accompanying financial statements of the governmental activities and the major fund of the Mar-Mac Unified Law Enforcement District (a 28E Organization) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the Mar-Mac Unified Law Enforcement District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and the major fund information of Mar-Mac Unified Law Enforcement District as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report, dated October 24, 2005, on our consideration of the Mar-Mac Unified Law Enforcement District's internal control over financial reporting, and our tests of its compliance with certain laws, regulations

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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 9 and 18 through 19 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied 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.

Elkader, Iowa

October 24, 2005

Dietz, Donald & Company

Dietz, Donald & Company, CPAs
FEIN 42-1172392

Mar-Mac Unified Law Enforcement District

319 Pleasant Drive • P.O. Box 69
Marquette, IA 52158
563-873-2500 • Fax 563-873-2209
ORI IA 0220400
Serving the Communities of Marquette and McGregor

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mar-Mac Unified Law Enforcement District 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 District's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

Revenues of the District's governmental activities increased over 6%, or approximately $ 12,300. Payments from the two participating cities increased approximately $ 5,300.

Disbursements increased 11.4%, or approximately $ 19,700, in fiscal 2005 from fiscal 2004. Disbursements for personal services increased by approximately $ 9,500.

The District's total cash basis net assets increased 22.6%, or approximately $ 11,200, 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 District's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the District as a whole and presents an overall view of the District's finances.

The Fund Financial Statement tells how governmental services were financed in the short term as well as what remains for future spending. The fund financial statement reports the District's operations in more detail than the government-wide statement.

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 District's budget for the year.

Basis of Accounting

The District maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the District are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results and operations of the fund in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITY

Government-wide Financial Statement

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the District's net assets. Over time, increases or decreases in the District's net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities and Net Assets presents the District's one governmental activity, public safety.

Fund Financial Statement

The District has only one fund, which is a governmental fund. This focuses on how money flows into and out of that fund, and the balance at year-end that is available for spending. The governmental fund financial statement provides a detailed, short-term view of the District's general government 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 District's programs.

The required financial statement for the governmental fund includes a statement of cash receipts, disbursements and change in cash balance.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The District's cash balance increased sharply from a year ago, increasing from $ 49,700 to $ 60,900. The analysis that follows focuses on the change in cash balance for governmental activities.

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

	Year Ended June 30,	
	2005	2004
Receipts:		
Program receipts:		
Charges for service	$ 189	184
Operating grants	12	6
General receipts:		
Unrestricted investment earnings	1	1
Miscellaneous	1	0
Total receipts	203	191
Disbursements:		
Public safety	192	172
Increase in cash basis net assets	11	19
Cash basis net assets beginning of year	50	31
Cash basis net assets end of year	$ 61	50

GOVERNMENTAL FUND ANALYSIS

As Mar-Mac Unified Police District completed the year, its governmental fund reported a balance of $ 60,872, an increase of more than $ 11,000 above last year's total of $ 49,647. The following are the major reasons for the change in fund balance:

The District assessments to the cities of McGregor and Marquette were $ 5,300 more than in 2004. Compensation to employees, including benefits and payroll taxes increased by nearly $ 9,500 to $ 147,208. Operating grants and contributions increased over $ 6,000 to $ 12,199.

BUDGETARY HIGHLIGHTS

The District did not amend its budget during the year. Actual disbursements were $ 3,819 less than the amount budgeted. This amount has been allocated as an equipment reserve fund.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Mar-Mac Unified Law Enforcement District's appointed officials and citizens considered many factors when setting the fiscal year 2006 budget and assessments that will be charged to Marquette and McGregor for police protection.

Inflation is impacting our budget. We were notified of a 37% increase in health insurance premiums which increased our 2006 budget by $ 7,900. A 4% raise to full time officers increased the budget for 2006 nearly $ 5,000. Fuel costs have increased by as much as 50% this fall, which could have a negative $ 2,500 impact on our 2006 budget.

These indicators were taken into account when adopting the budget for fiscal year 2006. Budgeted disbursements are $ 203,547, an increase of 7.8% over the 2005 budget. Marquette's share of the 2006 budget will be $ 132,305 and McGregor's share will be $ 71,242. The District has added no major new programs or initiatives to the 2006 budget.

If these estimates are realized, the budgeted cash balance is expected to increase by $ 5,500 by the close of 2006.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers of Marquette and McGregor with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Kris Eulberg, Secretary/Treasurer, 126 First Street, McGregor, Iowa.

BASIC FINANCIAL STATEMENTS

Exhibit A

MAR-MAC UNIFIED LAW ENFORCEMENT DISTRICT
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
As of and for the Year Ended June 30, 2005

		Program Receipts		Net Receipts and Changes in Cash Basis Net Assets
	Disbursements	Charges for Service	Operating Grants Contributions, and Restricted Interest	
Function/Programs:				
Governmental activities:				
Public safety	$ 192,180	189,384	12,199	9,403
General Receipts:				
Unrestricted interest on investments				619
Miscellaneous				1,203
Total general receipts				1,822
Change in cash basis net assets				11,225
Cash basis net assets beginning of year				49,647
Cash basis net assets end of year				$ 60,872

See notes to financial statements.

Exhibit B

MAR-MAC UNIFIED LAW ENFORCEMENT DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUND

As of and for the Year Ended June 30, 2005

Receipts:	
Use of money and property	$ 619
Intergovernmental	196,297
Miscellaneous	6,489
Total receipts	203,405
Disbursements:	
Operating:	
Public safety:	
Personal services	147,208
Materials and services	37,766
Capital outlay	7,206
Total disbursements	192,180
Net change in cash balances	11,225
Cash balance beginning of year	49,647
Cash balance end of year	$ 60,872

See notes to financial statements.

MAR-MAC UNIFIED LAW ENFORCEMENT DISTRICT
Notes to Financial Statements
June 30, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

The Mar-Mac Unified Law Enforcement District is a political subdivision of the State of Iowa located in Clayton County. It was first incorporated in 1999 and operates under Chapter 28E of the Code of Iowa. The District is governed by a five member board known as the Mar-Mac Public Safety Commission. The cities of Marquette and McGregor each appoint two commissioners, who are persons currently serving as either Mayor or Council Member of the City making the appointment. The appointments are made by the Mayor, subject to approval by a majority vote of the Council; provided, however, that if the Mayor appoints himself/herself as a commissioner, approval by the Council is not required. One commissioner is appointed by the Board of Directors of McGregor Hook and Ladder Company No. 1 (MHLC), who is a resident of the Fire District served by MHLC and is not the Mayor, member of the City Council, or an employee of either City. The District provides police protection and law enforcement services to the citizens of the Cities of Marquette and McGregor.

A. Reporting Entity
For financial reporting purposes, the Mar-Mac Unified Law Enforcement District has included all funds, organizations, agencies, boards, commissions and authorities. The District 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 District are such that exclusion would cause the District'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 District to impose its will on that organization or (2) the potential for the organization to provide specific financial burdens on the District. The Mar-Mac Unified Law Enforcement District has no compenent units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation
Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the activities of the District and presents all of the District's cash basis net assets. All of the District's net assets are unrestricted,

which means that no constraints have been placed on net asset use, either externally imposed or imposed by law through constitutional provisions or enabling legislation. The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts are those clearly identifiable with a specific function. Program receipts 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 on investments restricted to meeting the operational or capital requirements of a particular function. Investment income not properly included among program receipts is reported instead as a general receipt.

Fund Financial Statement - A separate financial statement is provided for the governmental fund. The District's only governmental fund is the General Fund. The General Fund is the general operating fund of the District. All receipts from the two participating cities and other receipts 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 disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

C. Measurement Focus and Basis of Accounting

The Mar-Mac Unified Law Enforcement District maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the District are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the fund in accordance with U.S. generally accepted accounting principles.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) CASH AND POOLED INVESTMENTS

The District'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 District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit

at federally insured depository institutions approved by the Public Safety Commission; prime eligible bankers acceptances; certain high rated commercial paper, perfected repurchase agreements; certain registered openend management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District has no investments at June 30, 2005.

(3) PENSION AND RETIREMENT BENEFITS

The District 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.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rate for police employees and the District were 5.93% and 8.90%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the District were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were $ 10,235, $ 8,641, and $ 8,560, respectively, equal to the required contributions for each year.

(4) COMPENSATED ABSENCES

District employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the District, until used or paid.

The District's approximate liability for earned vacation and compensatory hours payable to employees at termination at June 30, 2005 is as follows:

Type of Benefit	Amount
Vacation	$ 4,700
Compensatory hours	600
Total	$ 5,300

This liability has been computed on rates of pay in effect at June 30, 2005.

(5) RISK MANAGEMENT

The Mar-Mac Unified Law Enforcement District is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims have not exceeded commerical coverage in any of the past three fiscal years.

(6) NON-CASH TRANSACTIONS

On December 1, 1999, the inventories of equipment and other tangible personal property devoted to the use of the police departments of Marquette and McGregor were transferred, without consideration, by the Cities to the District for use in the performance of the duties and functions of the District. Following the transfers, the Commission has sole discretion and responsibility regarding the use, retention, maintenance and disposition of such assets; provided, however, that no tangible asset of the District may be disposed of except in exchange for fair market value and any consideration received by the District upon any disposition of assets shall be retained and reported to both Cities.

(7) LEASE AGREEMENT

The police station facilities of Marquette are being leased by the City to the District for the sum of $ 1 per year. The District shall be responsible for all interior maintenance of such facilities and the City shall be responsible for exterior maintenance, including snow removal. All necessary heat, electricity, water, and sewer utility services shall be provided by the City, without charge, to the District. Said lease shall automatically terminate without need for notice upon termination of the 28E agreement.

Required Supplementary Information

MAR-MAC UNIFIED LAW ENFORCEMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS)
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2005

	Actual	Budgeted Amount	Budgeted Amount to Actual Variance
Receipts:			
Use of money and property	$ 619	0	619
Intergovernmental	196,297	188,793	7,504
Miscellaneous	6,489	0	6,489
Total receipts	203,405	188,793	14,612
Disbursements:			
Public safety	192,180	195,999	3,819
Excess (deficiency) of receipts over (under) disbursements	11,225	(7,206)	18,431
Balances beginning of year	49,647	49,647	0
Balances end of year	$ 60,872	42,441	18,431

See accompanying independent auditor's report.

MAR-MAC UNIFIED LAW ENFORCEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-BUDGETARY REPORTING
June 30, 2005

In accordance with the 28E agreement creating the Mar-Mac Unified Law Enforcement District, the Cities shall appropriate and pay to the District each fiscal year sums equal to the following percentages of the District's budget for the year: Marquette, 65%; McGregor, 35%, to the extent funds are not made available to the District from other sources. Each city shall pay to the District one-fourth of the City's share of the budget amount on or before July 10, October 10, January 10, and April 10 each year. On or before November 1 of each year during the term of this agreement, the Commission shall adopt and submit to each City a proposed budget for the next fiscal year. The proposed budget shall set forth the total dollar amount to be appropriated to the District by each City. The Council of each City shall then consider and either approve or reject said budget request, by no later than January 1. If either Council fails to approve the budget request by January 1, the two City Councils and the Commission shall meet in joint session during January to discuss and negotiate concerning the budget for the next fiscal year. At such time, the Commission may amend its budget request but the proportional contribution by each City shall not be altered. If the Commission and both City Councils fail to agree upon and approve a budget for the next fiscal year by February 1, the 28E agreement automatically terminates.

The District shall have full authority to apply for and receive grants for law enforcement purposes, but no such grants shall obligate the District or either City to contribute or expend non-grant monies beyond amounts included in an approved budget. A budget proposed by the District may include a sum to be set aside and accumulated in an equipment purchase fund to be expended in a subsequent year. Any budget surplus shall be carried over and used to reduce payments by the Cities for the next fiscal year's budget.

The District shall have no power to impose any tax of any nature, nor pledge the credit of either City, nor incur any debt or other financial obligation the payment of which has not been provided for in the current or an approved future budget; provided, however, that this restriction shall not prevent the District from entering into equipment service and maintenance contracts.

Dietz, Donald & Company
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA
124A Main • P.O. Box 359
Elkader, Iowa 52043
(563) 245-2154 • (800) 310-2154

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 Public Safety Commission
of the Mar-Mac Unified Law Enforcement District:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Mar-Mac Unified Law Enforcement District (a 28E Organization) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated October 24, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 the Mar-Mac Unified Law Enforcement District'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 assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a 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 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. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mar-Mac Unified Law Enforcement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance 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 noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District'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 District. 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 the Mar-Mac Unified Law Enforcement District and other parties to whom the Mar-Mac Unified Law Enforcement District 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 the Mar-Mac Unified Law Enforcement District 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.

Elkader, Iowa

October 24, 2005

Dietz, Donald & Company

Dietz, Donald & Company, CPAs
FEIN 42-1172392

MAR-MAC UNIFIED LAW ENFORCEMENT DISTRICT
SCHEDULE OF FINDINGS
Year Ended June 30, 2005

Findings Related to Required Statutory Reporting:

1. **Official Depositories** - A resolution naming official depositories has been approved by the District. The maximum deposit amount stated in the resolution was not exceeded during the year ended June 30, 2005.

2. **Certified Budget** - Disbursements for the period ended June 30, 2005 did not exceed the amounts budgeted.

3. **Questionable Disbursements** - No disbursements that 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 Expenses** - No disbursements of District money for travel expenses of spouses of District officials or employees were noted.

5. **Business Transactions** - No business transactions between the District and District officials or employees were noted.

6. **Bond Coverage** - Surety bond coverage of District officials and employees in in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

7. **Commission Minutes** - No transactions were found that we believe should have been approved in the Commission minutes but were not.

8. **Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.