

MARION COUNTY

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

JUNE 30, 2006

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MARION COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Howard Pothoven	Board of Supervisors	Jan. 2007
Sam Nichols	Board of Supervisors	Jan. 2009
Dwight Mater Jr.	Board of Supervisors	Jan. 2009
Jake Grandia	County Auditor	Jan. 2009
Denise Emal	County Treasurer	Jan. 2007
Karen Schwanebeck	County Recorder	Jan. 2007
Gary Verwers	County Sheriff	Jan. 2009
Terry Rachels	County Attorney	Jan. 2007
Michael May	County Assessor	Jan. 2010

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Marion County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These basic financial statements are the responsibility of Marion 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 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.

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 Marion County at June 30, 2006 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 2, 2007 on our consideration of Marion 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 15 and 52 through 54 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Marion County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 12, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.

Oskaloosa, Iowa  
February 2, 2007

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management of Marion County, Iowa provides this Management's Discussion and Analysis of Marion County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

County governmental funds revenue increased 3.8% or \$638,902 from 2005 to 2006. Property and other county taxes increased approximately \$304,600.

County governmental funds program expenses increased 23.8%, or approximately \$3,852,000 more in 2006 than 2005. Capital project expenditures increased approximately \$1,991,000.

The County's net assets increased 13.18% or \$3,358,664 at June 30, 2006.

### **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 government's financial activities.

The Government-wide Financial Statements consists of a statement of net assets and a statement of activities. These provide information about the activities of Marion 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 Marion 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 Marion County acts solely as an agent or custodian for the benefit of those outside of the government.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year.

Supplementary Information provides detailed information about the nonmajor special revenue and the individual fiduciary funds.

## **REPORTING THE COUNTY AS A WHOLE**

### *The Statement of Net Assets and the Statement of Activities*

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 about the County as a whole and about its activities in a way that 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 event or 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 displayed 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, government services to residents, administration or general government, interest on long-term debt and other 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. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Service, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

2. Proprietary funds account for the County's employee group health insurance, internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The proprietary funds required financial statements 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 trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include agency funds that account for emergency management services and the county assessor to name a few.

The fiduciary funds required financial statements include a statement of fiduciary assets and liabilities.

A summary reconciliation between government-wide financial statements and the fund financial statements follows the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position.

The County's combined net assets increased by \$3,358,664 from FY 2005. The increase in net assets is primarily due to an increase in Capital Assets consisting primarily of construction in progress on a new county law enforcement center and infrastructure contributed to the county by the Iowa Department of Transportation. Our analysis below focuses on the net assets of the County's governmental activities.

<u>Net Assets of Governmental Activities</u>		
	<u>2005</u>	<u>2006</u>
Current and other assets	21,377,018	19,631,047
Capital assets	18,668,254	24,085,373
Total assets	<u>40,045,272</u>	<u>43,716,420</u>
Long-term debt outstanding	5,957,619	5,625,811
Other Liabilities	8,607,464	9,251,756
Total Liabilities	<u>14,565,083</u>	<u>14,887,567</u>
Net assets:		
Invested in capital assets, net of related debt	17,572,037	20,175,937
Restricted	7,271,158	7,459,886
Unrestricted	636,994	1,203,030
Total net assets	<u>25,480,189</u>	<u>28,838,853</u>

Net assets of the County's governmental activities increased by 13.8%. The largest portion of the County's net assets is Invested in Capital Assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased from \$636,994 at June 30, 2005 to \$1,203,030 at the end of this year, an increase of 88.9 percent.

This increase of \$566,036 in unrestricted net assets was a result of increased general purpose property tax revenue and interest on investments. The county decreased its investment in roadway equipment and road construction by approximately \$136,881 over the prior year. The County has adopted a five year plan to replace aging equipment and bring all County secondary roads up to the standards established by the County Planning Committee, and adopted by the County Board of Supervisors.

Changes in Net Assets of Governmental Activities

	2005	2006	Net Change
Revenues:			
Program revenues:			
Charges for service and sales	1,981,326	2,055,873	74,547
Operating grants and contributions	5,358,056	5,402,732	44,676
Capital grants and contributions	1,868,215	2,676,522	808,307
General revenues:			
Property tax, state credits, penalty	8,057,836	8,277,650	219,814
Local option sales and services tax	1,038,257	1,123,020	84,763
Grants and contributions not restricted to specific purposes	63,533	0	(63,533)
Unrestricted investment earnings	128,168	378,028	249,860
Other general revenues	99,012	88,319	(10,693)
Total revenues	18,594,403	20,002,144	1,407,741
Program expenses:			
Public safety and legal services	2,032,664	2,162,681	130,017
Physical health and social services	2,216,781	1,890,759	(326,022)
Mental health	2,223,060	2,408,720	185,660
County environment and education	1,183,797	1,002,438	(181,359)
Roads and transportation	5,254,451	6,220,661	966,210
Government services to residents	519,886	582,683	62,797
Administration or general government	1,893,692	2,134,525	240,833
Interest on long-term debt	117,130	241,013	123,883
Total expenses	15,441,461	16,643,480	1,202,019
Increase (decrease) in net assets	3,152,942	3,358,664	205,722
Net assets July 1	22,327,247	25,480,189	
Net assets June 30	25,480,189	28,838,853	

The County's total government wide revenues increased 7.57%. The total government wide cost of all programs and services increased 7.78%. The County covered this year's expenses.

## Governmental Activities

Property and other County tax revenue for the year increased 2.7%. The County increased property tax rates in 2006 by \$.09653. The levy increase was minimal due to a \$8,752,712 taxable valuation increase. A Debt Service Levy of .07689 in 2005 was increased to .11164 in 2006 due to the addition of scheduled debt payments for the new county law enforcement center. Property tax revenues are budgeted to increase by an additional \$248,241 next year.

The cost of all governmental activities this year was \$16,643,480 compared to \$15,441,461 last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$6,508,353 because some of the cost was paid by those directly benefiting from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The County's governmental program revenues, including grants, intergovernmental aid, and fees for services, increased in 2006 from \$9,207,597 to \$10,135,127.

### **THE COUNTY'S INDIVIDUAL MAJOR FUNDS**

As the County completed the year, its governmental funds reported a combined fund balance of \$10,281,264 which is less than last year's total of \$12,819,882. The County funds received \$2,538,618 less than were expended for the year. The following are the major reasons for the changes in fund balances for the year:

General Fund revenues increased by 4.24% over the prior year from \$8,024,761 in 2005 to \$8,364,990 in 2006. The increase in revenues can be directly attributed to an increase in property tax revenues. General Fund expenses decreased slightly from \$7,946,357 in 2005 to \$7,916,030 in 2006 or .4%.

The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$2,412,897 an increase of 8.4% from the prior year. The Mental Health Fund balance at year end decreased by \$150,473 or 13.93% from the prior year.

Rural Service Fund revenues increased 3.2% from \$1,934,030 in 2005 to \$1,996,366 in 2006. The Rural Service ending fund balance increased by \$213,738 or 47% due to an increase in revenues from the Local Option Sales and Services Tax. Secondary Roads Fund expenditures increased by \$633,082 or 13.9% over the prior year. Transfers-in increased by \$52,048. The ending fund balance in the Secondary Roads Fund was \$2,429,022 a decrease of \$144,075 from the prior year.

Capital Projects Fund balance decreased by \$3,128,219. This reduction is due to progress payments issued for the construction of a new Marion County Law Enforcement Center. Construction on the project began in the fall of 2005.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis. Over the course of the year, the County amended its operating budget one time. The amendment was made on May 22, 2006. Highlights of the budget amendment were the construction of a park shower house facility, substance abuse expense and self-funded insurance payout. No budget function areas were exceeded at year end.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of FY06, Marion County had \$24,085,373 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of \$5,417,119, or 29% over last year. This increase is due to construction in progress of a new Marion County Law Enforcement Center and Infrastructure donated to the county by the Iowa Department of Transportation.

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### Capital Assets of Governmental Activities at Year End

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	2006	2005
Land & other non-depreciated assets	\$ 3,731,295	478,718
Buildings & Improvements	5,494,000	5,565,180
Machinery & Equipment	2,429,192	2,040,671
Infrastructure	12,430,886	10,583,685
Totals	\$ <u>24,085,373</u>	<u>18,668,254</u>

## **Debt**

At year-end, the County had approximately \$5,626,000 in outstanding debt compared to approximately \$5,960,000 last year as shown below.

Outstanding Debt of Governmental Activities at Year-End		
	2006	2005
Urban Renewal Tax Increment Bonds	\$ 0	80,000
Compensated absences	210,811	212,052
Early Retirement	0	15,567
General Obligation Courthouse Improvement Bonds	495,000	550,000
General Obligation Law Enforcement Center Bonds	4,920,000	5,100,000
Totals	\$ 5,625,811	5,957,619

Debt decreased as a result of Urban Renewal Tax Increment Bonds that were extinguished and payments made on General Obligation Bond debt. Other obligations include accrued vacation pay, compensatory time and early retirement. More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Marion County's elected and appointed officials and citizens considered many factors when setting the 2007 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy. Residential sales of property in the County continue to be strong. Countywide valuations remained steady in 2006. Unemployment in the State now stands at 4.4 percent versus 4.1 percent a year ago. The Consumer Price Increase was 3.81%.

These indicators were taken into account when adopting the County budget for 2007. Amounts available for appropriation in the operating budget are \$21,414,660, a decrease of 6.7 percent over the final 2006 budget. Marion County will use these receipts to finance programs currently offered and offset the effect we expect inflation to have on program costs. The County has added no major new programs to the 2007 budget.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Marion 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 County Auditor's Office, Marion County, 214 E Main Street, Knoxville, Iowa.

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## Basic Financial Statements

MARION COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 9,915,758
Receivables:	
Property tax:	
Delinquent	34,623
Succeeding year	7,922,000
Interest and penalty on property tax	48,753
Accounts	178,414
Accrued interest	92,395
Due from other governments	543,241
Inventories	895,863
Capital assets, net of accumulated depreciation (note 5)	<u>24,085,373</u>
 Total assets	 <u>43,716,420</u>
Liabilities	
Accounts payable	921,869
Salaries and benefits payable	190,892
Due to other governments (note 6)	188,424
Accrued interest payable	16,171
Claims incurred but not reported	12,400
Deferred revenue:	
Succeeding year property tax	7,922,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
General obligation bonds	250,000
Compensated absences	210,811
Portion due or payable after one year:	
General obligation bonds	<u>5,165,000</u>
 Total liabilities	 <u>14,877,567</u>

MARION COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2006

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 20,175,937
Restricted for:	
Supplemental levy purposes	2,471,893
Mental health purposes	925,447
Rural services	350,508
Secondary roads	2,351,856
Other special revenue purposes	1,360,182
Unrestricted	<u>1,203,030</u>
Total net assets	<u>\$ 28,838,853</u>

See notes to financial statements.

MARION COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Public safety and legal services	\$ 2,162,681	\$ 195,528	\$ 114,126	\$ -	\$ (1,853,027)
Physical health and social services	1,890,759	276,403	982,545	-	(631,811)
Mental health	2,408,720	201,912	969,035	-	(1,237,773)
County environment and education	1,002,438	274,119	24,040	-	(704,279)
Roads and transportation	6,220,661	456,476	3,286,013	2,453,924	(24,248)
Government services to residents	582,683	568,135	21,706	222,598	229,756
Administration	2,134,525	83,300	5,267	-	(2,045,958)
Interest on long-term debt	241,013	-	-	-	(241,013)
<b>Total</b>	<b>\$ 16,643,480</b>	<b>\$ 2,055,873</b>	<b>\$ 5,402,732</b>	<b>\$ 2,676,522</b>	<b>(6,508,353)</b>
General Revenues:					
Property and other county tax levied for:					
General purposes					7,533,041
Debt service					266,636
Penalty and interest on property tax					91,651
State tax credits					386,322
Local option sales and services tax					1,123,020
Unrestricted investment earnings					378,028
Miscellaneous					88,319
<b>Total general revenues</b>					<b>9,867,017</b>
Change in net assets					3,358,664
Net assets beginning of year					25,480,189
Net assets end of year					<b>\$ 28,838,853</b>

See notes to financial statements.

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MARION COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2006

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 3,216,837	\$ 1,173,304	\$ 635,899	\$ 1,720,200
Receivables:				
Property tax:				
Delinquent	22,284	3,426	8,376	-
Succeeding year	5,352,000	823,000	1,606,000	-
Interest and penalty on property tax	48,753	-	-	-
Accounts	139,259	17,984	-	17,848
Accrued interest	42,623	-	-	-
Due from other governments	187,819	3,779	33,653	250,684
Inventories	-	-	-	895,863
 Total assets	 \$ 9,009,575	 \$ 2,021,493	 \$ 2,283,928	 \$ 2,884,595

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,823,186	\$ 1,301,750	\$ 9,871,176
-	537	34,623
-	141,000	7,922,000
-	-	48,753
-	3,323	178,414
46,865	2,907	92,395
-	67,306	543,241
-	-	895,863
<u>\$ 1,870,051</u>	<u>\$ 1,516,823</u>	<u>\$ 19,586,465</u>

MARION COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 111,589	\$ 61,021	\$ 1,964	\$ 382,808
Salaries and benefits payable	102,465	15,662	-	72,765
Due to other governments (note 6)	-	188,424	-	-
Deferred revenue:				
Succeeding year property tax	5,352,000	823,000	1,606,000	-
Other	70,085	3,332	8,077	-
Total liabilities	<u>5,636,139</u>	<u>1,091,439</u>	<u>1,616,041</u>	<u>455,573</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	895,863
Supplemental levy purposes	2,156,323	-	325,276	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	1,217,113	-	-	-
Special revenue funds	-	930,054	342,611	1,533,159
Capital projects fund	-	-	-	-
Total fund balances	<u>3,373,436</u>	<u>930,054</u>	<u>667,887</u>	<u>2,429,022</u>
Total liabilities and fund balances	<u>\$ 9,009,575</u>	<u>\$ 2,021,493</u>	<u>\$ 2,283,928</u>	<u>\$ 2,884,595</u>

See notes to financial statements.

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 364,487	\$ -	\$ 921,869
-	-	190,892
-	-	188,424
-	141,000	7,922,000
-	522	82,016
<u>364,487</u>	<u>141,522</u>	<u>9,305,201</u>
-	-	895,863
-	-	2,481,599
-	15,119	15,119
-	-	1,217,113
-	1,360,182	4,166,006
<u>1,505,564</u>	-	<u>1,505,564</u>
<u>1,505,564</u>	<u>1,375,301</u>	<u>10,281,264</u>
<u>\$ 1,870,051</u>	<u>\$ 1,516,823</u>	<u>\$ 19,586,465</u>

## MARION COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2006

Total fund balances of governmental funds	\$ 10,281,264
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$35,704,676 and the accumulated depreciation is \$11,619,303.	24,085,373
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	82,016
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	32,182
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(16,171)
Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,625,811)</u>
Net assets of governmental activities	<u>\$ 28,838,853</u>
See notes to financial statements.	

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MARION COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2006

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other County tax	\$ 5,139,898	\$ 1,039,683	\$ 1,908,399	\$ -
Interest and penalty on property tax	82,702	-	-	-
Intergovernmental	1,648,130	1,020,829	87,952	3,251,677
Licenses and permits	13,218	-	-	5,165
Charges for service	1,121,221	199,405	-	6,647
Use of money and property	247,939	-	-	-
Miscellaneous	111,882	2,507	15	479,000
Total revenues	<u>8,364,990</u>	<u>2,262,424</u>	<u>1,996,366</u>	<u>3,742,489</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	2,137,561	-	105,449	-
Physical health and social services	1,900,406	-	-	-
Mental health	-	2,412,897	-	-
County environment and education	811,905	-	211,416	-
Roads and transportation	336,214	-	206,440	4,850,370
Government services to residents	719,384	-	2,007	-
Administration	1,967,014	-	-	-
Debt service	20,000	-	-	-
Capital projects	23,546	-	2,857	348,332
Total expenditures	<u>7,916,030</u>	<u>2,412,897</u>	<u>528,169</u>	<u>5,198,702</u>
Excess (deficiency) of revenues over (under) expenditures	<u>448,960</u>	<u>(150,473)</u>	<u>1,468,197</u>	<u>(1,456,213)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	2,455	-	-	26,156
Interfund transfers in (note 3)	-	-	-	1,285,982
Interfund transfers out (note 3)	-	-	(1,254,459)	-
Total other financing sources (uses)	<u>2,455</u>	<u>-</u>	<u>(1,254,459)</u>	<u>1,312,138</u>
Net change in fund balances	451,415	(150,473)	213,738	(144,075)
Fund balances beginning of year	<u>2,922,021</u>	<u>1,080,527</u>	<u>454,149</u>	<u>2,573,097</u>
Fund balances end of year	<u>\$ 3,373,436</u>	<u>\$ 930,054</u>	<u>\$ 667,887</u>	<u>\$ 2,429,022</u>

See notes to financial statements.

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 828,128	\$ 8,916,108
-	-	82,702
-	40,945	6,049,533
-	-	18,383
-	122,724	1,449,997
134,914	4,764	387,617
-	6,278	599,682
<u>134,914</u>	<u>1,002,839</u>	<u>17,504,022</u>
-	7,868	2,250,878
-	-	1,900,406
-	-	2,412,897
-	-	1,023,321
-	-	5,393,024
-	22,762	744,153
-	-	1,967,014
-	559,104	579,104
<u>3,263,133</u>	<u>162,586</u>	<u>3,800,454</u>
<u>3,263,133</u>	<u>752,320</u>	<u>20,071,251</u>
<u>(3,128,219)</u>	<u>250,519</u>	<u>(2,567,229)</u>
-	-	28,611
-	300,000	1,585,982
-	(331,523)	(1,585,982)
-	<u>(31,523)</u>	<u>28,611</u>
<u>(3,128,219)</u>	<u>218,996</u>	<u>(2,538,618)</u>
<u>4,633,783</u>	<u>1,156,305</u>	<u>12,819,882</u>
<u>\$ 1,505,564</u>	<u>\$ 1,375,301</u>	<u>\$ 10,281,264</u>

## MARION COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ (2,538,618)

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

Governmental funds report capital outlays as expenditures while  
governmental activities report depreciation expense to allocate those  
expenditures over the life of the assets. The amount of capital outlays and  
depreciation expense in the current year are as follows:

	Capital outlays	\$ 4,391,694	
Capital assets contributed by the Iowa Department of Transportation		2,453,924	
Depreciation expense		<u>(1,428,499)</u>	5,417,119

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.

	Property tax	6,638	
Principal and interest on property tax		<u>8,949</u>	15,587

Repayment of bond principal is an expenditure in the governmental funds,  
but the repayment reduces long-term liabilities in the statement of net  
assets. 315,000

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:

	Early retirement	15,567	
Compensated absences		1,241	
Interest on long-term debt		<u>23,091</u>	39,899

The Internal Service Fund is used by management to charge the costs of  
employee health benefits to individual funds. The change in net assets  
of the Internal Service Fund is reported with governmental activities. 109,677

Change in net assets of governmental activities \$ 3,358,664

See notes to financial statements.

MARION COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2006

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 44,582
Liabilities	
Claims incurred but not reported	<u>12,400</u>
Net Assets	
Unrestricted	<u>\$ 32,182</u>

See notes to financial statements.

## MARION COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 PROPRIETARY FUND  
 Year Ended June 30, 2006

	<u>Internal Service</u>
Operating revenues:	
Contributions	\$ 506,761
Miscellaneous	1,086,788
Total operating revenues	<u>1,593,549</u>
Operating expenses:	
Medical claims	383,633
Insurance premiums	1,088,800
Miscellaneous	11,487
Total operating expenses	<u>1,483,920</u>
Operating income	109,629
Non-operating revenues:	
Interest on investments	<u>48</u>
Net income	109,677
Net assets beginning of year	<u>(77,495)</u>
Net assets end of year	<u>\$ 32,182</u>

See notes to financial statements.

MARION COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2006

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received for contributions	\$ 506,761
Cash received for miscellaneous items	1,086,788
Cash payments for claims	(532,628)
Cash payments for insurance premiums	(1,088,800)
Cash payments for fees and other expenses	<u>(11,487)</u>
Net cash used by operating activities	<u>(39,366)</u>
 Cash flows from investing activities:	
Interest on investments	<u>48</u>
 Net decrease in cash and cash equivalents	(39,318)
 Cash and cash equivalents at beginning of year	<u>83,900</u>
 Cash and cash equivalents at end of year	<u>\$ 44,582</u>
 Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ 109,629
Adjustments to reconcile operating income to net cash used by operating activities:	
(Decrease) in reserve for claims incurred but not reported	<u>(148,995)</u>
 Net cash used by operating activities	<u>\$ (39,366)</u>

See notes to financial statements.

MARION COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2006

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,398,565
Other County officials (note 4)	271,132
Receivables:	
Property tax receivable:	
Delinquent	82,266
Succeeding year	22,810,000
Accounts	56,428
Accrued interest	674
Due from other governments	<u>20,678</u>
 Total assets	 <u><u>\$ 24,639,743</u></u>

Liabilities

Accounts payable	\$ 85,656
Salaries and benefits payable	10,311
Due to other governments (note 6)	24,240,595
Trusts payable	287,571
Compensated absences	13,695
Early retirement payable	<u>1,915</u>
 Total liabilities	 <u><u>\$ 24,639,743</u></u>

See notes to financial statements.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies

Marion 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, Marion 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. The County has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

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

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues that are 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 expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

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

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

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

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

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

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

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

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 250,000
Land, buildings and improvements	50,000
Equipment and vehicles	5,000

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-40
Improvements other than buildings	20-40
Infrastructure	10-65
Equipment	30-50
Vehicles	5-20

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. 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 financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted in any of the County functions. However, disbursements in one department exceeded the amount appropriated prior to amendment of the appropriations and one department exceeded appropriations at year end.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

MARION COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended June 30, 2006

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Debt Service: Urban Renewal Tax Increment	\$ 31,523
	Special Revenue: Rural Services	1,254,459
Debt Service: Courthouse Roof	Local Option Sales and Services Tax	<u>300,000</u>
		<u>\$ 1,585,982</u>

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

Note 4. Cash – Other County Officials

The following is a summary of cash and investments held by other County officials at June 30, 2005:

Office:		
County Auditor:		
Office fees	\$ 166	
Cemetery trusts	<u>3,825</u>	\$ 3,991
County Recorder:		
Office fees		46,353
Board of Supervisors:		
County Care Facility - Residents' Conservator accounts	76,574	
Knoxville Congregate Meals Trust	143,682	
Senior Activity Trust	<u>532</u>	<u>220,788</u>
		<u>\$ 271,132</u>

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2006

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 188,031	\$ -	\$ -	\$ 188,031
Construction in progress	290,687	3,252,577	-	3,543,264
Total capital assets not being depreciated	<u>478,718</u>	<u>3,252,577</u>	-	<u>3,731,295</u>
Capital assets being depreciated:				
Buildings	7,105,581	126,775	-	7,232,356
Improvements other than buildings	251,987	-	-	251,987
Machinery and equipment	8,076,365	1,012,342	236,933	8,851,774
Infrastructure	13,183,340	2,453,924	-	15,637,264
Total capital assets being depreciated	<u>28,617,273</u>	<u>3,593,041</u>	236,933	<u>31,973,381</u>
Less accumulated depreciation for:				
Buildings	1,690,431	186,769	-	1,877,200
Improvements other than buildings	101,957	11,186	-	113,143
Machinery and equipment	6,035,694	623,821	236,933	6,422,582
Infrastructure	2,599,655	606,723	-	3,206,378
Total accumulated depreciation	<u>10,427,737</u>	<u>1,428,499</u>	236,933	<u>11,619,303</u>
Total capital assets being depreciated, net	<u>18,189,536</u>	<u>2,164,542</u>	-	<u>20,354,078</u>
Governmental activities capital assets, net	<u>\$ 18,668,254</u>	<u>\$ 5,417,119</u>	<u>\$ -</u>	<u>\$ 24,085,373</u>

MARION COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended June 30, 2006

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	75,033
Physical health and social services		7,383
County environment and education		84,419
Roads and transportation		1,007,255
Government services to residents		53,586
Administration		<u>200,823</u>
Total depreciation expense - governmental activities	\$	<u><u>1,428,499</u></u>

Note 6. Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	\$ <u><u>188,424</u></u>
Agency:		
County Assessor	Collections	\$ 332,830
Townships		381,357
Schools		13,930,009
Corporations		7,898,472
Area Schools		608,832
Auto License and Use Tax		571,932
E-911 Surcharge		247,153
All Other		<u>270,010</u>
Total for agency funds		\$ <u><u>24,240,595</u></u>

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2006

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Urban Renewal Tax Increment Revenue Bonds	General Obligation Courthouse Improvement Bonds	General Obligation Law Enforcement Center Bonds	Early Retirement	Compensated Absences	Total
Balance beginning of year	\$ 80,000	\$ 550,000	\$ 5,100,000	\$ 15,567	\$ 212,052	\$ 5,957,619
Increases	-	-	-	-	210,811	210,811
Decreases	80,000	55,000	180,000	15,567	212,052	542,619
Balance end of year	\$ -	\$ 495,000	\$ 4,920,000	\$ -	\$ 210,811	\$ 5,625,811
Due within one year	\$ -	\$ 55,000	\$ 195,000	\$ -	\$ 210,811	\$ 460,811

Courthouse Improvement Bonds Payable

A summary of the County's June 30, 2006, general obligation courthouse improvement bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2007	2.50 %	\$ 55,000	\$ 16,240	\$ 71,240
2008	2.70	55,000	14,865	69,865
2009	2.95	60,000	13,380	73,380
2010	3.25	60,000	11,610	71,610
2011	3.45	60,000	9,660	69,660
2012	3.60	65,000	7,590	72,590
2013	3.70	70,000	5,250	75,250
2014	3.80	70,000	2,660	72,660
		\$ 495,000	\$ 81,255	\$ 576,255

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2006

Note 7. Long-Term Liabilities (continued)

Law Enforcement Center Bonds Payable

A summary of the County's June 30, 2006, general obligation law enforcement center bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2007	2.60 %	\$ 195,000	\$ 177,810	\$ 372,810
2008	2.75	200,000	172,740	372,740
2009	2.90	210,000	167,240	377,240
2010	3.00	215,000	161,150	376,150
2011	3.15	220,000	154,700	374,700
2012	3.25	230,000	147,770	377,770
2013	3.30	240,000	140,295	380,295
2014	3.40	250,000	132,375	382,375
2015	3.50	260,000	123,875	383,875
2016	3.60	270,000	114,775	384,775
2017	3.70	285,000	105,055	390,055
2018	3.80	295,000	94,510	389,510
2019	3.90	310,000	83,300	393,300
2020	4.00	325,000	71,210	396,210
2021	4.00	340,000	58,210	398,210
2022	4.10	355,000	44,610	399,610
2023	4.15	370,000	30,055	400,055
2024	4.20	350,000	14,700	364,700
		<u>\$ 4,920,000</u>	<u>\$ 1,994,380</u>	<u>\$ 6,914,380</u>

Non-current Interfund Loan

The General Supplemental Fund within the General Fund account loaned the General Basic Fund within the General Fund Account \$1,000,000 on June 30, 2004 to help temporarily finance the courthouse roof repair project. The loan will be paid back to the General Supplemental Fund over a 10 year period at 2% interest. The County combines these two funds into the General Fund for reporting purposes so this loan is not reflected in the financial statements. The county made an initial payment on the loan during the year ended June 30, 2006, of \$91,327, leaving a balance of \$908,673 at June 30, 2006.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2006

Note 8. 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, 2006, 2005 and 2004 were \$334,367, \$330,358 and \$321,723, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Marion 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 531 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, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2006 were \$237,929.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$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.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2006

Note 9. Risk Management (continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Marion County Employee Health Plan

Marion County has an administrative services agreement with Wellmark Blue Cross and Blue Shield to administer self-funded employee health and dental benefit plan. Monthly payments of service fees and contributions to fund the plan are paid to the Marion County Auditor, trustee for the plan. The monthly payments of service fees and plan contributions are recorded as expenditures at the time of the payment to the trustees. Under the agreement, payments for service fees and paid claims are remitted to Wellmark Blue Cross and Blue Shield of Iowa on a monthly basis. During the year ended June 30, 2006, the County converted from self-funded health insurance to a fully-funded plan. The balance of the Employee Health plan at June 30, 2006 will be used to pay any health claims incurred under the self-funded plan but not reported at year end.

At June 30, 2006, the Marion County Employee Health Plan and Employee Dental Health Plan had net assets of \$20,415 and \$1,648, respectively.

The County purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$35,000 in insured claims for any single covered individual. Settled claims have not exceeded the commercial coverage in any of the past three plan years.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2006

Note 9. Risk Management (continued)

Marion County Employee Health Plan (continued)

The change in the incurred but not reported and unpaid claims liability for the year ended June 30, 2006 is as follows:

	Employee Health	Employee Dental
	<u>          </u>	<u>          </u>
Unpaid claims at July 1, 2005	\$ 153,795	\$ 7,600
Incurred claims and claim adjustments	284,686	71,994
Claims paid	<u>(436,481)</u>	<u>(69,194)</u>
Unpaid claims at June 30, 2006	<u>\$ 2,000</u>	<u>\$ 10,400</u>

Note 10. Construction Commitment

The County has entered into a contract totaling \$5,050,360, including change orders, for a law enforcement center. As of June 30, 2006, costs of \$3,126,298 have been incurred against the contract. The balance remaining at June 30, 2006 of \$1,924,062 will be paid as work on the project progresses.

Note 11. Contingent Liabilities

Landfill Closure Assurance Guaranty

The County participates in an agreement with the South Central Iowa Solid Waste Agency, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Agency includes providing economic disposal of solid waste produced or generated within the member counties and municipalities.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and post-closure costs to the Agency have been estimated at \$2,345,718. The Agency has begun to accumulate resources to fund these closure costs, and as of June 30, 2006, expects to hold deposits of \$1,661,286 for this purpose. The Agency is required to accumulate the full amount of funds required for closure and post-closure during the life of the landfill. However, it must have additional mechanisms in place at all times during the life of the landfill to equal 100 percent of the current cost estimates. No financial assurance guaranty was required from the County for the fiscal year ending June 30, 2006.

Litigation

The County is involved in an ongoing lawsuit alleging negligence by the County involving the death of an inmate. The outcome of this case cannot be determined at this time and the County's insurance carrier is affording coverage.

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Required Supplementary Information

MARION 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, 2006

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 8,882,474	\$ 8,651,821	\$ 8,651,821	\$ 230,653
Interest and penalty on property tax	85,091	5,000	5,000	80,091
Intergovernmental	5,928,672	6,285,559	6,285,559	(356,887)
Licenses and permits	19,336	20,000	20,000	(664)
Charges for service	1,444,322	1,190,966	1,190,966	253,356
Use of money and property	363,137	27,950	27,950	335,187
Miscellaneous	595,975	341,000	341,000	254,975
Total receipts	<u>17,319,007</u>	<u>16,522,296</u>	<u>16,522,296</u>	<u>796,711</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	2,250,644	2,314,928	2,339,928	89,284
Physical health and social services	1,907,048	2,358,161	2,400,661	493,613
Mental health	2,354,155	2,789,049	2,789,049	434,894
County environment and education	1,039,038	1,085,012	1,085,012	45,974
Roads and transportation	4,986,021	5,303,372	5,303,372	317,351
Government services to residents	744,845	806,868	807,868	63,023
Administration	1,963,267	1,884,746	2,092,096	128,829
Debt service	579,104	585,000	585,000	5,896
Capital projects	3,464,080	5,820,000	6,020,000	2,555,920
Total disbursements	<u>19,288,202</u>	<u>22,947,136</u>	<u>23,422,986</u>	<u>4,134,784</u>
Excess (deficiency) of receipts over (under) disbursements	(1,969,195)	(6,424,840)	(6,900,690)	4,931,495
Other financing sources, net	<u>28,611</u>	<u>41,000</u>	<u>41,000</u>	<u>(12,389)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,940,584)	(6,383,840)	(6,859,690)	4,919,106
Balance beginning of year	<u>11,811,760</u>	<u>9,282,251</u>	<u>9,282,251</u>	<u>2,529,509</u>
Balance end of year	<u>\$ 9,871,176</u>	<u>\$ 2,898,411</u>	<u>\$ 2,422,561</u>	<u>\$ 7,448,615</u>

See accompanying independent auditor's report.

MARION COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 17,319,007	\$ 185,015	\$ 17,504,022
Expenditures	19,288,202	783,049	20,071,251
Net	(1,969,195)	(598,034)	(2,567,229)
Other financing sources	28,611	-	28,611
Beginning fund balances	11,811,760	1,008,122	12,819,882
Ending fund balances	<u>\$ 9,871,176</u>	<u>\$ 410,088</u>	<u>\$ 10,281,264</u>

See accompanying independent auditor's report.

MARION COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
June 30, 2006

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 and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$475,850. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted in any of the County functions. However, disbursements in one department exceeded the amount appropriated prior to amendment of the appropriations and one department exceeded appropriations at year end.

Other Supplementary Information

MARION COUNTY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2006

	Special Revenue				
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Emergency Medical Service	Conservation Land Acquisition	Resource Enhancement and Protection
<b>Assets</b>					
Cash and pooled investments	\$ 14,326	\$ 376	\$ 5,374	\$ 306,592	\$ 237,588
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	711	-	-	1,554	-
Accrued interest	100	2	-	879	1,083
Due from other governments	-	-	-	-	-
Total assets	\$ <u>15,137</u>	\$ <u>378</u>	\$ <u>5,374</u>	\$ <u>309,025</u>	\$ <u>238,671</u>
<b>Liabilities and Fund Equity</b>					
<b>Liabilities:</b>					
Deferred revenue:					
Succeeding year taxes	\$ -	\$ -	\$ -	\$ -	-
Other	-	-	-	-	-
Total liabilities	-	-	-	-	-
<b>Fund equity:</b>					
Fund balances:					
Reserved for:					
Debt Service	-	-	-	-	-
Unreserved	15,137	378	5,374	309,025	238,671
Total fund equity	<u>15,137</u>	<u>378</u>	<u>5,374</u>	<u>309,025</u>	<u>238,671</u>
Total liabilities and fund equity	\$ <u>15,137</u>	\$ <u>378</u>	\$ <u>5,374</u>	\$ <u>309,025</u>	\$ <u>238,671</u>

See accompanying independent auditor's report.

					<u>Debt Service</u>	
<u>County Government Assistance</u>	<u>Local Option Sales and Services Tax</u>	<u>Sheriff's Forfeiture</u>	<u>Attorney's Forfeiture</u>	<u>Courthouse Security</u>	<u>Courthouse Roof</u>	<u>Total</u>
\$ 87,246	\$ 590,592	\$ 13,687	\$ 1,274	\$ 30,434	\$ 14,261	\$ 1,301,750
-	-	-	-	-	537	537
-	-	-	-	-	141,000	141,000
120	-	-	-	938	-	3,323
-	-	-	-	-	843	2,907
-	67,306	-	-	-	-	67,306
<u>\$ 87,366</u>	<u>\$ 657,898</u>	<u>\$ 13,687</u>	<u>\$ 1,274</u>	<u>\$ 31,372</u>	<u>\$ 156,641</u>	<u>\$ 1,516,823</u>
\$ -	\$ -	\$ -	\$ -	\$ -	141,000	141,000
-	-	-	-	-	522	522
-	-	-	-	-	141,522	141,522
-	-	-	-	-	15,119	15,119
87,366	657,898	13,687	1,274	31,372	-	1,360,182
<u>87,366</u>	<u>657,898</u>	<u>13,687</u>	<u>1,274</u>	<u>31,372</u>	<u>15,119</u>	<u>1,375,301</u>
<u>\$ 87,366</u>	<u>\$ 657,898</u>	<u>\$ 13,687</u>	<u>\$ 1,274</u>	<u>\$ 31,372</u>	<u>\$ 156,641</u>	<u>\$ 1,516,823</u>

MARION COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2006

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Emergency Medical Service	Conservation Land Acquisition
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	19,115	-
Charges for service	7,940	-	-	104,048
Use of money and property	186	55	-	-
Miscellaneous	-	-	-	2,433
Total revenues	<u>8,126</u>	<u>55</u>	<u>19,115</u>	<u>106,481</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	7,368	-
Government services to residents	14,545	8,217	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	154,773
Total expenditures	<u>14,545</u>	<u>8,217</u>	<u>7,368</u>	<u>154,773</u>
Excess (deficiency) of revenues over (under) expenditures	(6,419)	(8,162)	11,747	(48,292)
Other financing sources (uses):				
Interfund transfers in	-	-	-	-
Interfund transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(6,419)	(8,162)	11,747	(48,292)
Fund balances beginning of year	<u>21,556</u>	<u>8,540</u>	<u>(6,373)</u>	<u>357,317</u>
Fund balances end of year	<u>\$ 15,137</u>	<u>\$ 378</u>	<u>\$ 5,374</u>	<u>\$ 309,025</u>

Resource Enhancement and Protection	County Government Assistance	Local Option Sales and Services Tax	Sheriff's Forfeiture	Attorney's Forfeiture	Courthouse Security
\$ -	\$ -	561,509	\$ -	\$ -	-
7,092	6,775	-	-	-	-
-	1,038	-	-	-	9,698
2,054	-	-	-	-	-
-	-	-	2,571	1,274	-
<u>9,146</u>	<u>7,813</u>	<u>561,509</u>	<u>2,571</u>	<u>1,274</u>	<u>9,698</u>
-	-	-	500	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	7,813	-	-	-	-
-	<u>7,813</u>	-	<u>500</u>	-	-
9,146	-	561,509	2,071	1,274	9,698
-	-	-	-	-	-
-	-	(300,000)	-	-	-
-	-	<u>(300,000)</u>	-	-	-
9,146	-	261,509	2,071	1,274	9,698
<u>229,525</u>	<u>87,366</u>	<u>396,389</u>	<u>11,616</u>	-	<u>21,674</u>
<u>\$ 238,671</u>	<u>\$ 87,366</u>	<u>\$ 657,898</u>	<u>\$ 13,687</u>	<u>\$ 1,274</u>	<u>\$ 31,372</u>

MARION COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2006

	<u>Debt Service</u>		
	<u>Courthouse Roof</u>	<u>Urban Renewal Tax Increment</u>	<u>Total</u>
Revenues:			
Property and other County tax	\$ 172,363	\$ 94,256	\$ 828,128
Intergovernmental	7,963	-	40,945
Charges for service	-	-	122,724
Use of money and property	1,878	591	4,764
Miscellaneous	-	-	6,278
Total revenues	<u>182,204</u>	<u>94,847</u>	<u>1,002,839</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	7,868
Government services to residents	-	-	22,762
Debt service	474,104	85,000	559,104
Capital projects	-	-	162,586
Total expenditures	<u>474,104</u>	<u>85,000</u>	<u>752,320</u>
Excess (deficiency) of revenues over (under) expenditures	(291,900)	9,847	250,519
Other financing sources (uses):			
Interfund transfers in	300,000	-	300,000
Interfund transfers out	-	(31,523)	(331,523)
Total other financing sources (uses)	<u>300,000</u>	<u>(31,523)</u>	<u>(31,523)</u>
Net change in fund balances	8,100	(21,676)	218,996
Fund balances beginning of year	<u>7,019</u>	<u>21,676</u>	<u>1,156,305</u>
Fund balances end of year	<u>\$ 15,119</u>	<u>\$ -</u>	<u>\$ 1,375,301</u>

See accompanying independent auditor's report.

MARION COUNTY  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 June 30, 2006

	<u>Health Insurance Clearing Fund</u>	<u>Self-Funded Health Insurance</u>	<u>Self-Funded Dental Insurance</u>	<u>Flexible Benefits Plan</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ <u>4,983</u>	\$ <u>22,415</u>	\$ <u>12,048</u>	\$ <u>5,136</u>	\$ <u>44,582</u>
Liabilities					
Reserve for claims incurred but not reported	<u>-</u>	<u>2,000</u>	<u>10,400</u>	<u>-</u>	<u>12,400</u>
Net Assets					
Unrestricted	\$ <u><u>4,983</u></u>	\$ <u><u>20,415</u></u>	\$ <u><u>1,648</u></u>	\$ <u><u>5,136</u></u>	\$ <u><u>32,182</u></u>

See accompanying independent auditor's report.

MARION COUNTY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
INTERNAL SERVICE FUNDS  
Year Ended June 30, 2006

	<u>Health Insurance Clearing Fund</u>	<u>Self-Funded Health Insurance</u>	<u>Self-Funded Dental Insurance</u>	<u>Employee Life Insurance</u>
Operating revenues:				
Contributions	\$ -	\$ 387,539	\$ 87,612	\$ 2,238
Miscellaneous	1,082,923	3,865	-	-
Total revenues	<u>1,082,923</u>	<u>391,404</u>	<u>87,612</u>	<u>2,238</u>
Operating expenses:				
Claims	-	284,686	71,994	-
Insurance premiums	1,077,819	8,743	-	2,238
Miscellaneous	121	1,242	10,124	-
Total operating expenses	<u>1,077,940</u>	<u>294,671</u>	<u>82,118</u>	<u>2,238</u>
Operating income	<u>4,983</u>	<u>96,733</u>	<u>5,494</u>	<u>-</u>
Non-operating revenues:				
Interest on investments	-	47	1	-
Net income	4,983	96,780	5,495	-
Net assets beginning of year	<u>-</u>	<u>(76,365)</u>	<u>(3,847)</u>	<u>-</u>
Net assets end of year	<u>\$ 4,983</u>	<u>\$ 20,415</u>	<u>\$ 1,648</u>	<u>\$ -</u>

See accompanying independent auditor's report.

Flexible Benefits Plan	Total
\$ 29,372	\$ 506,761
<u>          -</u>	<u>1,086,788</u>
<u>29,372</u>	<u>1,593,549</u>
26,953	383,633
-	1,088,800
<u>          -</u>	<u>11,487</u>
<u>26,953</u>	<u>1,483,920</u>
<u>2,419</u>	<u>109,629</u>
<u>          -</u>	<u>48</u>
2,419	109,677
<u>2,717</u>	<u>(77,495)</u>
<u>\$ 5,136</u>	<u>\$ 32,182</u>

MARION COUNTY

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
Year Ended June 30, 2006

	<u>Health Insurance Clearing Fund</u>	<u>Self-Funded Health Insurance</u>	<u>Self-Funded Dental Insurance</u>	<u>Employee Life Insurance</u>
Cash flows from operating activities:				
Cash received for contributions	\$ -	\$ 387,539	\$ 87,612	\$ 2,238
Cash received for other items	1,082,923	3,865	-	-
Cash payments for claims	-	(436,481)	(69,194)	-
Cash payments for insurance premiums	(1,077,819)	(8,743)	-	(2,238)
Cash payments for fees and other expenses	(121)	(1,242)	(10,124)	-
Net cash provided by (used in) operating activities	<u>4,983</u>	<u>(55,062)</u>	<u>8,294</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	<u>-</u>	<u>47</u>	<u>1</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	4,983	(55,015)	8,295	-
Cash and cash equivalents at beginning of year	<u>-</u>	<u>77,430</u>	<u>3,753</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 4,983</u>	<u>\$ 22,415</u>	<u>\$ 12,048</u>	<u>\$ -</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income	\$ 4,983	\$ 96,733	\$ 5,494	\$ -
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Increase (decrease) in reserve for claims incurred but not reported	<u>-</u>	<u>(151,795)</u>	<u>2,800</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 4,983</u>	<u>\$ (55,062)</u>	<u>\$ 8,294</u>	<u>\$ -</u>

See accompanying independent auditor's report.

Flexible Benefits Plan	Total
\$ 29,372	\$ 506,761
-	1,086,788
(26,953)	(532,628)
-	(1,088,800)
-	(11,487)
<u>2,419</u>	<u>(39,366)</u>
<u>-</u>	<u>48</u>
2,419	(39,318)
<u>2,717</u>	<u>83,900</u>
<u>\$ 5,136</u>	<u>\$ 44,582</u>
\$ 2,419	\$ 109,629
<u>-</u>	<u>(148,995)</u>
<u>\$ 2,419</u>	<u>\$ (39,366)</u>

MARION COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2006

	County Offices		Board of Supervisors		
	County Auditor	County Recorder	Congregate Meals	Care Facility	Senior Activity
<b>ASSETS</b>					
Cash and pooled investments:					
County Treasurer	\$ -	\$ -	\$ -	\$ -	-
Other County officials	3,991	46,353	143,682	76,574	532
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	-	3,576	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 3,991</b>	<b>\$ 49,929</b>	<b>\$ 143,682</b>	<b>\$ 76,574</b>	<b>\$ 532</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 166	\$ 23,358	\$ -	\$ -	-
Salaries and benefits payable	-	-	-	-	-
Due to other governments	-	26,571	-	-	-
Trusts payable	3,825	-	143,682	76,574	532
Compensated absences	-	-	-	-	-
Early retirement payable	-	-	-	-	-
<b>Total liabilities</b>	<b>\$ 3,991</b>	<b>\$ 49,929</b>	<b>\$ 143,682</b>	<b>\$ 76,574</b>	<b>\$ 532</b>

<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Area Schools</u>	<u>Schools</u>	<u>Corporations</u>	<u>E-911 Surcharge</u>	<u>Veteran Affairs</u>
\$ 2,657	\$ 60,787	\$ 9,347	\$ 235,552	\$ 133,117	\$ 202,077	\$ 434
-	-	-	-	-	-	-
697	1,180	2,485	58,457	17,355	-	-
168,000	283,000	597,000	13,636,000	7,748,000	-	-
-	-	-	-	-	42,782	-
-	-	-	-	-	672	2
-	-	-	-	-	7,632	-
<u>\$ 171,354</u>	<u>\$ 344,967</u>	<u>\$ 608,832</u>	<u>\$ 13,930,009</u>	<u>\$ 7,898,472</u>	<u>\$ 253,163</u>	<u>\$ 436</u>
\$ -	\$ 340	\$ -	\$ -	\$ -	\$ 3,575	\$ -
-	3,334	-	-	-	1,185	-
171,354	332,830	608,832	13,930,009	7,898,472	247,153	436
-	-	-	-	-	-	-
-	6,548	-	-	-	1,250	-
-	1,915	-	-	-	-	-
<u>\$ 171,354</u>	<u>\$ 344,967</u>	<u>\$ 608,832</u>	<u>\$ 13,930,009</u>	<u>\$ 7,898,472</u>	<u>\$ 253,163</u>	<u>\$ 436</u>

MARION COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2006

	<u>Townships</u>	<u>City Special Assessments</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 6,305	\$ 19,278	\$ 595,605	\$ 54
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	2,052	-	-	14
Succeeding year	373,000	-	-	3,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
	<hr/>			
Total assets	<u>\$ 381,357</u>	<u>\$ 19,278</u>	<u>\$ 595,605</u>	<u>\$ 3,068</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 23,673	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	381,357	19,278	571,932	3,068
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
Early retirement payable	-	-	-	-
	<hr/>			
Total liabilities	<u>\$ 381,357</u>	<u>\$ 19,278</u>	<u>\$ 595,605</u>	<u>\$ 3,068</u>

<u>Title III</u>	<u>Tax Sale Redemption</u>	<u>Fire District</u>	<u>Emergency Management</u>	<u>Jail Canteen</u>	<u>Chore Service</u>	<u>Recorder's Electronic Transaction Fee</u>
\$ (3,585)	\$ 389	\$ 116	\$ 51,378	\$ 22,286	\$ 7,756	\$ 762
-	-	-	-	-	-	-
-	-	26	-	-	-	-
-	-	2,000	-	-	-	-
5,864	-	-	-	-	3,285	711
-	-	-	-	-	-	-
6,397	-	-	4,646	-	-	-
<u>\$ 8,676</u>	<u>\$ 389</u>	<u>\$ 2,142</u>	<u>\$ 56,024</u>	<u>\$ 22,286</u>	<u>\$ 11,041</u>	<u>\$ 1,473</u>
\$ 7,303	\$ -	\$ -	\$ 30	\$ 1,908	\$ 2,797	\$ -
4,811	-	-	981	-	-	-
(3,438)	-	2,142	49,116	-	-	1,473
-	389	-	-	20,378	8,244	-
-	-	-	5,897	-	-	-
-	-	-	-	-	-	-
<u>\$ 8,676</u>	<u>\$ 389</u>	<u>\$ 2,142</u>	<u>\$ 56,024</u>	<u>\$ 22,286</u>	<u>\$ 11,041</u>	<u>\$ 1,473</u>

MARION COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2006

	<u>Advance Tax Payments</u>	<u>Public Transportation</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 28,109	\$ 26,131	\$ 10	\$ 1,398,565
Other County officials	-	-	-	271,132
Receivables:				
Property tax:				
Delinquent	-	-	-	82,266
Succeeding year	-	-	-	22,810,000
Accounts	-	210	-	56,428
Accrued interest	-	-	-	674
Due from other governments	-	2,003	-	20,678
	<hr/>			
Total assets	<u>\$ 28,109</u>	<u>\$ 28,344</u>	<u>\$ 10</u>	<u>\$ 24,639,743</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 22,506	\$ -	\$ 85,656
Salaries and benefits payable	-	-	-	10,311
Due to other governments	-	-	10	24,240,595
Trusts payable	28,109	5,838	-	287,571
Compensated absences	-	-	-	13,695
Early retirement payable	-	-	-	1,915
	<hr/>			
Total liabilities	<u>\$ 28,109</u>	<u>\$ 28,344</u>	<u>\$ 10</u>	<u>\$ 24,639,743</u>

See accompanying independent auditor's report.

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MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2006

	County Offices			Board of Supervisors
	County Auditor	County Recorder	County Sheriff	Congregate Meals
Balances beginning of year	\$ 3,981	\$ 51,919	\$ -	\$ 139,541
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Local option sales and services tax	-	-	-	-
Payments to states in lieu of real estate taxes	-	-	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	1,887	535,181	234,374	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	107	-	365,934	4,141
Emergency management - performance grants	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	1,994	535,181	600,308	4,141
Deductions:				
Agency remittances:				
To other funds	1,877	284,425	231,517	-
To other governments	-	252,746	2,857	-
Trusts paid out	107	-	365,934	-
Total deductions	1,984	537,171	600,308	-
Balances end of year	\$ 3,991	\$ 49,929	\$ -	\$ 143,682

<u>Care Facility</u>	<u>Senior Activity</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Area Schools</u>	<u>Schools</u>	<u>Corporations</u>
\$ 77,699	\$ 691	\$ 168,275	\$ 331,162	\$ 592,692	\$ 13,861,873	\$ 7,524,354
-	-	168,653	283,787	597,811	13,680,912	7,709,891
-	-	8,148	14,158	28,669	694,510	257,130
-	-	-	-	-	-	-
-	-	94	163	331	59,415	6,698
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	5,844
27,027	3,214	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	110	-	-	-
27,027	3,214	176,895	298,218	626,811	14,434,837	7,979,563
-	-	-	-	-	-	-
-	-	173,816	284,413	610,671	14,366,701	7,605,445
28,152	3,373	-	-	-	-	-
28,152	3,373	173,816	284,413	610,671	14,366,701	7,605,445
\$ 76,574	\$ 532	\$ 171,354	\$ 344,967	\$ 608,832	\$ 13,930,009	\$ 7,898,472

MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2006

	<u>E-911 Surcharge</u>	<u>Veterans Affairs</u>	<u>Townships</u>	<u>City Special Assessments</u>
Balances beginning of year	\$ 261,780	\$ 433	\$ 363,005	\$ 6,489
Additions:				
Property and other County tax	-	-	378,268	-
State tax credits	-	-	20,751	-
Local option sales and services tax	-	-	-	-
Payments to states in lieu of real estate taxes	-	-	7,850	-
E-911 surcharge	200,180	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	32,252
Trusts	-	-	-	-
Emergency management - performance grants	-	-	-	-
Interest	2,141	3	-	-
Miscellaneous	597	-	-	-
Total additions	<u>202,918</u>	<u>3</u>	<u>406,869</u>	<u>32,252</u>
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	211,535	-	388,517	19,463
Trusts paid out	-	-	-	-
Total deductions	<u>211,535</u>	<u>-</u>	<u>388,517</u>	<u>19,463</u>
Balances end of year	<u>\$ 253,163</u>	<u>\$ 436</u>	<u>\$ 381,357</u>	<u>\$ 19,278</u>

<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Title III</u>	<u>Tax Sale Redemption</u>	<u>Fire District</u>	<u>Emergency Management</u>	<u>Jail Canteen</u>
\$ 624,111	\$ 3,069	\$ 1,346	\$ 369	\$ 2,087	\$ 69,379	\$ 19,620
-	3,401	-	-	2,218	-	-
-	167	-	-	152	-	-
-	-	-	-	-	-	-
-	2	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6,958,506	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	251,829	512,702	-	-	6,715
-	-	-	-	-	16,142	-
-	-	-	-	-	-	-
-	-	-	-	-	71,214	-
<u>6,958,506</u>	<u>3,570</u>	<u>251,829</u>	<u>512,702</u>	<u>2,370</u>	<u>87,356</u>	<u>6,715</u>
276,192	-	-	-	-	-	-
6,710,820	3,571	-	-	2,315	100,711	-
-	-	244,499	512,682	-	-	4,049
<u>6,987,012</u>	<u>3,571</u>	<u>244,499</u>	<u>512,682</u>	<u>2,315</u>	<u>100,711</u>	<u>4,049</u>
<u>\$ 595,605</u>	<u>\$ 3,068</u>	<u>\$ 8,676</u>	<u>\$ 389</u>	<u>\$ 2,142</u>	<u>\$ 56,024</u>	<u>\$ 22,286</u>

MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2006

	<u>Chore Service</u>	<u>Recorder's Electronic Transaction Fee</u>	<u>Advance Tax Payments</u>	<u>Public Transportation</u>
Balances beginning of year	\$ 13,027	\$ 1,438	\$ 4,856	\$ 28,427
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Local option sales and services tax	-	-	-	-
Payments to states in lieu of real estate taxes	-	-	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	17,146	-	27,760	218,071
Emergency management - performance grants	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	7,940	-	-
Total additions	<u>17,146</u>	<u>7,940</u>	<u>27,760</u>	<u>218,071</u>
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	-	7,905	-	-
Trusts paid out	19,132	-	4,507	218,154
Total deductions	<u>19,132</u>	<u>7,905</u>	<u>4,507</u>	<u>218,154</u>
Balances end of year	<u>\$ 11,041</u>	<u>\$ 1,473</u>	<u>\$ 28,109</u>	<u>\$ 28,344</u>

See accompanying independent auditor's report.

<u>Local Option Sales and Services Tax</u>	<u>Anatomical Gift Public Awareness and Transportation</u>	<u>Total</u>
\$ -	\$ 22	\$ 24,151,645
-	-	22,824,941
-	-	1,023,685
172,064	-	172,064
-	-	74,553
-	-	200,180
-	-	771,442
-	-	6,958,506
-	-	38,096
-	-	1,434,646
-	-	16,142
-	-	2,144
-	321	80,182
<u>172,064</u>	<u>321</u>	<u>33,596,581</u>
-	-	794,011
100,000	333	30,841,819
72,064	-	1,472,653
<u>172,064</u>	<u>333</u>	<u>33,108,483</u>
\$ -	\$ 10	\$ 24,639,743

## MARION COUNTY

## SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Years Ended June 30,			
	2006	2005	2004	2003
<b>Revenues:</b>				
Property and other County tax	\$ 8,916,108	\$ 8,611,535	\$ 7,303,657	\$ 6,763,743
Interest and penalty on property tax	82,702	81,839	116,541	107,211
Intergovernmental	6,049,533	6,139,309	6,546,840	6,400,619
Licenses and permits	18,383	14,938	16,233	17,870
Charges for service	1,449,997	1,439,528	1,446,105	1,366,522
Use of money and property	387,617	137,568	93,558	118,457
Miscellaneous	599,682	440,403	497,906	202,915
<b>Total revenues</b>	<b>\$ 17,504,022</b>	<b>\$ 16,865,120</b>	<b>\$ 16,020,840</b>	<b>\$ 14,977,337</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety ad legal services	\$ 2,250,878	\$ 2,033,900	\$ 1,990,856	\$ 2,056,108
Physical health and social services	1,900,406	2,226,147	2,125,821	2,099,290
Mental health	2,412,897	2,226,239	2,392,307	2,441,388
County environment and education services	1,023,321	958,101	1,059,881	888,512
Roads and transportation	5,393,024	4,590,995	4,438,694	4,267,427
Government services to residents	744,153	502,958	428,293	431,916
Administrative services	1,967,014	1,712,002	1,952,111	1,525,962
Debt service	579,104	159,265	95,254	82,918
Capital projects	3,800,454	1,809,179	2,817,010	927,039
<b>Total expenditures</b>	<b>\$ 20,071,251</b>	<b>\$ 16,218,786</b>	<b>\$ 17,300,227</b>	<b>\$ 14,720,560</b>

See accompanying independent auditor's report.

MARION COUNTY  
 SCHEDULE OF TITLE III ACTIVITY  
 Year Ended June 30, 2006

Additions:		
Special program for the aging - Title III Part C nutrition services	\$ 55,000	
Food distribution cash	15,550	
Senior living program	6,009	
Donations and contributions	153,775	
Food distribution commodities	<u>21,495</u>	\$ 251,829
Deductions:		
Site manager	63,236	
Cooks	40,765	
FICA, IPERS, and health insurance	24,528	
Food and provisions	66,335	
Supplies	3,862	
Postage	88	
Travel and training	13,193	
Telephone and utilities	8,654	
Trash removal	982	
Rental building	17,400	
Equipment and repair	2,890	
Miscellaneous	<u>2,566</u>	<u>244,499</u>
Net		7,330
Balance beginning of year		<u>1,346</u>
Balance end of year		<u><u>\$ 8,676</u></u>

See accompanying independent auditor's report.

## MARION COUNTY

SCHEDULE OF PUBLIC TRANSPORTATION ACTIVITY  
Year Ended June 30, 2006

		<u>Public Transportation</u>
<b>Additions:</b>		
Federal Transit Administration - HIRTA	\$ 32,991	
State Transit Administration - HIRTA	26,990	
Title III Part B - Grants for Supportive Services and Senior Centers	24,000	
Elderly waiver	9,311	
Senior living	10,000	
Senior citizen fares	46,203	
Local contributions from County	62,911	
United Way	5,000	
Miscellaneous	665	\$ 218,071
<b>Deductions:</b>		
Wages and benefits	136,422	
Fuel	30,630	
Office supplies	200	
Employee mileage reimbursement	344	
Telephone	275	
Equipment expense	27,281	
Utilities	550	
Administration	7,543	
Insurance	14,428	
Miscellaneous	481	218,154
Net		(83)
Balance beginning of year		28,427
Balance end of year		\$ 28,344

See accompanying independent auditor's report.

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MARION COUNTY

IOWA DEPARTMENT OF PUBLIC HEALTH  
 SCHEDULE OF REVENUES, EXPENDITURES AND BALANCES  
 Year Ended June 30, 2006

	Women, Infants and Children <u>5885A053</u>	Women, Infants and Children <u>5886A053</u>	Maternal Child Health <u>5885A053</u>	Maternal Child Health <u>5886A053</u>
Revenues:				
Federal	\$ 71,901	\$ 199,164	\$ 14,486	\$ 56,656
State	-	-	4,424	15,087
Other	-	-	3,014	9,596
Total	<u>71,901</u>	<u>199,164</u>	<u>21,924</u>	<u>81,339</u>
Expenditures:				
Salaries and benefits	44,499	122,623	8,726	32,238
Contracted providers	6,163	25,973	7,724	40,981
Miscellaneous	21,239	50,568	5,474	8,120
Total	<u>71,901</u>	<u>199,164</u>	<u>21,924</u>	<u>81,339</u>
Balance	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

See accompanying independent auditor's report.

Immunization Action Plan 5885I433	Immunization Action Plan 5886I433	Increasing EH Capacity 5886EHC6	Basics Food Stamp Program 5886NU20
\$ 2,723	\$ 2,089	\$ 7,488	\$ 908
1,403	1,076	-	-
-	-	-	-
<u>4,126</u>	<u>3,165</u>	<u>7,488</u>	<u>908</u>
3,197	2,945	649	849
-	-	1,141	-
929	220	5,698	59
<u>4,126</u>	<u>3,165</u>	<u>7,488</u>	<u>908</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

MARION COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2006

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561	FY 06	\$ 10,495
Iowa Department of Health:			
Food Stamp Program	10.561	5886NU20	908
			<u>11,403</u>
Iowa Department of Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5885A053	71,901
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5886A053	199,164
			<u>271,065</u>
Iowa Department of Agriculture:			
Aging Resources of Central Iowa: Food Donation	10.550	FY 06	<u>37,045</u>
Department of Justice:			
Iowa Secretary of State:			
Protection of Voting Rights	16.104	HAVA FY 06	<u>3,007</u>
Iowa Office of Drug Control Policy:			
Division of Narcotics Enforcement:			
Public Safety Partnership and Community Policing Grants	16.710	FY 06	<u>31,351</u>
Department of Transportation:			
Heart of Iowa Regional Transit Agency:			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	FY 06	<u>32,991</u>

MARION COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2006

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect (continued):			
Department of Public Safety:			
Iowa Department of Public Safety:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	05-157, Task 85	\$ 558
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	06-163, Task 41	<u>4,911</u>
			<u>5,469</u>
General Services Administration:			
Iowa Secretary of State:			
Election Reform Payments	39.011	HAVA FY 06	<u>219,591</u>
Department of Health and Human Services:			
Iowa Department of Human Services:			
Social Services Block Grant	93.667	FY 06	<u>112,351</u>
Administration on Aging:			
Aging Resources of Central Iowa:			
Special Programs for the Aging -			
Title III Part B - Grants for Supportive Services and Senior Centers	93.044	FY 06	<u>37,840</u>
Title III Part C - Nutrition Services	93.045	FY 06	<u>55,000</u>
Title III Part D - In-home Services for Frail Older Individuals	93.046	FY 06	<u>12,000</u>
Human Services Administrative Reimbursements:			
Medical Assistance Program	93.778	FY 06	16,798
Social Services Block Grant	93.667	FY 06	8,051
Temporary Assistance for Needy Families	93.558	FY 06	12,684
Foster Care - Title IV - E	93.658	FY 06	6,514
Adoption Assistance	93.659	FY 06	1,615
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY 06	<u>3,023</u>
			<u>48,685</u>

MARION COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2006

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Program Expenditures</u>
Indirect (continued):			
Department of Health and Human Services (continued):			
Iowa Department of Health:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5886EHC6	\$ <u>7,488</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5886NB18	<u>7,275</u>
Maternal Child Health Services Block Grant to the States	93.994	5885A053	14,486
Maternal Child Health Services Block Grant to the States	93.994	5886A053	<u>56,656</u>
			<u>71,142</u>
 Immunization Grants	 93.268	 5885I433	 2,723
Immunization Grants	93.268	5886I433	<u>2,089</u>
			<u>4,812</u>
Department of Homeland Security:			
Iowa Department of Public Defense:			
Emergency Management Performance Grants	97.042	FY 06	<u>20,788</u>
 Total			 \$ <u><u>989,303</u></u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Marion County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Marion County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated February 2, 2007. 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 Marion 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 Marion 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 Part II of the accompanying Schedule of Findings and Questioned Costs.

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, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 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 Marion County and other parties to whom Marion County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Oskaloosa, Iowa  
February 2, 2007

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Marion County:

Compliance

We have audited the compliance of Marion County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Marion County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Marion County's management. Our responsibility is to express an opinion on Marion County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marion County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marion County's compliance with those requirements.

In our opinion, Marion County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Marion County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants agreements applicable to federal programs. In planning and performing our audit, we considered Marion County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Marion County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements.

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 non-compliance with applicable requirements of laws, regulations, contracts and grant agreements that would be material in relation to a major federal program 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 compliance 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. We noted no material weaknesses during the course of our audit.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Marion County and other parties to whom Marion County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa  
February 2, 2007

MARION COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 10.557 Special Supplemental Nutrition Program for Women, Infants and Children
  - CFDA Number 39.011 Election Reform Payments
  - CFDA Number 93.268 Immunization Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Marion County did not qualify as a low-risk auditee.

MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County’s financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	County Care Facility, Recorder, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, County Care Facility, Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	County Care Facility, Recorder, Sheriff

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

MARION COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006

Part II: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

II-A-06 Segregation of Duties (continued)

Responses –

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

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

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

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

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

Conclusion – Responses accepted.

II-B-06 Disbursement Approval – We noted that the County Board of Supervisors did not approve disbursements made by the conservation department prior to May 22, 2006. These disbursements were approved by the Marion County Conservation Board.

Recommendation – An Attorney General opinion dated April 13, 1982, says that the County does not have the right to refuse to sign a Conservation Board warrant as long as the disbursement is within the Conservation Board's budget limits and is for a legitimate purpose. However, we feel the County Board of Supervisors should review and approve all Conservation Board disbursements as an additional control to ensure that the above two requirements are satisfied.

Response – As of May 22, 2006, the Board of Supervisors are now approving all conservation department disbursements.

Conclusion – Response accepted.

MARION COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted in any of the County functions. However, disbursements in certain departments exceeded the amounts appropriated prior to amendment of the appropriations and at year end.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – Appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

- IV-B-06 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- IV-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- IV-D-06 Business Transactions – No business transactions between the County and County officials or employees were noted.

- IV-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

- IV-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

- IV-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted. However, the interest rate on one time certificate of deposit did not meet the minimum rate of interest set by the State rate setting committee.

Recommendation – The County should be aware of current allowable rates to ensure that at least the minimum rate is received for all investments. The certificate of deposit, when renewed, should be renewed at a rate of interest that conforms with current minimum rates for public funds on the renewal date. The County should contact the bank to obtain the difference in interest that would have been earned on the higher rate.

Response – The certificate of deposit will be renewed at an allowable rate and we will contact the bank concerning the difference in interest.

Conclusion – Response accepted.

MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

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

IV-H-06 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).

IV-I-06 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, 2006 for the County Extension Office did not exceed the amount budgeted.

Chapter 176A.8(16) of the Code of Iowa requires that the County Extension office year end balance not exceed 50% of total disbursements for the year. We noted that this maximum carryover limitation was exceeded by \$1,094 at June 30, 2006.

Recommendation – The County Extension office should remit this excess carryover of \$1,094 to the County Treasurer.

Response – We have repaid this amount to the County Treasurer.

Conclusion – Response accepted.