

MARION COUNTY

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

JUNE 30, 2007

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MARION COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2007)		
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
(After January 2007)		
Howard Pothoven	Board of Supervisors	Jan. 2011
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. 2011
Karen Schwanebeck	County Recorder	Jan. 2011
Gary Verwers	County Sheriff	Jan. 2009
Terry Rachels	County Attorney	Jan. 2011
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, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2008 on our consideration of Marion County's internal control over financial reporting and on 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, 2006 (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 the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
March 13, 2008

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, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

County governmental funds revenue increased .9% or \$157,307 from 2006 to 2007. Property and other county taxes increased approximately \$358,000.

County governmental funds program expenditures decreased 5.3% and were approximately \$1,071,000 less in 2007 than 2006. Capital project expenditures decreased approximately \$1,404,000.

The County's net assets increased 4.3% or \$1,236,974 at June 30, 2007.

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 consist 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 and interest on long-term debt. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. 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 \$1,236,974 from FY 2006. The increase in net assets is primarily due to an increase in Capital Assets consisting primarily of infrastructure & equipment. Our analysis below focuses on the net assets of the County's governmental activities.

<u>Net Assets of Governmental Activities</u>		
	<u>2006</u>	<u>2007</u>
Current and other assets	19,631,047	18,801,171
Capital assets	24,085,373	26,449,776
Total assets	<u>43,716,420</u>	<u>45,250,947</u>
Long-term debt outstanding	5,625,811	5,436,073
Other Liabilities	9,251,756	9,739,047
Total Liabilities	<u>14,887,567</u>	<u>15,175,120</u>
Net assets:		
Invested in capital assets, net of related debt	20,175,937	21,284,776
Restricted	7,459,886	6,728,422
Unrestricted	1,203,030	2,062,629
Total net assets	<u>28,838,853</u>	<u>30,075,827</u>

Net assets of the County's governmental activities increased by 4.3%. 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 \$1,203,030 at June 30, 2006 to \$2,062,629 at the end of this year, an increase of 71.5 percent.

This increase of \$859,599 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 \$314,670 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, on March 26, 2007.

Changes in Net Assets of Governmental Activities

	2006	2007	Net Change
Revenues:			
Program revenues:			
Charges for service and sales	2,055,873	2,061,331	5,458
Operating grants and contributions	5,402,732	5,324,064	(78,668)
Capital grants and contributions	2,676,522	889,332	(1,787,190)
General revenues:			
Property tax, state credits, penalty	8,277,650	8,414,485	136,835
Local option sales and services tax	1,123,020	1,311,888	188,868
Payments to states in lieu of real estate taxes	0	58,361	58,361
Unrestricted investment earnings	378,028	374,045	(3,983)
Other general revenues	88,319	99,985	11,666
Total revenues	20,002,144	18,533,491	(1,468,653)
Program expenses:			
Public safety and legal services	2,162,681	2,851,878	689,197
Physical health and social services	1,890,759	1,905,875	15,116
Mental health	2,408,720	2,682,172	273,452
County environment and education	1,002,438	1,080,389	77,951
Roads and transportation	6,220,661	5,971,485	(249,176)
Government services to residents	582,683	566,374	(16,309)
Administration or general government	2,134,525	2,025,858	(108,667)
Interest on long-term debt	241,013	212,486	(28,527)
Total expenses	16,643,480	17,296,517	653,037
Increase (decrease) in net assets	3,358,664	1,236,974	(2,121,690)
Net assets July 1	25,480,189	28,838,853	
Net assets June 30	28,838,853	30,075,827	

The County's total government wide revenues decreased 7.3%. The total government wide cost of all programs and services increased 3.9%. The County covered this year's expenses.

Governmental Activities

Property and other County tax revenue for the year increased 1.7%. The County increased property tax rates in 2007 by \$.1382. The levy increase was minimal due to an \$18,164,063 taxable valuation increase. A Debt Service Levy of .18553 in 2006 was decreased to .14852 in 2007 due to additional valuation for debt service. Property tax revenues are budgeted to increase by an additional \$304,998 in 2008.

The cost of all governmental activities this year was \$17,296,517 compared to \$16,643,480 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 \$9,021,790 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, decreased in 2007 from \$10,135,127 to \$8,274,727.

THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$9,015,315, which is less than last year's total of \$10,281,264. The County funds received \$1,265,949 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 5.9% over the prior year, from \$8,364,990 in 2006 to \$8,859,827 in 2007. The increase in revenues can be directly attributed to an increase in property tax revenues. General Fund expenditures decreased slightly from \$7,916,030 in 2006 to \$7,665,346 in 2007, or 3.2%.

The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$2,679,212, an increase of 11% from the prior year. The Mental Health Fund balance at year end decreased by \$572,291, or 61.53%, from the prior year.

Rural Service Fund revenues increased 2.5%, from \$1,996,366 in 2006 to \$2,046,144 in 2007. The Rural Service ending fund balance increased by \$158,289, or 23.7%, due to an increase in revenues from the Local Option Sales and Services Tax and an increase in rural valuation. Secondary Roads Fund expenditures decreased by \$32,347, or .62%, over the prior year. Transfers in increased by \$109,487. The ending fund balance in the Secondary Roads Fund was \$2,127,216, a decrease of \$301,806 from the prior year.

Capital Projects Fund balance decreased by \$1,505,564 and the fund balance was zero at the end of 2007. This reduction is due to the completion of the 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, increasing budgeted expenditures by \$515,712. The amendment was made on May 29, 2007. Highlights of the budget amendment related to changes for construction of a new shop building constructed at the Marion County Park, court services expenditures and a self-funded insurance payout. No budget function areas were exceeded at year end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY07, Marion County had \$26,449,776 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 \$2,364,403, or 9.8% over last year. This increase is primarily due to improvements to road infrastructure and the purchase of new road maintenance equipment.

Capital Assets of Governmental Activities at Year End

	2007	2006
Land & other non-depreciated assets	\$ 300,281	3,731,295
Buildings & Improvements	10,846,512	5,494,000
Machinery & Equipment	2,705,385	2,429,192
Infrastructure	12,597,598	12,430,886
Totals	\$ <u>26,449,776</u>	<u>24,085,373</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

	2007	2006
Compensated absences	\$ 271,073	210,811
General Obligation Courthouse Improvement Bonds	440,000	495,000
General Obligation Law Enforcement Center Bonds	4,725,000	4,920,000
Totals	\$ 5,436,073	5,625,811

Debt decreased primarily as a result of payments made on General Obligation Bond debt. Other obligations include accrued vacation pay and compensatory time. 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 2008 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 2007. Unemployment in the State now stands at 3.8 percent versus 4.4 percent a year ago. The Consumer Price Increase was 2.6%.

These indicators were taken into account when adopting the County budget for 2008. Amounts available for appropriation in the operating budget are \$18,858,648, a decrease of 11.9 percent over the final 2007 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 2008 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, 2007

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 8,998,705
Receivables:	
Property tax:	
Delinquent	24,675
Succeeding year	7,979,000
Interest and penalty on property tax	30,543
Accounts	246,105
Accrued interest	63,807
Due from other governments	630,102
Inventories	828,234
Capital assets, net of accumulated depreciation (note 5)	<u>26,449,776</u>
 Total assets	 <u>45,250,947</u>
Liabilities	
Accounts payable	1,332,162
Salaries and benefits payable	209,377
Due to other governments (note 6)	190,874
Accrued interest payable	15,634
Claims incurred but not reported	12,000
Deferred revenue:	
Succeeding year property tax	7,979,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
General obligation bonds	255,000
Compensated absences	271,073
Portion due or payable after one year:	
General obligation bonds	<u>4,910,000</u>
 Total liabilities	 <u>15,175,120</u>

MARION COUNTY
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 21,284,776
Restricted for:	
Supplemental levy purposes	2,861,356
Mental health purposes	350,223
Rural services	358,728
Secondary roads	2,037,186
Debt service	5,527
Other special revenue purposes	1,115,402
Unrestricted	<u>2,062,629</u>
Total net assets	<u>\$ 30,075,827</u>

See notes to financial statements.

MARION COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

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	\$ 2,851,878	\$ 190,323	\$ 113,738	\$ 60,651	\$ (2,487,166)
Physical health and social services	1,905,875	343,638	906,270	-	(655,967)
Mental health	2,682,172	216,137	1,026,284	-	(1,439,751)
County environment and education	1,080,389	303,548	33,427	-	(743,414)
Roads and transportation	5,971,485	384,651	3,230,130	828,681	(1,528,023)
Government services to residents	566,374	543,337	8,190	-	(14,847)
Administration	2,025,858	79,697	6,025	-	(1,940,136)
Interest on long-term debt	212,486	-	-	-	(212,486)
Total	\$ 17,296,517	\$ 2,061,331	\$ 5,324,064	\$ 889,332	(9,021,790)
General Revenues:					
Property and other county tax levied for:					
General purposes					7,809,777
Debt service					141,338
Penalty and interest on property tax					73,863
State tax credits					389,507
Local option sales and services tax					1,311,888
Payments to states in lieu of real estate taxes					58,361
Unrestricted investment earnings					374,045
Miscellaneous					99,985
Total general revenues					10,258,764
Change in net assets					1,236,974
Net assets beginning of year					28,838,853
Net assets end of year					\$ 30,075,827

See notes to financial statements.

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MARION COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 4,418,320	\$ 706,618	\$ 837,939	\$ 1,725,581
Receivables:				
Property tax:				
Delinquent	14,866	2,453	7,003	-
Succeeding year	5,352,000	883,000	1,604,000	-
Interest and penalty on property tax	30,543	-	-	-
Accounts	170,760	15,556	-	27,834
Accrued interest	61,013	-	-	-
Due from other governments	187,561	5,229	41,068	308,153
Inventories	-	-	-	828,234
Total assets	\$ <u>10,235,063</u>	\$ <u>1,612,856</u>	\$ <u>2,490,010</u>	\$ <u>2,889,802</u>

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,288,028	\$ 8,976,486
353	24,675
140,000	7,979,000
-	30,543
31,955	246,105
2,794	63,807
88,091	630,102
-	828,234
<u>\$ 1,551,221</u>	<u>\$ 18,778,952</u>

MARION COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 157,774	\$ 161,343	\$ 41,573	\$ 696,814
Salaries and benefits payable	113,982	17,660	11,963	65,772
Due to other governments (note 6)	-	190,874	-	-
Deferred revenue:				
Succeeding year property tax	5,352,000	883,000	1,604,000	-
Other	43,390	2,216	6,298	-
Total liabilities	<u>5,667,146</u>	<u>1,255,093</u>	<u>1,663,834</u>	<u>762,586</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	828,234
Supplemental levy purposes	2,429,641	-	460,449	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	2,138,276	-	-	-
Special revenue funds	-	357,763	365,727	1,298,982
Total fund balances	<u>4,567,917</u>	<u>357,763</u>	<u>826,176</u>	<u>2,127,216</u>
Total liabilities and fund balances	<u>\$ 10,235,063</u>	<u>\$ 1,612,856</u>	<u>\$ 2,490,010</u>	<u>\$ 2,889,802</u>

See notes to financial statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 274,658	\$ 1,332,162
-	209,377
-	190,874
140,000	7,979,000
320	52,224
<u>414,978</u>	<u>9,763,637</u>
-	828,234
-	2,890,090
20,841	20,841
-	2,138,276
<u>1,115,402</u>	<u>3,137,874</u>
<u>1,136,243</u>	<u>9,015,315</u>
<u>\$ 1,551,221</u>	<u>\$ 18,778,952</u>

MARION COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total fund balances of governmental funds	\$ 9,015,315
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 \$39,227,185 and the accumulated depreciation is \$12,777,409.	26,449,776
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	52,224
The Internal Service Fund is used by management to charge the costs of the self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	10,219
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.	(15,634)
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>(5,436,073)</u>
Net assets of governmental activities	<u>\$ 30,075,827</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, 2007

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 5,693,350	\$ 824,854	\$ 1,958,656	\$ -
Interest and penalty on property tax	92,313	-	-	-
Intergovernmental	1,410,374	1,065,930	87,473	3,229,840
Licenses and permits	11,698	-	-	3,945
Charges for service	1,195,486	204,493	-	88,299
Use of money and property	362,329	-	-	-
Miscellaneous	94,277	11,644	15	292,697
Total revenues	<u>8,859,827</u>	<u>2,106,921</u>	<u>2,046,144</u>	<u>3,614,781</u>
Expenditures:				
Operating:				
Public safety and legal services	2,252,372	-	204,824	-
Physical health and social services	1,905,738	-	-	-
Mental health	-	2,679,212	-	-
County environment and education	836,295	-	272,863	-
Roads and transportation	300,914	-	231,061	5,063,058
Government services to residents	508,973	-	2,612	-
Administration	1,842,881	-	-	-
Debt service	18,173	-	-	-
Capital projects	-	-	-	103,297
Total expenditures	<u>7,665,346</u>	<u>2,679,212</u>	<u>711,360</u>	<u>5,166,355</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,194,481</u>	<u>(572,291)</u>	<u>1,334,784</u>	<u>(1,551,574)</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	73,273
Interfund transfers in (note 3)	-	-	-	1,176,495
Interfund transfers out (note 3)	-	-	(1,176,495)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,176,495)</u>	<u>1,249,768</u>
Net change in fund balances	1,194,481	(572,291)	158,289	(301,806)
Fund balances beginning of year	<u>3,373,436</u>	<u>930,054</u>	<u>667,887</u>	<u>2,429,022</u>
Fund balances end of year	<u>\$ 4,567,917</u>	<u>\$ 357,763</u>	<u>\$ 826,176</u>	<u>\$ 2,127,216</u>

See notes to financial statements.

Nonmajor Governmental		
<u>Funds</u>		<u>Total</u>
\$ 797,485	\$	9,274,345
-		92,313
64,522		5,858,139
-		15,643
139,590		1,627,868
26,595		388,924
5,464		404,097
<u>1,033,656</u>		<u>17,661,329</u>
37,164		2,494,360
-		1,905,738
-		2,679,212
-		1,109,158
-		5,595,033
3,263		514,848
-		1,842,881
444,850		463,023
<u>2,293,001</u>		<u>2,396,298</u>
<u>2,778,278</u>		<u>19,000,551</u>
<u>(1,744,622)</u>		<u>(1,339,222)</u>
-		73,273
300,000		1,476,495
<u>(300,000)</u>		<u>(1,476,495)</u>
-		<u>73,273</u>
(1,744,622)		(1,265,949)
<u>2,880,865</u>		<u>10,281,264</u>
<u>\$ 1,136,243</u>	<u>\$</u>	<u>9,015,315</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, 2007

Net change in fund balances - total governmental funds \$ (1,265,949)

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

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

	Capital outlays	\$ 3,222,274	
Capital assets contributed by the Iowa Department of Transportation		828,681	
Depreciation expense		<u>(1,686,552)</u>	2,364,403

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

	Property tax	(11,342)	
Penalty and interest on property tax		<u>(18,450)</u>	(29,792)

Repayment of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the Statement of Net
Assets. 250,000

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 the governmental funds, as follows:

	Compensated absences	(60,262)	
Interest on long-term debt		<u>537</u>	(59,725)

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. (21,963)

Change in net assets of governmental activities \$ 1,236,974

See notes to financial statements.

MARION COUNTY
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 June 30, 2007

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ <u>22,219</u>
Liabilities	
Claims incurred but not reported	<u>12,000</u>
Net Assets	
Unrestricted	\$ <u><u>10,219</u></u>

See notes to financial statements.

MARION COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 Year Ended June 30, 2007

	<u>Internal Service</u>
Operating revenues:	
Contributions	\$ 1,238,717
Miscellaneous	60
Total operating revenues	<u>1,238,777</u>
Operating expenses:	
Claims	109,222
Insurance premiums	1,131,730
Miscellaneous	19,808
Total operating expenses	<u>1,260,760</u>
Operating loss	(21,983)
Non-operating revenues:	
Interest on investments	<u>20</u>
Net loss	(21,963)
Net assets beginning of year	<u>32,182</u>
Net assets end of year	<u>\$ 10,219</u>

See notes to financial statements.

MARION COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2007

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received for contributions	\$ 1,238,717
Cash received for other items	60
Cash payments for claims	(108,568)
Cash payments for insurance premiums	(1,131,730)
Cash payments for fees and other expenses	<u>(20,862)</u>
Net cash used in operating activities	<u>(22,383)</u>
Cash flows from investing activities:	
Interest on investments	<u>20</u>
Net decrease in cash and cash equivalents	(22,363)
Cash and cash equivalents at beginning of year	<u>44,582</u>
Cash and cash equivalents at end of year	<u>\$ 22,219</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (21,983)
Adjustments to reconcile operating loss to net cash used in operating activities:	
(Decrease) in claims incurred but not reported	<u>(400)</u>
Net cash used in operating activities	<u>\$ (22,383)</u>

See notes to financial statements.

MARION COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2007

Assets

Cash and pooled investments:		
County Treasurer	\$	1,463,412
Other County officials (note 4)		291,730
Receivables:		
Property tax:		
Delinquent		52,848
Succeeding year		23,598,000
Accounts		61,866
Accrued interest		746
Due from other governments		<u>130,081</u>
 Total assets	 \$	 <u><u>25,598,683</u></u>

Liabilities

Accounts payable	\$	95,430
Salaries and benefits payable		9,695
Due to other governments (note 6)		25,173,142
Trusts payable		301,647
Compensated absences		<u>18,769</u>
 Total liabilities	 \$	 <u><u>25,598,683</u></u>

See notes to financial statements.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

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 accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, 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. 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, 2007

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 not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

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

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

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.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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 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.

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-40
Improvements other than buildings	20-40
Infrastructure	10-65
Equipment	3-20
Vehicles	5-20

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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, 2007. 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.

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.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted in any County function and departmental disbursements did not exceed the amounts appropriated.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 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.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,176,495
Debt Service: Courthouse Roof	Local Option Sales and Services Tax	<u>300,000</u>
		<u>\$ 1,476,495</u>

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

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 4. Cash – Other County Officials

The following is a summary of cash and investments held by other County officials at June 30, 2007:

Office:

County Auditor:

Office fees	\$	100	
Cemetery trusts		<u>3,825</u>	\$ 3,925

County Recorder:

Office fees			58,498
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Board of Supervisors:

Knoxville Congregate Meals Trust	149,399	
County Care Facility - Residents' Conservator accounts	78,893	
Senior Activity Trust	<u>1,015</u>	<u>229,307</u>

	\$	<u><u>291,730</u></u>
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MARION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 188,031	\$ 112,250	\$ -	\$ 300,281
Construction in progress	3,543,264	2,028,724	5,571,988	-
Total capital assets not being depreciated	<u>3,731,295</u>	<u>2,140,974</u>	<u>5,571,988</u>	<u>300,281</u>
Capital assets being depreciated:				
Buildings	7,232,356	5,692,785	-	12,925,141
Improvements other than buildings	251,987	-	-	251,987
Machinery and equipment	8,851,774	960,503	528,446	9,283,831
Infrastructure	15,637,264	828,681	-	16,465,945
Total capital assets being depreciated	<u>31,973,381</u>	<u>7,481,969</u>	<u>528,446</u>	<u>38,926,904</u>
Less accumulated depreciation for:				
Buildings	1,877,200	329,088	-	2,206,288
Improvements other than buildings	113,143	11,185	-	124,328
Machinery and equipment	6,422,582	684,310	528,446	6,578,446
Infrastructure	3,206,378	661,969	-	3,868,347
Total accumulated depreciation	<u>11,619,303</u>	<u>1,686,552</u>	<u>528,446</u>	<u>12,777,409</u>
Total capital assets being depreciated, net	<u>20,354,078</u>	<u>5,795,417</u>	<u>-</u>	<u>26,149,495</u>
Governmental activities capital assets, net	<u>\$ 24,085,373</u>	<u>\$ 7,936,391</u>	<u>\$ 5,571,988</u>	<u>\$ 26,449,776</u>

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	213,502
Physical health and social services		7,063
County environment and education		94,730
Roads and transportation		1,124,018
Government services to residents		48,706
Administration		<u>198,533</u>
Total depreciation expense - governmental activities	\$	<u><u>1,686,552</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>190,874</u></u>
Agency:		
County Assessor	Collections	\$ 359,372
Townships		391,647
Schools		14,342,431
Corporations		8,278,420
Area Schools		544,148
Auto License and Use Tax		599,120
E-911 Surcharge		273,485
All Other		<u>384,519</u>
Total for agency funds		\$ <u><u>25,173,142</u></u>

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	General Obligation Courthouse Improvement Bonds	General Obligation Law Enforcement Center Bonds	Compensated Absences	Total
Balance beginning of year	\$ 495,000	\$ 4,920,000	\$ 210,811	\$ 5,625,811
Increases	-	-	271,073	271,073
Decreases	55,000	195,000	210,811	460,811
Balance end of year	<u>\$ 440,000</u>	<u>\$ 4,725,000</u>	<u>\$ 271,073</u>	<u>\$ 5,436,073</u>
Due within one year	<u>\$ 55,000</u>	<u>\$ 200,000</u>	<u>\$ 271,073</u>	<u>\$ 526,073</u>

Courthouse Improvement Bonds Payable

A summary of the County's June 30, 2007, general obligation courthouse improvement bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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
		<u>\$ 440,000</u>	<u>\$ 65,015</u>	<u>\$ 505,015</u>

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 7. Long-Term Liabilities (continued)

Law Enforcement Center Bonds Payable

A summary of the County's June 30, 2007, general obligation law enforcement center bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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>\$ 4,725,000</u>	<u>\$ 1,816,570</u>	<u>\$ 6,541,570</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. Payments on the loan during the year ended June 30, 2007, totaled \$93,153, leaving a balance of \$815,520 at June 30, 2007.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

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, 2007, 2006 and 2005 were \$356,301, \$334,367 and \$330,358, 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 whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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, 2007 were \$256,049.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 9. Risk Management (continued)

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 \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$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 and Dental Plans

Marion County has an administrative services agreement with Delta Dental to administer the self-funded employee 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 Delta Dental on a weekly 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, 2007 will be used to pay any health claims incurred under the self-funded plan but not reported at year end.

At June 30, 2007, the Marion County Employee Health Plan and Employee Dental Health Plan had net assets of \$12,879 and \$(8,822), respectively.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 9. Risk Management (continued)

Marion County Employee Health and Dental Plans (continued)

The change in the incurred but not reported and unpaid claims liability for the year ended June 30, 2007 is as follows:

	Self-Funded Health Insurance	Self-Funded Dental Insurance
	<u> </u>	<u> </u>
Unpaid claims at July 1, 2006	\$ 2,000	\$ 10,400
Incurred claims and claim adjustments	-	83,125
Claims paid	<u>(2,000)</u>	<u>(81,525)</u>
Unpaid claims at June 30, 2007	<u>\$ -</u>	<u>\$ 12,000</u>

Note 10. Deficit Net Assets

The Self-Funded Dental Insurance Fund within the Proprietary Internal Service Funds had deficit net assets of \$8,822 at June 30, 2007.

Note 11. Construction Commitment

The County has entered into a contract totaling \$293,447 for bridge construction. As of June 30, 2007, work had not been started on the project.

Note 12. 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 \$2,351,531. The Agency has begun to accumulate resources to fund these closure costs, and as of June 30, 2007, expects to hold deposits of \$1,937,174 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, 2007.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 12. Contingent Liabilities (continued)

Litigation

The County is involved in an ongoing lawsuit alleging damages due to the County's vacating of a County road. The outcome of this case cannot be determined at this time and the County's insurance carrier is affording coverage.

Note 13. Subsequent Event

On March 1, 2008 the County ceased operations at its County Care Facility and began leasing it to a private company.

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, 2007

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 9,243,291	\$ 8,960,689	\$ 8,960,689	\$ 282,602
Interest and penalty on property tax	92,073	-	-	92,073
Intergovernmental	5,854,571	6,142,989	6,348,420	(493,849)
Licenses and permits	14,320	23,650	23,650	(9,330)
Charges for service	1,498,656	1,309,005	1,359,259	139,397
Use of money and property	416,633	26,750	26,750	389,883
Miscellaneous	414,187	633,060	640,326	(226,139)
Total receipts	<u>17,533,731</u>	<u>17,096,143</u>	<u>17,359,094</u>	<u>174,637</u>
DISBURSEMENTS:				
Public safety and legal services	2,470,905	2,547,867	2,570,733	99,828
Physical health and social services	1,883,184	1,884,020	2,157,371	274,187
Mental health	2,574,442	2,574,536	2,574,536	94
County environment and education	1,071,075	1,117,459	1,117,459	46,384
Roads and transportation	5,234,862	5,650,309	5,650,309	415,447
Government services to residents	514,953	639,038	639,038	124,085
Administration	1,826,259	1,994,431	2,093,129	266,870
Debt service	463,023	467,000	467,000	3,977
Capital projects	2,462,991	4,540,000	4,660,797	2,197,806
Total disbursements	<u>18,501,694</u>	<u>21,414,660</u>	<u>21,930,372</u>	<u>3,428,678</u>
Excess (deficiency) of receipts over (under) disbursements	(967,963)	(4,318,517)	(4,571,278)	3,603,315
Other financing sources, net	<u>73,273</u>	<u>54,000</u>	<u>54,000</u>	<u>19,273</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(894,690)	(4,264,517)	(4,517,278)	3,622,588
Balance beginning of year	<u>9,871,176</u>	<u>8,572,077</u>	<u>8,572,077</u>	<u>1,299,099</u>
Balance end of year	<u>\$ 8,976,486</u>	<u>\$ 4,307,560</u>	<u>\$ 4,054,799</u>	<u>\$ 4,921,687</u>

See accompanying independent auditor's report.

MARION COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 17,533,731	\$ 127,598	\$ 17,661,329
Expenditures	18,501,694	498,857	19,000,551
Net	(967,963)	(371,259)	(1,339,222)
Other financing sources	73,273	-	73,273
Beginning fund balances	9,871,176	410,088	10,281,264
Ending fund balances	<u>\$ 8,976,486</u>	<u>\$ 38,829</u>	<u>\$ 9,015,315</u>

See accompanying independent auditor's report.

MARION COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2007

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund 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 \$515,712. 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, 2007, disbursements did not exceed the amounts budgeted in any County function and departmental disbursements did not exceed the amounts appropriated.

Other Supplementary Information

MARION COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Emergency Medical Service	Conservation Land Acquisition
Assets				
Cash and pooled investments	\$ 18,514	\$ 219	\$ 13,655	\$ 260,551
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	701	-	-	31,164
Accrued interest	122	1	-	-
Due from other governments	-	-	300	-
Total assets	\$ 19,337	\$ 220	\$ 13,955	\$ 291,715
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	-	-	-	-
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Unreserved	19,337	220	13,955	291,715
Total fund equity	19,337	220	13,955	291,715
Total liabilities and fund equity	\$ 19,337	\$ 220	\$ 13,955	\$ 291,715

<u>Resource Enhancement and Protection</u>	<u>County Government Assistance</u>	<u>Local Option Sales and Services Tax</u>	<u>Sheriff's Forfeiture</u>	<u>Attorney's Forfeiture</u>
\$ 258,191	\$ 78,692	\$ 609,279	\$ 14,287	\$ 2,624
-	-	-	-	-
-	-	-	-	-
-	90	-	-	-
1,568	-	-	-	-
-	5,655	82,136	-	-
<u>\$ 259,759</u>	<u>\$ 84,437</u>	<u>\$ 691,415</u>	<u>\$ 14,287</u>	<u>\$ 2,624</u>
\$ -	\$ -	\$ 273,971	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	273,971	-	-
-	-	-	-	-
259,759	84,437	417,444	14,287	2,624
<u>259,759</u>	<u>84,437</u>	<u>417,444</u>	<u>14,287</u>	<u>2,624</u>
<u>\$ 259,759</u>	<u>\$ 84,437</u>	<u>\$ 691,415</u>	<u>\$ 14,287</u>	<u>\$ 2,624</u>

MARION COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	<u>Courthouse Security</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 11,772	\$ 19,705	\$ 539	\$ 1,288,028
Receivables:				
Property tax:				
Delinquent	-	353	-	353
Succeeding year	-	140,000	-	140,000
Accounts	-	-	-	31,955
Accrued interest	-	1,103	-	2,794
Due from other governments	-	-	-	88,091
	<hr/>			
Total assets	<u>\$ 11,772</u>	<u>\$ 161,161</u>	<u>\$ 539</u>	<u>\$ 1,551,221</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 148	\$ -	\$ 539	\$ 274,658
Deferred revenue:				
Succeeding year property tax	-	140,000	-	140,000
Other	-	320	-	320
Total liabilities	<u>148</u>	<u>140,320</u>	<u>539</u>	<u>414,978</u>
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	20,841	-	20,841
Unreserved	11,624	-	-	1,115,402
Total fund equity	<u>11,624</u>	<u>20,841</u>	<u>-</u>	<u>1,136,243</u>
	<hr/>			
Total liabilities and fund equity	<u>\$ 11,772</u>	<u>\$ 161,161</u>	<u>\$ 539</u>	<u>\$ 1,551,221</u>

See accompanying independent auditor's report.

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MARION COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2007

	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	-	-	16,531	18,000
Charges for service	7,076	-	-	121,972
Use of money and property	224	5	-	-
Miscellaneous	-	-	-	3,514
Total revenues	<u>7,300</u>	<u>5</u>	<u>16,531</u>	<u>143,486</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	7,950	-
Government services to residents	3,100	163	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	160,796
Total expenditures	<u>3,100</u>	<u>163</u>	<u>7,950</u>	<u>160,796</u>
Excess (deficiency) of revenues over (under) expenditures	4,200	(158)	8,581	(17,310)
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	4,200	(158)	8,581	(17,310)
Fund balances beginning of year	<u>15,137</u>	<u>378</u>	<u>5,374</u>	<u>309,025</u>
Fund balances end of year	<u>\$ 19,337</u>	<u>\$ 220</u>	<u>\$ 13,955</u>	<u>\$ 291,715</u>

<u>Resource Enhancement and Protection</u>	<u>County Government Assistance</u>	<u>Local Option Sales and Services Tax</u>	<u>Sheriff's Forfeiture</u>	<u>Attorney's Forfeiture</u>
\$ -	\$ -	\$ 655,944	\$ -	\$ -
18,041	5,655	-	-	-
-	1,076	-	-	-
3,047	-	-	-	-
-	-	-	600	1,350
<u>21,088</u>	<u>6,731</u>	<u>655,944</u>	<u>600</u>	<u>1,350</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	9,660	596,398	-	-
-	<u>9,660</u>	<u>596,398</u>	-	-
21,088	(2,929)	59,546	600	1,350
-	-	-	-	-
-	-	(300,000)	-	-
-	-	<u>(300,000)</u>	-	-
21,088	(2,929)	(240,454)	600	1,350
<u>238,671</u>	<u>87,366</u>	<u>657,898</u>	<u>13,687</u>	<u>1,274</u>
<u>\$ 259,759</u>	<u>\$ 84,437</u>	<u>\$ 417,444</u>	<u>\$ 14,287</u>	<u>\$ 2,624</u>

MARION COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	Courthouse Security	Debt Service	Capital Projects	Total
Revenues:				
Property and other County tax	\$ -	\$ 141,541	\$ -	\$ 797,485
Intergovernmental	-	6,295	-	64,522
Charges for service	9,466	-	-	139,590
Use of money and property	-	2,736	20,583	26,595
Miscellaneous	-	-	-	5,464
Total revenues	<u>9,466</u>	<u>150,572</u>	<u>20,583</u>	<u>1,033,656</u>
Expenditures:				
Operating:				
Public safety and legal services	29,214	-	-	37,164
County environment and education	-	-	-	3,263
Debt service	-	444,850	-	444,850
Capital projects	-	-	1,526,147	2,293,001
Total expenditures	<u>29,214</u>	<u>444,850</u>	<u>1,526,147</u>	<u>2,778,278</u>
Excess (deficiency) of revenues over (under) expenditures	(19,748)	(294,278)	(1,505,564)	(1,744,622)
Other financing sources (uses):				
Interfund transfers in	-	300,000	-	300,000
Interfund transfers out	-	-	-	(300,000)
Total other financing sources (uses)	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(19,748)	5,722	(1,505,564)	(1,744,622)
Fund balances beginning of year	<u>31,372</u>	<u>15,119</u>	<u>1,505,564</u>	<u>2,880,865</u>
Fund balances end of year	<u>\$ 11,624</u>	<u>\$ 20,841</u>	<u>\$ -</u>	<u>\$ 1,136,243</u>

See accompanying independent auditor's report.

MARION COUNTY
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 June 30, 2007

	<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>746</u>	\$ <u>12,879</u>	\$ <u>3,178</u>	\$ <u>5,416</u>	\$ <u>22,219</u>
Liabilities					
Claims incurred but not reported	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Net Assets					
Unrestricted	\$ <u><u>746</u></u>	\$ <u><u>12,879</u></u>	\$ <u><u>(8,822)</u></u>	\$ <u><u>5,416</u></u>	\$ <u><u>10,219</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, 2007

	Health Insurance Clearing Fund	Self-Funded Health Insurance	Self-Funded Dental Insurance	Flexible Benefits Plan	Total
Operating revenues:					
Contributions	\$ 1,127,493	\$ -	\$ 79,735	\$ 31,489	\$ 1,238,717
Miscellaneous	-	60	-	-	60
Total revenues	<u>1,127,493</u>	<u>60</u>	<u>79,735</u>	<u>31,489</u>	<u>1,238,777</u>
Operating expenses:					
Claims	-	-	81,546	27,676	109,222
Insurance premiums	1,131,730	-	-	-	1,131,730
Miscellaneous	-	7,609	8,666	3,533	19,808
Total operating expenses	<u>1,131,730</u>	<u>7,609</u>	<u>90,212</u>	<u>31,209</u>	<u>1,260,760</u>
Operating income (loss)	<u>(4,237)</u>	<u>(7,549)</u>	<u>(10,477)</u>	<u>280</u>	<u>(21,983)</u>
Non-operating revenues:					
Interest on investments	-	13	7	-	20
Net income (loss)	(4,237)	(7,536)	(10,470)	280	(21,963)
Net assets beginning of year	<u>4,983</u>	<u>20,415</u>	<u>1,648</u>	<u>5,136</u>	<u>32,182</u>
Net assets end of year	<u>\$ 746</u>	<u>\$ 12,879</u>	<u>\$ (8,822)</u>	<u>\$ 5,416</u>	<u>\$ 10,219</u>

See accompanying independent auditor's report.

MARION COUNTY
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2007

	Health Insurance Clearing Fund	Self-Funded Health Insurance	Self-Funded Dental Insurance	Flexible Benefits Plan	Total
Cash flows from operating activities:					
Cash received for contributions	\$ 1,127,493	\$ -	\$ 79,735	\$ 31,489	\$ 1,238,717
Cash received for other items	-	60	-	-	60
Cash payments for claims	-	(946)	(79,946)	(27,676)	(108,568)
Cash payments for insurance premiums	(1,131,730)	-	-	-	(1,131,730)
Cash payments for fees and other expenses	-	(8,663)	(8,666)	(3,533)	(20,862)
Net cash provided by (used in) operating activities	<u>(4,237)</u>	<u>(9,549)</u>	<u>(8,877)</u>	<u>280</u>	<u>(22,383)</u>
Cash flows from investing activities:					
Interest on investments	-	13	7	-	20
Net increase (decrease) in cash and cash equivalents	(4,237)	(9,536)	(8,870)	280	(22,363)
Cash and cash equivalents at beginning of year	<u>4,983</u>	<u>22,415</u>	<u>12,048</u>	<u>5,136</u>	<u>44,582</u>
Cash and cash equivalents at end of year	<u>\$ 746</u>	<u>\$ 12,879</u>	<u>\$ 3,178</u>	<u>\$ 5,416</u>	<u>\$ 22,219</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (4,237)	\$ (7,549)	\$ (10,477)	\$ 280	\$ (21,983)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Increase (decrease) in claims incurred but not reported	-	(2,000)	1,600	-	(400)
Net cash provided by (used in) operating activities	<u>\$ (4,237)</u>	<u>\$ (9,549)</u>	<u>\$ (8,877)</u>	<u>\$ 280</u>	<u>\$ (22,383)</u>

See accompanying independent auditor's report.

MARION COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2007

	County Offices		Board of Supervisors		
	County Auditor	County Recorder	Congregate Meals	Care Facility	Senior Activity
ASSETS					
Cash and pooled investments:					
County Treasurer	\$ -	\$ -	\$ -	\$ -	\$ -
Other County officials	3,925	58,498	149,399	78,893	1,015
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	-	4,615	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ <u>3,925</u>	\$ <u>63,113</u>	\$ <u>149,399</u>	\$ <u>78,893</u>	\$ <u>1,015</u>
LIABILITIES					
Accounts payable	\$ 100	\$ 27,384	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-	-
Due to other governments	-	35,729	-	-	-
Trusts payable	3,825	-	149,399	78,893	1,015
Compensated absences	-	-	-	-	-
Total liabilities	\$ <u>3,925</u>	\$ <u>63,113</u>	\$ <u>149,399</u>	\$ <u>78,893</u>	\$ <u>1,015</u>

<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>
\$ 2,994	\$ 76,897	\$ 10,669	\$ 255,970	\$ 107,581	\$ 226,039	\$ 439
-	-	-	-	-	-	-
490	817	1,479	40,461	7,839	-	-
176,000	294,000	532,000	14,046,000	8,163,000	-	-
-	-	-	-	-	42,893	-
-	-	-	-	-	743	3
-	-	-	-	-	9,599	-
<u>\$ 179,484</u>	<u>\$ 371,714</u>	<u>\$ 544,148</u>	<u>\$ 14,342,431</u>	<u>\$ 8,278,420</u>	<u>\$ 279,274</u>	<u>\$ 442</u>
\$ -	\$ 219	\$ -	\$ -	\$ -	\$ 3,758	\$ -
-	3,434	-	-	-	767	-
179,484	359,372	544,148	14,342,431	8,278,420	273,485	442
-	-	-	-	-	-	-
-	8,689	-	-	-	1,264	-
<u>\$ 179,484</u>	<u>\$ 371,714</u>	<u>\$ 544,148</u>	<u>\$ 14,342,431</u>	<u>\$ 8,278,420</u>	<u>\$ 279,274</u>	<u>\$ 442</u>

MARION COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2007

	<u>Townships</u>	<u>City Special Assessments</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Title III</u>
ASSETS					
Cash and pooled investments:					
County Treasurer	\$ 7,899	\$ 4,525	\$ 622,739	\$ 62	\$ 5,628
Other County officials	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	1,748	-	-	9	-
Succeeding year	382,000	-	-	3,000	-
Accounts	-	-	-	-	3,477
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	14,691
	<hr/>				
Total assets	<u>\$ 391,647</u>	<u>\$ 4,525</u>	<u>\$ 622,739</u>	<u>\$ 3,071</u>	<u>\$ 23,796</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 23,619	\$ -	\$ 12,802
Salaries and benefits payable	-	-	-	-	4,484
Due to other governments	391,647	4,525	599,120	3,071	4,212
Trusts payable	-	-	-	-	-
Compensated absences	-	-	-	-	2,298
	<hr/>				
Total liabilities	<u>\$ 391,647</u>	<u>\$ 4,525</u>	<u>\$ 622,739</u>	<u>\$ 3,071</u>	<u>\$ 23,796</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>
\$ 389	\$ 15	\$ 55,623	\$ 23,931	\$ 7,359	\$ 567
-	-	-	-	-	-
-	5	-	-	-	-
-	2,000	-	-	-	-
-	-	-	2,000	3,664	701
-	-	-	-	-	-
-	-	5,791	-	-	-
<u>\$ 389</u>	<u>\$ 2,020</u>	<u>\$ 61,414</u>	<u>\$ 25,931</u>	<u>\$ 11,023</u>	<u>\$ 1,268</u>
\$ -	\$ -	\$ 139	\$ 500	\$ 3,505	\$ -
-	-	1,010	-	-	-
-	2,020	53,747	-	-	1,268
389	-	-	25,431	7,518	-
-	-	6,518	-	-	-
<u>\$ 389</u>	<u>\$ 2,020</u>	<u>\$ 61,414</u>	<u>\$ 25,931</u>	<u>\$ 11,023</u>	<u>\$ 1,268</u>

MARION COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2007

	Advance Tax Payments	Public Transportation	Local Option Sales and Services Tax	Anatomical Gift, Public Awareness and Transportation	Total
ASSETS					
Cash and pooled investments:					
County Treasurer	\$ 27,837	\$ 26,228	\$ -	\$ 21	\$ 1,463,412
Other County officials	-	-	-	-	291,730
Receivables:					
Property tax:					
Delinquent	-	-	-	-	52,848
Succeeding year	-	-	-	-	23,598,000
Accounts	-	4,516	-	-	61,866
Accrued interest	-	-	-	-	746
Due from other governments	-	-	100,000	-	130,081
Total assets	<u>\$ 27,837</u>	<u>\$ 30,744</u>	<u>\$ 100,000</u>	<u>\$ 21</u>	<u>\$ 25,598,683</u>
LIABILITIES					
Accounts payable	\$ -	\$ 23,404	\$ -	\$ -	95,430
Salaries and benefits payable	-	-	-	-	9,695
Due to other governments	-	-	100,000	21	25,173,142
Trusts payable	27,837	7,340	-	-	301,647
Compensated absences	-	-	-	-	18,769
Total liabilities	<u>\$ 27,837</u>	<u>\$ 30,744</u>	<u>\$ 100,000</u>	<u>\$ 21</u>	<u>\$ 25,598,683</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, 2007

	County Offices			Board of
	County Auditor	County Recorder	County Sheriff	Supervisors Congregate Meals
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 3,991	\$ 49,929	\$ -	\$ 143,682
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Local options sales and services tax	-	-	-	-
Payments to states in lieu of real estate taxes	-	-	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	2,891	601,246	240,280	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	154	-	690,163	5,717
Emergency management - performance grants	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	3,045	601,246	930,443	5,717
Deductions:				
Agency remittances:				
To other funds	2,957	271,005	237,638	-
To other governments	-	317,057	2,642	-
Trusts paid out	154	-	690,163	-
Total deductions	3,111	588,062	930,443	-
Balances end of year	\$ 3,925	\$ 63,113	\$ -	\$ 149,399

<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>
\$ 76,574	\$ 532	\$ 171,354	\$ 344,967	\$ 608,832	\$ 13,930,009	\$ 7,898,472
-	-	175,700	294,716	532,178	14,075,566	8,121,560
-	-	8,024	13,576	28,587	670,510	254,905
-	-	-	-	-	-	-
-	-	48	81	170	47,808	3,501
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
25,817	6,432	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
25,817	6,432	183,772	308,373	560,935	14,793,884	8,379,966
-	-	-	-	-	-	-
-	-	175,642	281,626	625,619	14,381,462	8,000,018
23,498	5,949	-	-	-	-	-
23,498	5,949	175,642	281,626	625,619	14,381,462	8,000,018
\$ 78,893	\$ 1,015	\$ 179,484	\$ 371,714	\$ 544,148	\$ 14,342,431	\$ 8,278,420

MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2007

	<u>E-911 Surcharge</u>	<u>Veteran Affairs</u>	<u>Townships</u>	<u>City Special Assessments</u>
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 253,163	\$ 436	\$ 381,357	\$ 19,278
Additions:				
Property and other County tax	-	-	387,252	-
State tax credits	-	-	21,108	-
Local options sales and services tax	-	-	-	-
Payments to states in lieu of real estate taxes	-	-	6,722	-
E-911 surcharge	213,000	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	111,489
Trusts	-	-	-	-
Emergency management - performance grants	-	-	-	-
Interest	2,210	6	-	-
Miscellaneous	541	-	-	-
Total additions	<u>215,751</u>	<u>6</u>	<u>415,082</u>	<u>111,489</u>
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	189,640	-	404,792	126,242
Trusts paid out	-	-	-	-
Total deductions	<u>189,640</u>	<u>-</u>	<u>404,792</u>	<u>126,242</u>
Balances end of year	<u>\$ 279,274</u>	<u>\$ 442</u>	<u>\$ 391,647</u>	<u>\$ 4,525</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>
\$ 595,605	\$ 3,068	\$ 8,676	\$ 389	\$ 2,142	\$ 56,024	\$ 22,286
-	3,471	-	-	2,444	-	-
-	166	-	-	144	-	-
-	-	-	-	-	-	-
-	1	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6,968,782	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	252,739	412,611	-	-	10,430
-	-	-	-	-	86,763	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>6,968,782</u>	<u>3,638</u>	<u>252,739</u>	<u>412,611</u>	<u>2,588</u>	<u>86,763</u>	<u>10,430</u>
304,595	-	-	-	-	-	-
6,637,053	3,635	-	-	2,710	81,373	-
-	-	237,619	412,611	-	-	6,785
<u>6,941,648</u>	<u>3,635</u>	<u>237,619</u>	<u>412,611</u>	<u>2,710</u>	<u>81,373</u>	<u>6,785</u>
\$ <u>622,739</u>	\$ <u>3,071</u>	\$ <u>23,796</u>	\$ <u>389</u>	\$ <u>2,020</u>	\$ <u>61,414</u>	\$ <u>25,931</u>

MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2007

	<u>Chore Service</u>	<u>Recorder's Electronic Transaction Fee</u>	<u>Advance Tax Payments</u>	<u>Public Transportation</u>
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 11,041	\$ 1,473	\$ 28,109	\$ 28,344
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Local options 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	18,580	-	27,295	217,939
Emergency management - performance grants	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	7,076	-	-
Total additions	<u>18,580</u>	<u>7,076</u>	<u>27,295</u>	<u>217,939</u>
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	-	7,281	-	-
Trusts paid out	18,598	-	27,567	215,539
Total deductions	<u>18,598</u>	<u>7,281</u>	<u>27,567</u>	<u>215,539</u>
Balances end of year	<u>\$ 11,023</u>	<u>\$ 1,268</u>	<u>\$ 27,837</u>	<u>\$ 30,744</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>
\$ -	\$ 10	\$ 24,639,743
-	-	23,592,887
-	-	997,020
100,000	-	100,000
-	-	58,331
-	-	213,000
-	-	844,417
-	-	6,968,782
-	-	111,489
-	-	1,667,877
-	-	86,763
-	-	2,216
-	401	8,018
<u>100,000</u>	<u>401</u>	<u>34,650,800</u>
-	-	816,195
-	390	31,237,182
-	-	1,638,483
<u>-</u>	<u>390</u>	<u>33,691,860</u>
<u>\$ 100,000</u>	<u>\$ 21</u>	<u>\$ 25,598,683</u>

MARION COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2007	2006	2005	2004
Revenues:				
Property and other County tax	\$ 9,274,345	\$ 3,299,545	\$ 3,080,565	\$ 3,005,448
Interest and penalty on property tax	92,313	36,861	41,246	40,642
Intergovernmental	5,858,139	3,419,355	3,308,942	2,843,497
Licenses and permits	15,643	490	505	1,618
Charges for service	1,627,868	252,875	248,374	222,929
Use of money and property	388,924	171,331	133,310	144,542
Miscellaneous	404,097	32,010	24,023	49,624
Total	\$ 17,661,329	\$ 7,212,467	\$ 6,836,965	\$ 6,308,300
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,494,360	\$ 1,042,222	\$ 933,073	\$ 941,315
Physical health and social services	1,905,738	668,924	671,063	619,735
Mental health	2,679,212	795,100	1,077,603	616,402
County environment and education services	1,109,158	260,494	595,876	210,864
Roads and transportation	5,595,033	2,822,780	2,384,357	2,176,526
Governmental services to residents	514,848	332,531	275,864	259,773
Administrative services	1,842,881	853,821	912,850	780,756
Debt service	463,023	270,955	273,830	270,990
Capital projects	2,396,298	1,117,862	566,999	278,303
Total	\$ 19,000,551	\$ 8,164,689	\$ 7,691,515	\$ 6,154,664

See accompanying independent auditor's report.

MARION COUNTY
 SCHEDULE OF TITLE III ACTIVITY
 Year Ended June 30, 2007

Additions:			
Special program for the aging - Title III Part C nutrition services	\$	61,600	
Food distribution		23,082	
Donations and contributions		<u>168,057</u>	\$ 252,739
Deductions:			
Salaries and benefits		135,428	
Food and provisions		53,333	
Supplies		1,835	
Postage		29	
Travel and training		12,379	
Telephone and utilities		8,126	
Trash removal		887	
Rental building		17,400	
Equipment and repair		2,851	
Miscellaneous		<u>5,351</u>	<u>237,619</u>
Net			15,120
Balance beginning of year			<u>8,676</u>
Balance end of year			<u>\$ 23,796</u>

See accompanying independent auditor's report.

MARION COUNTY

SCHEDULE OF PUBLIC TRANSPORTATION ACTIVITY
Year Ended June 30, 2007

		<u>Public Transportation</u>
Additions:		
Federal Transit Administration - HIRTA	\$ 49,893	
State Transit Administration - HIRTA	22,035	
Grants for Supportive Services and Senior Centers	33,163	
Elderly waiver	11,560	
Senior citizen fares	51,737	
Local contributions from County	42,511	
United Way	7,000	
Miscellaneous	40	
	40	\$ 217,939
Deductions:		
Wages and benefits	136,084	
Fuel	34,658	
Office supplies	400	
Employee mileage reimbursement	132	
Telephone	550	
Equipment expense	17,773	
Utilities	550	
Administration	7,000	
Insurance	16,431	
Miscellaneous	1,961	
	1,961	215,539
Net		2,400
Balance beginning of year		28,344
Balance end of year		\$ 30,744

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, 2007

	Women, Infants and Children <u>5887A053</u>	Women, Infants and Children <u>5886A053</u>	Maternal Child Health <u>5887MH06</u>	Maternal Child Health <u>5886MH06</u>
Revenues:				
Federal	\$ 217,225	\$ 111,923	\$ 55,948	\$ 21,049
State	-	-	15,324	5,728
Other	-	-	9,148	1,865
Total	<u>217,225</u>	<u>111,923</u>	<u>80,420</u>	<u>28,642</u>
Expenditures:				
Salaries and benefits	123,763	47,844	40,249	11,936
Contracted providers	37,615	16,077	36,031	11,372
Miscellaneous	55,847	48,002	4,140	5,334
Total	<u>217,225</u>	<u>111,923</u>	<u>80,420</u>	<u>28,642</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 5887I433	Immunization Action Plan 5886I433	Increasing EH Capacity 5887EHC22	Increasing EH Capacity 5886EHC6	Basics Food Stamp Program 5886NU20
\$ 1,896	\$ 4,405	\$ 9,972	\$ 2,512	\$ 99
921	1,108	-	-	-
-	-	-	-	-
<u>2,817</u>	<u>5,513</u>	<u>9,972</u>	<u>2,512</u>	<u>99</u>
2,321	3,108	-	965	99
-	-	-	749	-
496	2,405	9,972	798	-
<u>2,817</u>	<u>5,513</u>	<u>9,972</u>	<u>2,512</u>	<u>99</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MARION COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
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 07	\$ 7,883
Iowa Department of Health:			
Food Stamp Program	10.561	5886NU20	99
			<u>7,982</u>
Iowa Department of Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5886A053	111,923
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5887A053	217,225
			<u>329,148</u>
Iowa Department of Agriculture:			
Aging Resources of Central Iowa: Food Donation	10.550	FY 07	<u>23,082</u>
Department of Justice:			
Iowa Office of Drug Control Policy:			
Division of Narcotics Enforcement:			
Public Safety Partnership and Community Policing Grants	16.710	FY 07	<u>55,313</u>
Department of Transportation:			
Heart of Iowa Regional Transit Agency:			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	FY 07	<u>49,893</u>

MARION COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect (continued):			
Department of Public Safety:			
Iowa Department of Public Safety:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	07-410, Task 21	\$ 1,042
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	07-163, Task 52	3,771
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	06-163, Task 41	<u>524</u>
			<u>5,337</u>
General Services Administration:			
Iowa Secretary of State:			
Election Reform Payments	39.011	HAVA FY 06	<u>3,734</u>
Department of Health and Human Services:			
Iowa Department of Human Services:			
Social Services Block Grant Administration on Aging:	93.667	FY 07	<u>112,965</u>
Aging Resources of Central Iowa: Special Programs for the Aging - Title III Part C - Nutrition Services	93.045	FY 07	<u>61,600</u>
Human Services Administrative Reimbursements:			
Medical Assistance Program	93.778	FY 07	13,894
Social Services Block Grant	93.667	FY 07	7,038
Child Care Block Grant	93.037	FY 07	3
Temporary Assistance for Needy Families	93.558	FY 07	10,706
Foster Care - Title IV - E	93.658	FY 07	5,875
Refugee and Entrant Assistance State Administered Programs	93.566	FY 07	19
Adoption Assistance	93.659	FY 07	1,191
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY 07	2,367
State Children's Insurance Program	93.767	FY 07	<u>67</u>
			<u>41,160</u>

MARION COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through 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	\$ 2,512
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5887NB18	8,715
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5887EHC22	9,972
			<u>21,199</u>
Maternal and Child Health Services Block Grant to the States	93.994	5886MH06	21,049
Maternal and Child Health Services Block Grant to the States	93.994	5887MH06	55,948
			<u>76,997</u>
Immunization Grants	93.268	5886I433	4,405
Immunization Grants	93.268	5887I433	1,896
			<u>6,301</u>
Department of Homeland Security:			
Iowa Department of Public Defense:			
Public Assistance Grants	97.036	FY 07	64,733
Emergency Management Performance Grants	97.042	FY 07	22,030
			<u>86,763</u>
Total			<u>\$ 881,474</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, 2007, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marion County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marion County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marion County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Marion County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Marion County's financial statements that is more than inconsequential will not be prevented or detected by Marion County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Marion County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-07 and II-B-07 are material weaknesses.

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, 2007 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.

Marion County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Marion County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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
March 13, 2008

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, 2007. 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 auditing standards generally accepted in the United States of America, 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, 2007.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marion County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Marion County's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We noted no material weaknesses in internal control over major programs.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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
March 13, 2008

MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (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 93.667 Social Services Block Grant
- (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, 2007

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-07 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, 2007

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

SIGNIFICANT DEFICIENCIES (continued):

II-A-07 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-07 Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the County’s financial statements.

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

Conclusion – Response accepted.

II-C-07 Warrants Written and Held – We noted in our testing of warrants outstanding at year end that two conservation warrants written in June, 2007, for \$31,095 were not redeemed until September, 2007. Upon inquiry regarding the delay in redemption of the warrants, we noted that the disbursements were made in June to enable the expenditures to be recorded in the fiscal year ended June 30, 2007, but the warrants were not released by the County until September, 2007.

Recommendation – Writing and holding warrants bypasses the budgeting process, removes controls over the underlying assets and misstates the financial position of the County at any given time any warrants are written and held. The County should avoid the practice by developing guidelines for disbursements that prevent writing and holding warrants. If necessary, the budget should be amended to allow a disbursement to be made in the proper fiscal year.

MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

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

SIGNIFICANT DEFICIENCIES (continued):

II-C-07 Warrants Written and Held (continued)

Response – We will avoid this practice in the future. We will develop practices and procedures which ban the writing and holding of warrants.

Conclusion – Response accepted.

II-D-07 Disbursement Support – We noted that three of fifteen payments on County credit cards tested lacked support documentation for charges totaling \$513. No invoices, receipts, or other proof of purchase were available at the time the County made the payment.

Recommendation – The County should adopt guidelines on credit card usage that require employees to provide invoices, receipts or other proof of purchases for all charges on the County credit card. The County should seek reimbursement from any employee who fails to provide adequate support documentation.

Response – We will require the proper documentation for all future credit card charges.

Conclusion – Response accepted.

MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted in any County functions. Departmental disbursements did not exceed the amounts appropriated.

IV-B-07 Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Wells Fargo Card Services, Inc. and Mastercard	Credit card fees, finance charges, and sales taxes paid on purchases	\$ 93

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper authorization.

Response – We will document this in the future.

Conclusion – Response accepted.

IV-C-07 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-07 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-07 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

IV-F-07 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-07 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.

IV-H-07 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).

MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

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

IV-I-07 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, 2007 for the County Extension Office did not exceed the amount budgeted.

IV-J-07 Financial Condition – The Internal Service, Self-Funded Dental Insurance Fund had an unreserved, undesignated net assets deficit of \$8,822 at June 30, 2007.

Recommendation – The County should investigate alternatives to return this Fund to a sound financial condition.

Response – We will try to maintain a positive balance in the Self-funded Dental Insurance Fund. The deficit is due to estimated incurred but not reported claims.

Conclusion – Response accepted.

IV-K-07 Credit Card Policy – We noted that the County has eight credit cards issued in the County's name but has no adopted policy or guidelines to control the usage of these credit cards.

Recommendation – The County should adopt a formal credit card policy defining guidelines as to usage, support documentation, and custody of the credit cards.

Response – We will adopt the proper policy for our credit cards to maintain better controls over these cards.

Conclusion – Response accepted.