



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE March 26, 2007

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

The County had local tax revenue of \$30,030,989 for the year ended June 30, 2006, which included \$1,342,119 in tax credits from the state. The County forwarded \$24,368,530 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,662,459 of the local tax revenue to finance County operations, a less than 1% decrease from the prior year. Other revenues included charges for service of \$3,692,383, operating grants, contributions and restricted interest of \$4,557,177, capital grants, contributions and restricted interest of \$2,784,353, local option sales tax of \$746,811, unrestricted investment earnings of \$250,875 and other general revenues of \$137,510.

Expenses for County operations totaled \$15,251,725, a 2.6% increase over the prior year. Expenses included \$5,124,368 for roads and transportation, \$2,488,227 for mental health and \$2,408,799 for public safety and legal services.

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

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BOONE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2006

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-19
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	23
Statement of Activities	B	24-25
Governmental Fund Financial Statements:		
Balance Sheet	C	26-27
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	29
Statement of Revenues, Expenditures and Changes in Fund Balances	E	30-31
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	32
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	33
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	34
Statement of Cash Flows	I	35
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	36
Notes to Financial Statements		37-51
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		54-55
Budget to GAAP Reconciliation		56
Notes to Required Supplementary Information – Budgetary Reporting		57
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	60-61
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	62-63
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	64-65
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	66-67
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	68-69
Schedule of Expenditures of Federal Awards	6	70-71
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		73-74
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		77-78
Schedule of Findings and Questioned Costs		79-87
Staff		88

Boone County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike O'Brien	Board of Supervisors	Jan 2007
David W. Reed	Board of Supervisors	Jan 2009
Albert G. Sorenson	Board of Supervisors	Jan 2009
Philippe Meier	County Auditor	Jan 2009
L. Cheryl Hunter (passed away July 06)	County Treasurer	Jan 2007
Sheryl Thul	County Recorder	Jan 2007
Ronald Fehr	County Sheriff	Jan 2009
Jim Robbins	County Attorney	Jan 2007
Kathleen A. Anderson	County Assessor	Jan 2007

Boone County



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Independent Auditor's Report

To the Officials of Boone County:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Boone County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Boone County's management. Our responsibility is to express opinions on these financial statements based on our audit.

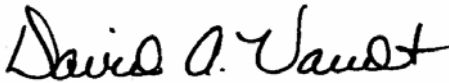
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Boone County at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

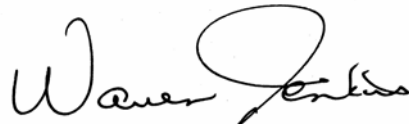
In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2006 on our consideration of Boone County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 19 and 54 through 57 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boone 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 six years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Boone County provides this Management's Discussion and Analysis of the Boone County FY2006 financial statements. The purpose of this portion of the financial report is to discuss an overview of the activities of the year to augment the numbers presented in the balance of the report. It is hoped this section will assist readers in understanding the events that significantly affected the financial position of Boone County as a whole.

This is the fourth year Boone County has been required to report all activities on a full accrual basis, as required by the reporting standards of GASB 34. This year's financial information will be compared to FY2005 information.

FISCAL YEAR 2006 FINANCIAL HIGHLIGHTS

- Boone County's governmental activities revenues increased by \$2,353,497, or 17.4%, compared to FY2005. Taxes levied on property increased \$8,400, or 0.15% from FY2005.
- Boone County's governmental activities expenses increased \$582,200, or 4.4%, compared to FY2005. General fund expenditures were \$519,938 more than in FY2005.
- Boone County's net assets increased approximately \$2.58 million over FY2005.

USING THIS ANNUAL REPORT

This report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements and required and other supplementary information. The financial statements include two kinds of statements that present different views of Boone County.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about Boone County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of Boone County, reporting Boone County's operations in more detail than the government-wide statements.
- The governmental funds statements explain how basic services, such as mental health and secondary road maintenance and construction, were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short term and long term financial information about activities Boone County operates like a business. In Boone County, the landfill operations are the only enterprise reported as a proprietary fund.
- Fiduciary funds statements provide information about financial relationships where Boone County acts solely as a trustee or agent to benefit others. Examples of these funds include Empowerment Funds, Emergency Management Funds and tax funds collected and distributed to schools, cities and other taxing authorities.

The financial statements also include notes to 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 Boone County's budget for FY2006. Other supplementary information provides detailed information about nonmajor governmental funds and individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY AS A WHOLE

Government-wide Financial Statements

The government-wide financial statements report information about Boone County as a whole using accounting methods similar to those used in private-sector companies. The Statement of Net Assets includes all of Boone County's assets and liabilities. All the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when the cash was received or paid.

The two government-wide financial statements report Boone County's net assets and how they have changed. Net assets - the difference between Boone County's assets and liabilities - are one way to measure Boone County's financial health or position.

- Over time, increases or decreases in Boone County's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess Boone County's overall financial health, readers need to consider Boone County's property tax base and the condition of its buildings and other facilities.

In the government-wide financial statements, Boone County's activities are divided into two categories:

- **Governmental activities:** Boone County's basic services are included here, including public safety and legal services, physical health and social services, mental health, mental retardation, and developmental disabilities, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities.
- **Business type activities:** The Boone County Landfill charges fees to cover the services it provides. The Boone County Landfill's financial information is presented here.

Fund Financial Statements

The fund financial statements provide more detailed information about Boone County's funds, focusing on its most significant or "major" funds - not Boone County as a whole. Funds are accounting devices Boone County uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and bond covenants.
- Boone County establishes other funds to control and manage money for particular purposes or to show it is properly using certain revenues, such as federal grants.

Boone County has three types of funds:

1) **Governmental Funds:** Most of Boone County's basic services are included in governmental funds, which generally focus on: 1) How cash and other financial assets which can readily be converted to cash flow in and out and 2) the balances left over at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine if there are more or fewer financial resources that can be spent in the near future to finance Boone County's programs. Because this information does not encompass the additional long term focus of government-wide statements, additional information on Exhibit D and Exhibit F explain the relationship or differences between the two statements. Boone County's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

2) Proprietary Funds: Boone County's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. Boone County has three enterprise funds, Landfill Operations Fund, Landfill Closure/Postclosure Fund and Ground Water Tax Fund.

3) Fiduciary Funds: Boone County is the trustee, or fiduciary, for assets that belong to others, such as Trustee Drainage Districts, Emergency Management Services, County Assessor, Empowerment and all the agency funds necessary to collect and distribute property taxes to schools, cities and other taxing authorities. Boone County is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Boone County excludes these activities from the government-wide financial statements because the County cannot use these assets to finance its operations. Fiduciary funds report a liability due to other governments and, therefore, the fiduciary funds do not report a fund balance.

BOONE COUNTY FINANCIAL ANALYSIS AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of financial position. Boone County's net assets for FY2006 totaled \$34,426,758. Net assets on June 30, 2005 were \$31,846,917. Net assets increased 8.1% as a result of FY2006 Boone County operations.

	Net Assets of Boone County Activities					
	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 12,415,870	12,010,163	3,255,716	2,804,437	15,671,586	14,814,600
Capital assets	27,879,901	26,169,535	2,276,423	2,528,286	30,156,324	28,697,821
Total assets	40,295,771	38,179,698	5,532,139	5,332,723	45,827,910	43,512,421
Long-term liabilities	3,837,864	4,058,164	1,251,049	1,376,645	5,088,913	5,434,809
Other liabilities	6,266,010	6,140,833	46,229	89,862	6,312,239	6,230,695
Total liabilities	10,103,874	10,198,997	1,297,278	1,466,507	11,401,152	11,665,504
Net assets:						
Invested in capital assets, net of related debt	24,322,031	22,375,718	2,276,423	2,348,786	26,598,454	24,724,504
Restricted	3,701,304	3,398,261	102,346	116,988	3,803,650	3,515,249
Unrestricted	2,168,562	2,206,722	1,856,092	1,400,442	4,024,654	3,607,164
Total net assets	\$ 30,191,897	27,980,701	4,234,861	3,866,216	34,426,758	31,846,917

Net assets increased by \$2,579,841, or 8.1%, compared to FY2005. The largest portion of Boone County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment) less related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets since they are unavailable for spending. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they may be used. Unrestricted net assets – the part of net assets that can be used to finance day to day operations without constraints established by debt covenants, legislation or other legal requirements is – \$4,024,654. Unrestricted net assets increased \$417,490, or 11.6%, as a result of FY2006 operations.

The following table entitled “Changes in Net Assets of Boone County Activities” compares in greater detail the changes in activity. Looking at the County as a whole, readers will note revenues increased approximately 14.8% and expenditures increased approximately 2.6%. The increase in capital grants is because the County received IDOT farm to market funding in FY2006 in excess of \$2 million compared to none in FY2005. Program expense increases include a 13.3% increase in public safety and legal services, a 7.1% increase in physical health and social services, a 6.3% increase in mental health and a 29.8% increase in governmental services to residents.

Changes in Net Assets of Boone County Activities						
	Governmental		Business Type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for service	\$ 1,816,386	1,438,566	1,875,997	1,926,616	3,692,383	3,365,182
Operating grants, contributions and restricted interest	4,557,177	4,497,469	-	-	4,557,177	4,497,469
Capital grants, contributions and restricted interest	2,784,353	821,039	-	-	2,784,353	821,039
General revenues:						
Property tax - general purposes	5,062,303	5,045,407	-	-	5,062,303	5,045,407
Property tax - debt service	325,514	315,721	-	-	325,514	315,721
Penalty and interest on property tax	61,469	72,392	-	-	61,469	72,392
State tax credits	274,642	304,109	-	-	274,642	304,109
Local option sales tax	746,811	721,231	-	-	746,811	721,231
Grants and contributions not restricted to specific purposes	10,117	26,512	-	-	10,117	26,512
Unrestricted investment earnings	193,100	121,771	57,775	22,509	250,875	144,280
Gain on sale of capital assets	33,940	-	-	40,500	33,940	40,500
Miscellaneous	31,984	180,082	-	-	31,984	180,082
Total revenues	15,897,796	13,544,299	1,933,772	1,989,625	17,831,568	15,533,924
Program expenses:						
Public safety and legal services	2,408,799	2,126,146	-	-	2,408,799	2,126,146
Physical health and social services	625,901	584,149	-	-	625,901	584,149
Mental health	2,488,227	2,341,752	-	-	2,488,227	2,341,752
County environment and education	808,676	805,826	-	-	808,676	805,826
Roads and transportation	5,124,368	5,117,356	-	-	5,124,368	5,117,356
Governmental services to residents	664,616	512,157	-	-	664,616	512,157
Administration	1,386,554	1,432,442	-	-	1,386,554	1,432,442
Interest on long-term debt	179,459	184,572	-	-	179,459	184,572
Solid waste	-	-	1,565,127	1,756,489	1,565,127	1,756,489
Total expenses	13,686,600	13,104,400	1,565,127	1,756,489	15,251,727	14,860,889
Increase in net assets	2,211,196	439,899	368,645	233,136	2,579,841	673,035
Net assets beginning of year	27,980,701	27,540,802	3,866,216	3,633,080	31,846,917	31,173,882
Net assets end of year	\$ 30,191,897	27,980,701	4,234,861	3,866,216	34,426,758	31,846,917

The amount reported for governmental activities in the Governmental Fund Balance Sheet is different than the Statement of Net Assets because:

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	
Total Governmental Fund Balances	\$ 5,854,271
Capital assets used in governmental activities are not current financial recourse and, therefore, are not reported in the funds. The cost of assets is \$48,530,222 and the accumulated depreciation is \$20,650,321.	27,879,901
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	317,682
Long-term liabilities, including bonds payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in funds.	<u>(3,859,957)</u>
Net Assets of Governmental Activities	<u>\$ 30,191,897</u>

Boone County's property tax base increased 2% in FY2006 because of new construction. The County-wide taxable value increased 2% and the County's rural taxable value increased approximately 2%. The basically stable value (after applying the FY 2004 State ordered ag land taxable value reduction of 35% and the total value reduction of 14% county-wide) continues to require a County General Fund levy above the general basic \$3.50 levy for the second time since the mental health fund was created in the early 1990's. Because of the valuation increase and nearly level tax levy, the total County-wide levy decrease was approximately \$0.09 per \$1,000 of valuation. The total increase in dollars levied County-wide was approximately \$8,000.

The rural County levy rate decreased by approximately \$0.05 per \$1,000 of valuation. However, the same amount of tax dollars were levied for FY2005 and FY2006.

A decrease in property tax base has the potential of putting a governmental entity in financial harm. Boone County was fortunate to be able to levy enough property tax to remain stable and maintain the essential services County residents expect and deserve. See detail on property taxes in the following table:

Property Taxes Levied		
	FY2006	FY2005
County-wide taxable value	\$ 832,511,631	816,135,314
County-wide levy rate without debt	4.79939	4.89569
Dollars levied without debt	3,995,548	3,995,548
County-wide taxable debt service value	865,338,305	852,264,262
County debt service levy rate	0.39510	0.39130
Dollars levied for debt service	341,895	333,495
Total county-wide rate	5.19449	5.28699
Total dollars levied county-wide	4,337,443	4,329,043
Rural taxable value	492,040,927	483,017,176
Rural tax levy rate	2.68935	2.73960
Dollars levied rural area only	1,323,272	1,323,272
Total dollars levied	5,660,715	5,652,315

Governmental Activities

This is the fourth year Boone County is required to prepare financial statements on a full accrual basis. Management will analyze and compare revenues and expenditures detailing percentage increases or decreases and attempt to explain the reasons they occurred.

- A decrease in property tax base is an indication the economy in general may be weak. The decrease in FY2005 value in Boone County is a direct result of the productivity formula used to value agricultural land. The January 1, 2003 agricultural land values certified, for property taxes collected in FY2005, were ordered by the State of Iowa to be reduced by 35% in Boone County. While the taxable value of Boone County agricultural land went from approximately \$1,000 per acre to \$640 per acre, its fair market value increased from \$2,883 in November 2003 to \$3,284 in November 2004 according to the ISU land survey. This value decrease did not put the County in jeopardy as it was able to adjust property tax rates to raise the revenue needed to maintain services.
- Revenues for governmental activities were \$15,897,796 in FY2006, which is a 17.4% increase compared to FY2005. Expenses for governmental activities amounted to \$13,686,600, an increase of 4.4% compared to FY2005. In a difficult budgeting year, Boone County did a remarkable job trimming expenses to match available revenues, noting the net increase in net assets was \$2.2 million for governmental activities in FY2006.
- The local option tax sales tax revenue of \$746,811 contributed greatly to the increase in net assets of the governmental activities. Boone County uses 75% of the sales tax revenue to reduce property taxes in the Special Revenue, Rural Services Fund. The remaining 25% of the tax is spent for community betterment projects throughout the County. However, it is noted here the revenue received from local option sales tax increased by 3.5% compared to FY2005. The County believes the local option sales tax revenue indicates the relative economic strength of the local business economy.

Net Cost of Governmental Activities

Function	Expenses	Program Revenues		FY2006 Net Expense or (Revenue)	FY2005 Net Expense or (Revenue)
		Charges for Service	Operating and Capital Grants and Contributions		
Public safety and legal services	\$ 2,408,799	503,673	85,157	1,819,969	1,774,295
Physical health and social services	625,901	22,178	386,959	216,764	373,180
Mental health	2,488,227	8,750	1,511,827	967,650	859,025
County environment and education	808,676	349,647	16,142	442,887	407,378
Roads and transportation	5,124,368	422,300	5,333,832	(631,764)	1,270,103
Governmental services to residents	664,616	482,611	-	182,005	55,582
Administration	1,386,554	27,227	7,613	1,351,714	1,423,191
Interest on long-term debt	179,459	-	-	179,459	184,572
Total	\$ 13,686,600	1,816,386	7,341,530	4,528,684	6,347,326

- The cost of all governmental activities this year was \$13,686,600, up \$582,200, or 4.4%, from FY2005.

- The portion of the cost financed by users of Boone County programs by charges for services was \$1,816,386, up \$377,820, or 26.3%, compared to FY2005.
- The federal and state government and private contributors subsidized certain programs with operating and capital grants and contributions totaling \$7,341,530, up \$2,023,022, or 38%, compared to FY2005. Boone County received farm to market funding of \$2.7 million in FY2006 and none in FY2005.
- The net cost of governmental activities was financed with the following general revenues, including property tax related revenue of \$5,723,928, local option sales tax of \$746,811, restricted grants and contributions of \$10,117, unrestricted investment earnings of \$193,100, gain on sale of assets of \$33,940 and other miscellaneous income of \$31,984. The total general revenues for FY2006 were \$6,739,880, down \$47,345, or 0.7%, compared to FY2005.

Business Type Activities

Function	Expenses	Program Revenue	FY2006 Net Expense or (Revenue)	FY2005 Net Expense or (Revenue)
		Charges for Service		
Solid Waste	\$ 1,565,127	1,875,997	310,870	(170,127)

Program revenues of the Boone County Landfill decreased 2.6% to \$1,875,997 because of decreased tonnage received while expenses decreased 10.9% to \$1,565,127. The County Landfill is Boone County’s only business type activity. Revenues of the landfill include charges for service, the Iowa Department of Natural Resources Ground Water Tax (local share) and interest on investments.

- In FY2006, the Boone County Landfill continued to focus on improving its programs and services. No new landfill cells needed to be constructed. Landfill staff continued closing old Area C by placing an engineered cap over the cell. Construction of the cap will be completed in fall of 2007.
- The Landfill made significant progress in excavating future cells 6-R through 9-R using landfill personnel and equipment.
- Through its “Keep Boone County Beautiful” program, the Landfill began the process of planning for the first annual Dragoon River Romp. This will be an annual watershed cleanup event focused on rotating sections of the Des Moines River as it flows through Boone County. The first event will be held on September 23, 2006 and involve well over 100 volunteers

MAJOR GOVERNMENTAL FUND ANALYSIS AND HIGHLIGHTS

As previously noted, Boone County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The financial performance of Boone County as a whole is reflected in its governmental funds as well. As Boone County completed the year, its governmental funds reported combined fund balances of \$5,854,271, 2.1% higher than last year's total of \$5,735,741.

General Fund

General Fund		
	FY2006	FY2005
Beginning fund balance	\$ 1,754,588	1,734,181
Property tax	3,038,149	3,016,473
Local option sales tax	181,579	183,244
Intergovernmental	952,625	601,739
Permits and charges for service	921,388	932,899
Interest and use of property	208,203	141,453
Miscellaneous	23,993	23,563
Sale of capital assets	6,600	-
Total revenues	5,332,537	4,899,371
Public safety and legal services	2,369,312	2,102,641
Physical health and social services	610,980	583,588
County environment and education	529,972	492,155
Governmental services to residents	643,835	471,173
Administration	1,217,653	1,202,257
Transfers to other funds	50,485	27,150
Total expenditures and transfers	5,422,237	4,878,964
Ending fund balance	\$ 1,664,888	1,754,588

The figures presented here combine the general basic and general supplemental funds.

Total dollars from property tax increased .7%. Local option tax revenue decreased 0.9%, intergovernmental revenue increased 58.31% because of HAVA funding, revenue from user fees decreased 1.2% and interest and use of property revenue increased 47%. Total revenues increased by 8.8%.

Total expenditures and transfers increased by 11.1%, or \$543,273, compared to FY2005. Public safety and legal services had an increase of \$266,671, or 12.7%. Governmental services to residents increased \$172,622, or 36.6%, because of the purchase of new voting equipment required by the federal government (HAVA).

Special Revenue Funds

Mental Health Fund		
	FY2006	FY2005
Beginning fund balance	\$ 73,582	74,139
Property tax	836,467	832,246
Property tax relief payment	733,009	733,009
Other intergovernmental	816,455	763,966
Miscellaneous	6,468	11,974
Total revenues	2,392,399	2,341,195
Mental illness	126,726	156,492
Chronic mental illness	899,246	781,216
Mental retardation	1,447,223	1,398,728
Developmental disability	6,118	5,316
Total expenditures	2,479,313	2,341,752
Ending fund balance	\$ (13,332)	73,582

Boone County levied \$878,976, which is the maximum levy established by the Mental Health Fund base year calculation and is the established County maximum levy. The FY2005 ending fund balance was 3.1% of FY2005 expenditures, which qualified the County for an additional \$52,489 of revenue supplied by the State of Iowa in FY2006 compared to FY2005. Boone County experienced a 5.9% increase in expenditures for service compared to FY2005. The FY2006 ending fund balance is negative.

Rural Services Fund		
	FY2006	FY2005
Beginning fund balance	\$ 555,989	368,793
Property tax	1,263,022	1,254,388
Local option sales tax	544,738	549,733
Intergovernmental	61,024	70,118
Permits and charges for service and miscellaneous	21,227	16,021
Total revenues	1,890,011	1,890,260
County environment and education	321,156	272,217
Governmental services to residents	1,220	1,120
Transfers to other funds	1,456,609	1,429,727
Total expenditures and transfers	1,778,985	1,703,064
Ending fund balance	\$ 667,015	555,989

Property tax levied for FY2006 was unchanged at \$1,323,272 compared to FY2005.

The local effort for secondary roads was maintained at 90% of the maximum allowed to be levied for secondary roads.

Boone County expected local option sales tax revenue to decrease because of the economic forecast for the State of Iowa to \$425,000. Local option sales tax receipts were \$544,738, down 0.9% compared to FY2005.

Total property tax revenue of \$1,263,022 is less than the \$1,456,609 transferred to Secondary Roads by \$193,587, which means local option sales tax pays for all of the services in the Rural Services Fund and part of the road expenses.

The Board of Supervisors is intentionally allowing the Rural Services Fund balance to increase so if local option sales tax revenue declines significantly; the County will still be able to meet the local match requirements for Secondary Roads. The current fund balance is 37.5% of expenditures and transfers. The fund balance percentage for FY2005 was 32.6%.

Secondary Roads Fund		
	FY2006	FY2005
Beginning fund balance	\$ 2,705,001	3,147,265
State fuel tax and other state revenue	2,928,602	3,561,835
Charges for services and miscellaneous	137,321	309,646
Sale of capital assets	7,890	5,300
Transfers from other funds	1,456,609	1,429,727
Total revenue and transfers	4,530,422	5,306,508
Secondary road maintenance	2,232,845	3,990,145
Secondary road construction	2,074,989	1,758,627
Total expenditures	4,307,834	5,748,772
Ending fund balance	\$ 2,927,589	2,705,001

Secondary Roads Fund revenue and transfers decreased by 14.6% compared to FY2005. The decrease in state fuel tax and other state revenue was the primary reason the County didn't have bridge projects in FY2006.

Secondary Roads Fund expenditures decreased by \$1,440,938, or 25.1%, compared to FY2005. Boone County resurfaced 8 miles of roadway in FY2006 and spending for capital projects increased by 18% compared to FY2005.

Total ending fund balance compared to total expenditures increased to 67.9% in FY2006 compared to 47.1% in FY2005.

Debt Service Fund		
	FY2006	FY2005
Beginning fund balance	\$ 34,161	34,706
Property tax	325,792	315,151
Intergovernmental	16,740	17,899
Transfers from other funds	75,000	100,000
Total revenues and transfers	417,532	433,050
Principal	275,000	283,750
Interest	141,895	149,845
Total expenditures and uses	416,895	433,595
Ending fund balance	\$ 34,798	34,161

The Debt Service Fund accumulates resources and pays the principal and interest for the County's bonds for the jail project. The original jail bond was refinanced August 1, 2003 using \$433,300 of remaining jail project funds. The principal balance of the refunding jail bond is \$3,557,870.

BUSINESS TYPE FUND HIGHLIGHTS

- FY2006 was the Boone County Landfill's 36th year of operations. As demonstrated by IDNR inspection and engineering reports, the Landfill is operated well beyond the minimum standards required for regulatory compliance.
- Staff and the Landfill's engineering team continue to identify methods and strategies to increase productivity and efficiency. This has resulted in maintaining tipping and processing fees at a static level.
- FY2006 was a year in which the Landfill was in a position to contain costs, resulting in a positive net financial position.
- FY2006 included continued improvement of our already extensive erosion control program, increasing the effectiveness of our solid waste and recycling education programs and providing excellent household hazardous waste services. The availability of household hazardous waste services through the satellite facility was greatly increased through the training of Landfill staff to assist administrative staff in managing the program. Currently, all full-time staff are trained to handle the household hazardous waste program.

Landfill Operations Fund

Landfill fees charged to its customers did not increase for FY2006. The 3.15% decrease in customer charges represents a slight decrease in the materials handled compared to FY2005.

Operating expenses decreased 12.9% compared to FY2005. Salary and benefit expenses increased by 4.6% to \$457,160. Fuel expenses increased by 24%, reflecting increased fuel costs. Depreciation expense decreased by 25% to \$259,133.

Landfill Closure/Postclosure Fund

The Closure/Postclosure Fund has assets totaling \$1,743,167. This fund is in the midst of its "pay-in" period. No closure/postclosure costs were expended from this fund during FY2006.

The original areas of the landfill (A, B and C) are fully funded for closure/postclosure care.

Ground Water Tax Fund (Local Portion of Tip Fee Surcharge)

This fund accounts for the amount the Boone County Landfill is allowed to retain from the State tipping fee surcharge. Actual revenue for this fund is tied to the actual tonnage received by the landfill.

Expenses included funding for:

- Recyclables processing carried out by Genesis Development and Good Connections.
- Educational materials.
- The annual updating of our financial assurance funding study.

BUDGETARY HIGHLIGHTS

On May 1, 2006, the County Board of Supervisors amended the original FY 2005 budget for the following:

- Increased intergovernmental receipts by \$73,818 for additional mental health funding from State of Iowa that was not expected in original budget.
- Increased public safety and legal services by \$15,000 to meet the medical examiner costs.
- Increased mental health disbursements by \$217,000.
- Increased county administration by \$21,000 to cover utility costs.
- Increased debt service disbursements \$2,450 to correct budget to bond payment schedule.
- Increased July 1, 2005 fund balance by \$704,973 to more closely reflect actual cash balance on July 1, 2005.

In the Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) - All Governmental Funds, the actual net disbursements of \$13,126,178 were \$1,926,730 less than the amended budget. The roads and transportation function was \$508,816 and the capital projects function was \$610,105 less than budgeted while the other functions were also less than the budget. The major reasons the roads and transportation and capital projects functions were less than budgeted were due to road projects which were completed earlier than anticipated (by the end of FY2005) and anticipated FY2006 bridge projects that did not start as early as anticipated. The remaining decrease of approximately \$808,000 was accomplished by reduced spending in all areas. Receipts were \$338,162 less than the amended budget, which was mainly due to miscellaneous receipts being \$486,648 less than budgeted.

CAPITAL ASSETS

Boone County concluded FY 2006 with \$30,156,324 invested (net of depreciation) in a broad range of capital assets, including public safety equipment, buildings, parks facilities, landfill, roads and bridges. GASB 34 requires infrastructure and other capital assets to be depreciated according to a capital asset policy. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

LONG TERM DEBT

Boone County issued general obligation bonds of \$4,835,000 for the purpose of refinancing the original jail project bonds in FY2004. The County's bond rating for the refinancing issue is Aa3. The bond rating firm requires a higher ending fund balance than the County has determined necessary to receive a higher bond rating. The June 30, 2006 balance due on the refunding jail bond issue is \$3,557,870. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

FACTORS BEARING ON THE FUTURE

Boone County’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates and fees that partially finance the various county services. One of those factors is the economy. Boone County’s employment (number of persons working) has increased from an average of 13,500 in the mid 1990’s to an average of 15,360 for calendar year 2006. The average Boone County unemployment rate for 1998 was 2.3%. Unemployment in Boone County on June 30, 2006 was 3.0% versus 3.7% a year before. This compares with the State’s unemployment rate of 3.6% for the period ended June 30, 2006.

The State of Iowa’s modest financial condition and relatively flat revenue projection continue. The County has projected substantially stable revenues from the State and has asked taxpayers to fund the County budget at the same levels as FY2006. The actual dollar increase from FY2005 to FY2006 is \$8,400.

The above factors were all part of the considerations for the FY 2007 budget which certified taxes as follows: (Amount certified includes utility replacement and property tax dollars)

	Dollars Certified	Percentage Increase (Decrease)
General Fund	\$ 3,362,237	7.88%
Mental Health Fund	878,976	0.00%
Debt Service Fund	342,958	0.31%
Rural Services Fund	1,349,756	2.00%
Total	\$ 5,933,927	4.83%

Boone County added an IT Director and one new conservation position in the FY2007 budget. Levy rates (expressed in \$/\$1,000 taxable valuation) to produce the above dollars for FY 2007 are as follows:

General basic levy	\$ 3.50000
General supplemental levy	0.10729
Mental health levy	0.94304
Debt service levy	0.35861
Rural services basic levy	2.48183

Boone County has been fortunate there has been continued new construction and economic growth in the community to help offset the growth in demands for county services. For FY2005, the taxable value of agricultural land was reduced by 35% according to the use formula that determines the taxable value of agricultural land. The agricultural land reduction eliminated all growth and new construction value. In fact, it reduced taxable value County-wide by about 12.8%. FY2006, Boone County’s taxable valuation grew by approximately \$13 million, or 1.5%, compared to FY2005. For FY2007, Boone County’s valuation grew approximately \$99 million.

CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT

This financial report is designed to provide Boone County citizens, taxpayers, customers, investors and creditors with a general overview of Boone County’s finances and to demonstrate Boone County’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Boone County Auditor’s Office, 201 State Street, Boone, Iowa 50036.

Boone County

Basic Financial Statements

Boone County

Boone County
Statement of Net Assets
June 30, 2006

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 5,255,047	1,273,992	6,529,039
Cash and pooled investments - restricted	-	1,775,383	1,775,383
Receivables:			
Property tax:			
Delinquent	11,200	-	11,200
Succeeding year	5,563,000	-	5,563,000
Interest and penalty on property tax	17,971	-	17,971
Accounts	17,347	138,833	156,180
Accrued interest	7,202	59,650	66,852
Road assessments	234,570	-	234,570
Due from other governments	635,755	3,020	638,775
Inventories	612,687	4,838	617,525
Prepaid insurance	61,091	-	61,091
Capital assets (net of accumulated depreciation)	27,879,901	2,276,423	30,156,324
Total assets	40,295,771	5,532,139	45,827,910
Liabilities			
Accounts payable	272,446	33,592	306,038
Accrued interest payable	22,093	-	22,093
Salaries and benefits payable	96,540	9,388	105,928
Due to other funds	22,717	(22,717)	-
Due to other governments	289,214	25,966	315,180
Deferred revenue:			
Succeeding year property tax	5,563,000	-	5,563,000
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds	285,000	-	285,000
Compensated absences	279,994	18,447	298,441
Portion due or payable after one year:			
General obligation bonds	3,272,870	-	3,272,870
Estimated liability for landfill closure and postclosure care	-	1,232,602	1,232,602
Total liabilities	10,103,874	1,297,278	11,401,152
Net Assets			
Invested in capital assets, net of related debt	24,322,031	2,276,423	26,598,454
Restricted for:			
Supplemental levy purposes	20,718	-	20,718
Secondary roads purposes	3,017,949	-	3,017,949
Debt service	13,437	-	13,437
Law enforcement	75,887	-	75,887
Other purposes	573,313	102,346	675,659
Unrestricted	2,168,562	1,856,092	4,024,654
Total net assets	\$ 30,191,897	4,234,861	34,426,758

See notes to financial statements.

Boone County
Statement of Activities
Year ended June 30, 2006

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 2,408,799	503,673	11,681	73,476
Physical health and social services	625,901	22,178	386,959	-
Mental health	2,488,227	8,750	1,511,827	-
County environment and education	808,676	349,647	16,142	-
Roads and transportation	5,124,368	422,300	2,622,955	2,710,877
Governmental services to residents	664,616	482,611	-	-
Administration	1,386,554	27,227	7,613	-
Interest on long-term debt	179,459	-	-	-
Total governmental activities	13,686,600	1,816,386	4,557,177	2,784,353
Business type activities:				
Solid waste	1,565,127	1,875,997	-	-
Total	\$ 15,251,727	3,692,383	4,557,177	2,784,353

General Revenues:

Property and other county tax levied for:
 General purposes
 Debt service
 Penalty and interest on property tax
 State tax credits
 Local option sales tax
 Grants and contributions not restricted to specific purpose
 Unrestricted investment earnings
 Gain on sale of capital assets
 Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

See notes to financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(1,819,969)	-	(1,819,969)
(216,764)	-	(216,764)
(967,650)	-	(967,650)
(442,887)	-	(442,887)
631,764	-	631,764
(182,005)	-	(182,005)
(1,351,714)	-	(1,351,714)
(179,459)	-	(179,459)
(4,528,684)	-	(4,528,684)
-	310,870	310,870
(4,528,684)	310,870	(4,217,814)
5,062,303	-	5,062,303
325,514	-	325,514
61,469	-	61,469
274,642	-	274,642
746,811	-	746,811
10,117	-	10,117
193,100	57,775	250,875
33,940	-	33,940
31,984	-	31,984
6,739,880	57,775	6,797,655
2,211,196	368,645	2,579,841
27,980,701	3,866,216	31,846,917
\$ 30,191,897	4,234,861	34,426,758

Boone County
Balance Sheet
Governmental Funds

June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,708,596	352,058	578,981	2,012,242
Receivables:				
Property tax:				
Delinquent	7,404	1,936	1,069	-
Succeeding year	3,111,000	838,000	1,287,000	-
Interest and penalty on property tax	17,971	-	-	-
Accounts	6,577	172	820	9,036
Accrued interest	7,202	-	-	-
Road assessments	-	-	-	234,570
Due from other funds	10,106	-	-	4,716
Due from other governments	106,930	1,662	133,633	387,725
Inventories	-	-	-	612,687
Prepaid insurance	27,236	-	-	33,855
Total assets	\$ 5,003,022	1,193,828	2,001,503	3,294,831
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 72,828	115,496	3,532	79,036
Salaries and benefits payable	48,240	-	1,310	46,990
Due to other funds	38,266	-	-	-
Due to other governments	29,829	251,885	16	6,646
Deferred revenue:				
Succeeding year property tax	3,111,000	838,000	1,287,000	-
Other	37,971	1,779	42,630	234,570
Total liabilities	<u>3,338,134</u>	<u>1,207,160</u>	<u>1,334,488</u>	<u>367,242</u>
Fund balances:				
Reserved for:				
Supplemental levy purposes	36,949	-	-	-
Debt service	-	-	-	-
Law enforcement purposes	75,887	-	-	-
Unreserved, reported in:				
General fund	1,552,052	-	-	-
Special revenue funds	-	(13,332)	667,015	2,927,589
Capital projects fund	-	-	-	-
Total fund balances	<u>1,664,888</u>	<u>(13,332)</u>	<u>667,015</u>	<u>2,927,589</u>
Total liabilities and fund balances	\$ 5,003,022	1,193,828	2,001,503	3,294,831

See notes to financial statements.

Debt Service	Nonmajor	Total
34,739	568,431	5,255,047
791	-	11,200
327,000	-	5,563,000
-	-	17,971
-	742	17,347
-	-	7,202
-	-	234,570
-	727	15,549
-	5,805	635,755
-	-	612,687
-	-	61,091
362,530	575,705	12,431,419
-	1,554	272,446
-	-	96,540
-	-	38,266
-	838	289,214
327,000	-	5,563,000
732	-	317,682
327,732	2,392	6,577,148
-	-	36,949
34,798	-	34,798
-	-	75,887
-	-	1,552,052
-	396,856	3,978,128
-	176,457	176,457
34,798	573,313	5,854,271
362,530	575,705	12,431,419

Boone County

Boone County

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

June 30, 2006

Total governmental fund balances (page 27)	\$	5,854,271
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$48,530,222 and the accumulated depreciation is \$20,650,321.		27,879,901
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.		317,682
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Long-term liabilities, including bonds payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(3,859,957)
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Net assets of governmental activities (page 23)	\$	<u><u>30,191,897</u></u>
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See notes to financial statements.

Boone County

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

Year ended June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 3,147,827	836,467	1,807,760	-
Interest and penalty on property tax	71,901	-	-	-
Intergovernmental	952,625	1,549,464	61,024	2,928,602
Licenses and permits	19,823	-	-	1,110
Charges for service	901,565	-	16,844	961
Use of money and property	208,203	-	-	-
Miscellaneous	23,993	6,468	4,383	135,250
Total revenues	5,325,937	2,392,399	1,890,011	3,065,923
Expenditures:				
Operating:				
Public safety and legal services	2,369,312	-	-	-
Physical health and social services	610,980	-	-	-
Mental health	-	2,479,313	-	-
County environment and education	529,972	-	321,156	-
Roads and transportation	-	-	-	3,881,757
Governmental services to residents	643,835	-	1,220	-
Administration	1,217,653	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	426,077
Total expenditures	5,371,752	2,479,313	322,376	4,307,834
Excess (deficiency) of revenues over (under) expenditures	(45,815)	(86,914)	1,567,635	(1,241,911)
Other financing sources (uses):				
Sale of capital assets	6,600	-	-	7,890
Operating transfers in	-	-	-	1,456,609
Operating transfers out	(50,485)	-	(1,456,609)	-
Total other financing sources (uses)	(43,885)	-	(1,456,609)	1,464,499
Net change in fund balances	(89,700)	(86,914)	111,026	222,588
Fund balances beginning of year	1,754,588	73,582	555,989	2,705,001
Fund balances end of year	\$ 1,664,888	(13,332)	667,015	2,927,589

See notes to financial statements.

Debt Service	Nonmajor	Total
325,792	-	6,117,846
-	-	71,901
16,740	9,992	5,518,447
-	-	20,933
-	7,310	926,680
-	34,143	242,346
-	28,806	198,900
342,532	80,251	13,097,053
-	24,218	2,393,530
-	-	610,980
-	-	2,479,313
-	6,614	857,742
-	-	3,881,757
-	20,963	666,018
-	-	1,217,653
416,895	-	416,895
-	48,098	474,175
416,895	99,893	12,998,063
(74,363)	(19,642)	98,990
-	5,050	19,540
75,000	50,485	1,582,094
-	(75,000)	(1,582,094)
75,000	(19,465)	19,540
637	(39,107)	118,530
34,161	612,420	5,735,741
34,798	573,313	5,854,271

Boone County

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

Year ended June 30, 2006

Net change in fund balances - Total governmental funds (page 31) \$ 118,530

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

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

Expenditures for capital assets	\$ 565,419	
Capital assets contributed by the Iowa Department of Transportation	2,532,813	
Capital assets contributed by the Iowa Department of Public Defense	73,476	
Depreciation expense	<u>(1,475,742)</u>	1,695,966

In the Statement of Activities, the gain on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 14,400

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	(3,417)	
Other	<u>163,928</u>	160,511

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 235,947

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	(15,647)	
Interest on long-term debt	<u>1,489</u>	<u>(14,158)</u>

Change in net assets of governmental activities (page 25) \$ 2,211,196

See notes to financial statements.

Boone County
Statement of Net Assets
Proprietary Funds

June 30, 2006

	Enterprise			Total
	Landfill Operations	Landfill Closure/ Postclosure	Nonmajor	
			Ground Water Tax	
Assets				
Cash and pooled investments	\$ 1,273,992	-	-	1,273,992
Cash and pooled investments - restricted	-	1,683,517	91,866	1,775,383
Receivables:				
Accounts	138,833	-	-	138,833
Accrued interest	-	59,650	-	59,650
Due from other funds	544,700	-	17,288	561,988
Due from other governments	3,020	-	-	3,020
Prepaid insurance	4,838	-	-	4,838
Capital assets, net of accumulated depreciation	2,276,423	-	-	2,276,423
Total assets	4,241,806	1,743,167	109,154	6,094,127
Liabilities				
Accounts payable	26,784	-	6,808	33,592
Salaries and benefits payable	9,388	-	-	9,388
Due to other funds	28,706	510,565	-	539,271
Due to other governments	25,966	-	-	25,966
Compensated absences	18,447	-	-	18,447
Estimated liability for landfill closure and postclosure care	-	1,232,602	-	1,232,602
Total liabilities	109,291	1,743,167	6,808	1,859,266
Net Assets				
Invested in capital assets, net of related debt	2,276,423	-	-	2,276,423
Restricted for ground water tax purposes	-	-	102,346	102,346
Unrestricted	1,856,092	-	-	1,856,092
Total net assets	\$ 4,132,515	-	102,346	4,234,861

See notes to financial statements.

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

Year ended June 30, 2006

	Enterprise		
	Landfill Operations	Nonmajor Ground	
		Water Tax	Total
Operating revenues:			
Charges for service	\$ 1,545,621	-	1,545,621
Per capita fees	179,390	-	179,390
Solid waste fees	81,234	63,524	144,758
Miscellaneous	2,936	3,292	6,228
Total operating revenues	<u>1,809,181</u>	<u>66,816</u>	<u>1,875,997</u>
Operating expenses:			
Salaries and wages	340,067	-	340,067
Payroll tax	45,361	-	45,361
Fringe benefits	71,732	-	71,732
Fuel	129,375	-	129,375
Travel	1,375	-	1,375
Utilities	9,966	-	9,966
Insurance	24,269	-	24,269
Solid waste fees remitted to the Iowa Department of Natural Resources and Ground Water Tax Fund	158,809	-	158,809
Education and training	63,542	-	63,542
Equipment	113,479	-	113,479
Engineering services	68,419	-	68,419
Maintenance and repair	74,959	-	74,959
Operations	6,284	-	6,284
Depreciation	259,133	-	259,133
Dues and membership	10,767	-	10,767
Hauling costs	34,246	-	34,246
Accounting	16,664	-	16,664
Recycling	-	81,458	81,458
Gravel	34,380	-	34,380
Leachate hauling and treatment	26,874	-	26,874
Adjustment to estimated liability for landfill closure and postclosure care	(10,723)	-	(10,723)
Total operating expenses	<u>1,478,978</u>	<u>81,458</u>	<u>1,560,436</u>
Operating income (loss)	330,203	(14,642)	315,561
Non-operating revenues (expenses):			
Interest income	57,775	-	57,775
Interest expense	(4,691)	-	(4,691)
Total non-operating revenues (expenses)	<u>53,084</u>	<u>-</u>	<u>53,084</u>
Change in net assets	383,287	(14,642)	368,645
Net assets beginning of year	3,749,228	116,988	3,866,216
Net assets end of year	<u>\$ 4,132,515</u>	<u>102,346</u>	<u>4,234,861</u>

See notes to financial statements.

Boone County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2006

	Enterprise			Total
	Landfill Operations	Landfill Closure / Postclosure	Nonmajor Ground Water Tax	
Cash flows from operating activities:				
Cash received from gate fees	\$ 1,551,863	-	-	1,551,863
Cash received from assessments	179,390	-	-	179,390
Cash received from other operating receipts	84,170	-	67,612	151,782
Cash paid to suppliers for goods and services	(824,019)	-	(75,790)	(899,809)
Cash paid to employees for services	(452,095)	-	-	(452,095)
Net cash provided (use d) by operating activities	539,309	-	(8,178)	531,131
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(7,270)	-	-	(7,270)
Principal paid on capital lease	(179,500)	-	-	(179,500)
Interest paid on capital lease	(4,691)	-	-	(4,691)
Closure and postclosure care allocation	(145,301)	145,301	-	-
Net cash provided (use d) by capital and related financing activities	(336,762)	145,301	-	(191,461)
Cash flows from investing activities:				
Interest received on investments	57,775	27,122	-	84,897
Net increase (decrease) in cash and cash equivalents	260,322	172,423	(8,178)	424,567
Cash and cash equivalents beginning of year	1,013,670	1,511,094	100,044	2,624,808
Cash and cash equivalents end of year	\$ 1,273,992	1,683,517	91,866	3,049,375
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 330,203	-	(14,642)	315,561
Adjustments to reconcile operating income (loss) to net cash provided in operating activities:				
Depreciation	259,133	-	-	259,133
Closure and postclosure care	145,301	-	-	145,301
Changes in assets and liabilities:				
Decrease in accounts receivable	9,262	-	-	9,262
(Increase) decrease in due from other funds	(182,095)	-	797	(181,298)
(Increase) in due from other governments	(3,020)	-	-	(3,020)
Decrease in prepaid items	19	-	-	19
Increase (decrease) in accounts payable	(22,527)	-	5,667	(16,860)
Increase in salaries payable	534	-	-	534
(Decrease) in due to other funds	(864)	-	-	(864)
(Decrease) in due to other governments	(1,169)	-	-	(1,169)
Increase in compensated absences	4,532	-	-	4,532
Total adjustments	209,106	-	6,464	215,570
Net cash provided (used) by operating activities	\$ 539,309	-	(8,178)	531,131

See notes to financial statements.

Boone County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,685,146
Other County officials	36,645
Receivables:	
Property tax:	
Delinquent	70,634
Succeeding year	23,257,000
Accounts	42,542
Special assessments	248,934
Due from other funds	682
Due from other governments	37,315
Prepaid insurance	1,460
Total assets	<u>25,380,358</u>

Liabilities

Accounts payable	46,749
Salaries and benefits payable	2,603
Due to other funds	682
Due to other governments	24,929,712
Trusts payable	370,381
Compensated absences	30,231
Total liabilities	<u>25,380,358</u>

Net assets \$ -

See notes to financial statements.

Boone County

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

The County reports the following major proprietary funds:

The Landfill Operations Fund is used to account for operations financed and operated in a manner similar to private business enterprises where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Landfill Closure/Postclosure Fund is used to accumulate resources to fund the closure and postclosure care costs of the landfill.

The County also reports fiduciary funds which focus on net assets and changes in net assets. The County's fiduciary funds include the following:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Enterprise Funds are charges to customers for sanitary landfill services. Operating expenses for Enterprise Funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

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

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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 acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County) are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	25-50
Land improvements	10-50
Infrastructure, road network	10-65
Equipment	3 - 20
Vehicles	3 - 15

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and 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 reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the debt service function before amendment. Disbursements in the Medical Examiner department exceeded the amount appropriated before amendment.

(2) Cash and Pooled Investments

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

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

At June 30, 2006, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$161,164 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise: Landfill Operations	\$ 10,106
Special Revenue: Secondary Roads	General Enterprise: Landfill Operations	3,404 1,312 <u>4,716</u>
County Recorder's Records Management	General	713
County Recorder's Electronic Transaction Fee	General	<u>14</u>
Enterprise: Landfill Operations	General Enterprise: Landfill Closure / Postclosure	34,135 510,565 <u>544,700</u>
Ground Water Tax	Landfill Operations	<u>17,288</u>
Total		<u>\$ 577,537</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,456,609
Conservation Land Acquisition	General	485
Capital Projects	General	50,000
Debt Service	Capital Projects	<u>75,000</u>
Total		<u>\$ 1,582,094</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 248,085	-	-	248,085
Construction in progress	753,797	2,784,450	(825,775)	2,712,472
Total capital assets not being depreciated	1,001,882	2,784,450	(825,775)	2,960,557
Capital assets being depreciated:				
Buildings	5,351,251	116,707	-	5,467,958
Improvements other than buildings	178,238	73,476	-	251,714
Equipment and vehicles	8,236,763	211,475	(220,180)	8,228,058
Infrastructure, road network	30,796,160	825,775	-	31,621,935
Total capital assets being depreciated	44,562,412	1,227,433	(220,180)	45,569,665
Less accumulated depreciation for:				
Buildings	786,946	131,699	-	918,645
Improvements other than buildings	17,824	6,293	-	24,117
Equipment and vehicles	7,013,214	594,394	(220,180)	7,387,428
Infrastructure, road network	11,576,775	743,356	-	12,320,131
Total accumulated depreciation	19,394,759	1,475,742	(220,180)	20,650,321
Total capital assets being depreciated, net	25,167,653	(248,309)	-	24,919,344
Governmental activities capital assets, net	\$ 26,169,535	2,536,141	(825,775)	27,879,901
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 488,499	-	-	488,499
Capital assets being depreciated:				
Buildings	443,091	-	-	443,091
Equipment and vehicles	2,858,078	7,270	-	2,865,348
Infrastructure	1,013,458	-	-	1,013,458
Total capital assets being depreciated	4,314,627	7,270	-	4,321,897
Less accumulated depreciation for:				
Buildings	84,136	11,077	-	95,213
Equipment and vehicles	1,986,163	199,976	-	2,186,139
Infrastructure	204,541	48,080	-	252,621
Total accumulated depreciation	2,274,840	259,133	-	2,533,973
Total capital assets being depreciated, net	2,039,787	(251,863)	-	1,787,924
Business type activities capital assets, net	\$ 2,528,286	(251,863)	-	2,276,423

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 58,753
County environment and education		25,137
Roads and transportation		1,223,815
Administration		168,037
		<u>1,475,742</u>
Total depreciation expense - governmental activities		<u>\$1,475,742</u>
Business type activities:		
Landfill operations		\$ 259,133
		<u>259,133</u>

(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:

Fund	Description	Amount
General	Services	\$ 29,829
Special Revenue:		
Mental Health	Services	251,885
Rural Services	Services	16
Secondary Roads	Services	6,646
Task Force	Services	838
		<u>259,385</u>
Total for governmental funds		<u>\$ 289,214</u>
Agency:		
Agricultural Extension Education	Collections	\$ 142,290
County Assessor		747,123
Schools		14,799,402
Community Colleges		620,324
Corporations		6,456,291
Townships		276,425
Auto License and Use Tax		492,201
Special Assessments		264,906
County Hospital		834,851
All other		295,899
		<u>295,899</u>
Total for agency funds		<u>\$ 24,929,712</u>

(7) Changes in Long-Term Liabilities

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

	Governmental Activities			Business Type Activities		
	General	Compen-	Total	Compen-	Closure and	Total
	Obligation	sated		sated	Postclosure	
Bonds	Absences	Absences	Care			
Balance beginning of year	\$ 3,793,817	264,347	4,058,164	13,915	1,183,230	1,197,145
Increases	-	206,722	206,722	22,870	49,372	72,242
Decreases	235,947	191,075	427,022	18,338	-	18,338
Balance end of year	\$ 3,557,870	279,994	3,837,864	18,447	1,232,602	1,251,049
Due within one year	\$ 285,000	279,994	564,994	18,447	-	18,447

General Obligation Bonds Payable

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

Year ending June 30,	Interest Rates	Principal	Interest	Total
2007	3.40%	\$ 285,000	132,557	417,557
2008	3.50	295,000	122,868	417,868
2009	3.50	310,000	112,542	422,542
2010	2.70	325,000	101,693	426,693
2011	2.95	340,000	92,917	432,917
2012-2016	3.05-3.50	1,870,000	300,253	2,170,253
2017-2018	3.60-3.70	595,000	28,070	623,070
Total		\$ 4,020,000	890,900	4,910,900

During the year ended June 30, 2006, the County retired \$275,000 of general obligation bonds. The unamortized discount totaled \$462,130 at June 30, 2006.

Refunded General Obligation Bonds

During the year ended June 30, 2004, the County entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities and additional cash were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation bonds as they become due. After the principal and interest on all of the outstanding bonds have been paid, the remaining funds in the escrow account, together with any interest thereon, shall be returned to the County. The transactions, balances and liabilities of the escrow account are not recorded by the County. The amount of the refunded general obligation bonds that was considered extinguished and, therefore, excluded from long-term debt was \$4,150,000 at June 30, 2006.

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$259,817, \$238,650 and \$240,101, respectively, equal to the required contributions for each year.

(9) Risk Management

Boone County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 531 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2006 were \$134,779.

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 the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

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

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

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

(10) Capital Lease Purchase Agreement

In July 2004, the County entered into a purchase agreement for a Caterpillar 963 Crawler Loader for the Boone County Landfill. The purchase price of the equipment was \$220,000 to be paid through a trade-in of \$40,500 with the remaining balance of \$179,500 due on July 1, 2005. The balance paid in July 2005 was \$184,191 which included interest of \$4,691.

(11) Hospital Revenue Bonds

The County has entered into a loan agreement to borrow not to exceed \$7,500,000 to enlarge and improve the Boone County Hospital. The loan agreement was entered into pursuant to the authority contained in Section 331.402(3) of the Code of Iowa and does not constitute a general obligation of the County.

(12) Closure and Postclosure Care Costs

To comply with federal and state regulations, the Landfill is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Landfill (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Boone County Landfill have been estimated at \$1,144,300 for closure and \$948,000 for postclosure, for a total of \$2,092,300 as of June 30, 2006 for the original and expansion areas combined. The portion of the liability that has been recognized is \$1,232,602. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2006. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 12 years for the expansion area and the capacity used at June 30, 2006 is 37.23%.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The County has begun accumulating resources to fund these costs and, at June 30, 2006, assets of \$1,743,167 are restricted for these purposes, of which \$921,350 is for closure and \$821,817 is for postclosure care.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded for the expansion area, the County is required to demonstrate financial assurance for the unfunded costs. The County had adopted the dedicated fund mechanism.

Chapter 567-111.8(7) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the landfill is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

(13) Solid Waste Tonnage Fees Retained

The County has established an account for restricting and using solid waste tonnage fees retained by the County in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2006, net assets of \$102,346 have been retained by the County and restricted for the required purposes.

Boone County

Required Supplementary Information

Boone County

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

Required Supplementary Information

Year ended June 30, 2006

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 6,124,887	-
Interest and penalty on property tax	71,769	-
Intergovernmental	5,333,082	-
Licenses and permits	21,198	-
Charges for service	944,454	-
Use of money and property	264,384	-
Miscellaneous	204,072	10,495
Total receipts	<u>12,963,846</u>	<u>10,495</u>
Disbursements:		
Public safety and legal services	2,364,646	-
Physical health and social services	610,052	-
Mental health	2,498,936	-
County environment and education	854,336	6,614
Roads and transportation	4,063,384	-
Governmental services to residents	664,432	-
Administration	1,211,016	-
Debt service	416,895	-
Capital projects	449,095	-
Total disbursements	<u>13,132,792</u>	<u>6,614</u>
Excess (deficiency) of receipts over (under) disbursements	(168,946)	3,881
Other financing sources, net	20,159	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(148,787)	3,881
Balance beginning of year	5,403,834	117,567
Balance end of year	<u>\$ 5,255,047</u>	<u>121,448</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
6,124,887	6,072,404	6,072,404	52,483
71,769	52,440	52,440	19,329
5,333,082	5,262,311	5,336,129	(3,047)
21,198	16,200	16,200	4,998
944,454	844,985	844,985	99,469
264,384	289,130	289,130	(24,746)
193,577	680,225	680,225	(486,648)
<u>12,953,351</u>	<u>13,217,695</u>	<u>13,291,513</u>	<u>(338,162)</u>
2,364,646	2,620,770	2,635,770	271,124
610,052	770,344	770,344	160,292
2,498,936	2,282,895	2,499,895	959
847,722	1,031,077	1,031,077	183,355
4,063,384	4,572,200	4,572,200	508,816
664,432	770,466	770,466	106,034
1,211,016	1,276,061	1,297,061	86,045
416,895	414,445	416,895	-
449,095	1,059,200	1,059,200	610,105
<u>13,126,178</u>	<u>14,797,458</u>	<u>15,052,908</u>	<u>1,926,730</u>
(172,827)	(1,579,763)	(1,761,395)	1,588,568
20,159	2,500	2,500	17,659
(152,668)	(1,577,263)	(1,758,895)	1,606,227
5,286,267	4,450,145	5,155,118	131,149
<u>5,133,599</u>	<u>2,872,882</u>	<u>3,396,223</u>	<u>1,737,376</u>

Boone County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 12,963,846	133,207	13,097,053
Expenditures	13,132,792	134,729	12,998,063
Net	(168,946)	267,936	98,990
Other financing sources, net	20,159	(619)	19,540
Beginning fund balances	5,403,834	331,906	5,735,741
Ending fund balances	\$ 5,255,047	599,224	5,854,271

See accompanying independent auditor's report.

Boone County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, Enterprise 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 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$255,450. The 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 E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the debt service function before amendment. Disbursements in the Medical Examiner department exceeded the amount appropriated before amendment.

Boone County

Other Supplementary Information

Boone County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2006

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Special Conservation Land Acquisition
Assets				
Cash and pooled investments	\$ 30,995	676	121,448	60,645
Accounts receivable	-	-	-	-
Due from other funds	713	14	-	-
Due from other governments	-	-	-	2,150
Total assets	\$ 31,708	690	121,448	62,795
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	-
Due to other government	-	-	-	-
Total Liabilities	-	-	-	-
Fund equity:				
Fund balances:				
Unreserved, reported in:				
Special revenue funds	31,708	690	121,448	62,795
Capital projects fund	-	-	-	-
Total fund equity	31,708	690	121,448	62,795
Total liabilities and fund equity	\$ 31,708	690	121,448	62,795

See accompanying independent auditor's report.

Revenue							
Resource							
Enhancement and Protection	Task Force	Attorney Drug Prosecution	Jail Commissary	Reserve Deputy	Capital Projects		Total
85,853	63,834	3,237	20,369	4,917	176,457		568,431
-	250	492	-	-	-		742
-	-	-	-	-	-		727
3,655	-	-	-	-	-		5,805
89,508	64,084	3,729	20,369	4,917	176,457		575,705
-	-	839	715	-	-		1,554
-	838	-	-	-	-		838
-	838	839	715	-	-		2,392
89,508	63,246	2,890	19,654	4,917	-		396,856
-	-	-	-	-	176,457		176,457
89,508	63,246	2,890	19,654	4,917	176,457		573,313
89,508	64,084	3,729	20,369	4,917	176,457		575,705

Boone County

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

Year ended June 30, 2006

	County			Special
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Conservation Land Acquisition
Revenues:				
Intergovernmental	\$ -	-	-	2,150
Charges for service	7,310	-	-	-
Use of money and property	1,208	127	-	-
Miscellaneous	-	-	10,495	9,945
Total revenues	8,518	127	10,495	12,095
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	6,614	-
Governmental services to residents	5,379	15,584	-	-
Capital projects	-	-	-	-
Total expenditures	5,379	15,584	6,614	-
Excess (deficiency) of revenues over (under) expenditures	3,139	(15,457)	3,881	12,095
Other financing sources (uses):				
Sale of capital assets	-	-	-	5,050
Operating transfers in	-	-	-	485
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	5,535
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	3,139	(15,457)	3,881	17,630
Fund balances beginning of year	28,569	16,147	117,567	45,165
Fund balances end of year	\$ 31,708	690	121,448	62,795

See accompanying independent auditor's report.

Revenue							
Resource							
Enhancement and Protection	Task Force	Attorney Drug Prosecution	Jail Commissary	Reserve Deputy	Capital Projects		Total
7,007	835	-	-	-	-		9,992
-	-	-	-	-	-		7,310
3,207	-	-	23,746	-	5,855		34,143
-	4,478	2,798	-	1,090	-		28,806
10,214	5,313	2,798	23,746	1,090	5,855		80,251
-	4,341	2,617	16,342	918	-		24,218
-	-	-	-	-	-		6,614
-	-	-	-	-	-		20,963
-	-	-	-	-	48,098		48,098
-	4,341	2,617	16,342	918	48,098		99,893
10,214	972	181	7,404	172	(42,243)		(19,642)
-	-	-	-	-	-		5,050
-	-	-	-	-	50,000		50,485
-	-	-	-	-	(75,000)		(75,000)
-	-	-	-	-	(25,000)		(19,465)
10,214	972	181	7,404	172	(67,243)		(39,107)
79,294	62,274	2,709	12,250	4,745	243,700		612,420
89,508	63,246	2,890	19,654	4,917	176,457		573,313

Boone County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,966	280,049	194,108	7,914
Other county officials	36,645	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	324	1,139	35,294	1,410
Succeeding year	-	140,000	493,000	14,570,000	611,000
Accounts	15,203	-	214	-	-
Special assessments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid insurance	-	-	498	-	-
Total assets	\$ 51,848	142,290	774,900	14,799,402	620,324
Liabilities					
Accounts payable	\$ -	-	3,906	-	-
Salaries and benefits payable	-	-	-	-	-
Due to other funds	682	-	-	-	-
Due to other governments	21,951	142,290	747,123	14,799,402	620,324
Trusts payable	29,215	-	-	-	-
Compensated absences	-	-	23,871	-	-
Total liabilities	\$ 51,848	142,290	774,900	14,799,402	620,324

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Special Assessments	County Hospital	E911	Other	Total
81,957	3,198	492,201	15,972	10,953	263,146	333,682	1,685,146
-	-	-	-	-	-	-	36,645
30,334	227	-	-	1,898	-	8	70,634
6,344,000	273,000	-	-	822,000	-	4,000	23,257,000
-	-	-	-	-	12,582	14,543	42,542
-	-	-	248,934	-	-	-	248,934
-	-	-	-	-	-	682	682
-	-	-	-	-	-	37,315	37,315
-	-	-	-	-	-	962	1,460
6,456,291	276,425	492,201	264,906	834,851	275,728	391,192	25,380,358
-	-	-	-	-	10,198	32,645	46,749
-	-	-	-	-	-	2,603	2,603
-	-	-	-	-	-	-	682
6,456,291	276,425	492,201	264,906	834,851	265,530	8,418	24,929,712
-	-	-	-	-	-	341,166	370,381
-	-	-	-	-	-	6,360	30,231
6,456,291	276,425	492,201	264,906	834,851	275,728	391,192	25,380,358

Boone County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 27,030	137,547	622,459	13,280,041	551,662
Additions:					
Property and other county tax	-	140,243	494,538	14,610,617	613,920
E911 surcharge	-	-	-	-	-
State tax credits	-	6,922	22,411	676,518	27,911
Office fees and collections	902,776	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	7,481	-	-
Total additions	902,776	147,165	524,430	15,287,135	641,831
Deductions:					
Agency remittances:					
To other funds	383,113	-	-	-	-
To other governments	213,720	142,422	371,989	13,767,774	573,169
Trusts paid out	281,125	-	-	-	-
Total deductions	877,958	142,422	371,989	13,767,774	573,169
Balances end of year	\$ 51,848	142,290	774,900	14,799,402	620,324

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Special Assessments	County Hospital	E911	Other	Total
5,919,993	257,163	522,519	361,269	764,786	281,136	388,448	23,114,053
6,335,668	277,061	-	-	824,843	-	4,163	23,301,053
-	-	-	-	-	137,339	-	137,339
282,635	11,654	-	-	39,264	-	162	1,067,477
-	-	-	-	-	-	8,527	911,303
-	-	5,695,818	-	-	-	64,722	5,760,540
-	-	-	88,492	-	-	185	88,677
-	-	-	-	-	-	520,453	520,453
-	-	-	-	-	6,278	1,702,209	1,715,968
6,618,303	288,715	5,695,818	88,492	864,107	143,617	2,300,421	33,502,810
-	-	222,733	-	-	-	64,722	670,568
6,082,005	269,453	5,503,403	184,855	794,042	-	13,638	27,916,470
-	-	-	-	-	149,025	2,219,317	2,649,467
6,082,005	269,453	5,726,136	184,855	794,042	149,025	2,297,677	31,236,505
6,456,291	276,425	492,201	264,906	834,851	275,728	391,192	25,380,358

Schedule 5

Boone County

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

For the Last Seven Years

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Property and other county tax	\$ 6,117,846	6,088,359	6,013,505	5,810,864
Interest and penalty on property tax	71,901	62,876	66,697	64,522
Intergovernmental	5,518,447	5,758,477	4,640,729	4,569,465
Licenses and permits	20,933	15,067	60,808	14,598
Charges for service	926,680	942,470	884,787	869,192
Use of money and property	242,346	158,099	129,254	151,049
Miscellaneous	198,900	540,830	212,419	293,260
Total	\$ 13,097,053	13,566,178	12,008,199	11,772,950
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,393,530	2,117,985	2,013,154	1,927,982
Physical health and social services	610,980	583,588	597,127	620,149
Mental health	2,479,313	2,341,752	2,005,825	2,136,380
County environment and education	857,742	787,105	758,079	742,442
Roads and transportation	3,881,757	3,990,145	3,581,862	3,602,048
Governmental services to residents	666,018	510,074	470,870	455,664
Administration	1,217,653	1,202,257	1,064,871	998,490
Debt service	416,895	433,595	843,108	431,149
Capital projects	474,175	1,905,106	706,865	1,627,172
Total	\$ 12,998,063	13,871,607	12,041,761	12,541,476

See accompanying independent auditor's report.

2002	2001	2000
5,504,926	4,750,472	4,246,522
67,451	60,113	44,407
4,840,152	4,881,308	5,035,302
10,431	7,838	7,120
832,023	719,700	724,327
436,706	357,245	295,697
204,584	157,254	377,682
<u>11,896,273</u>	<u>10,933,930</u>	<u>10,731,057</u>

1,900,164	1,756,703	1,501,153
839,084	830,284	783,540
1,859,850	1,958,823	1,898,781
680,163	701,680	546,285
3,832,568	3,572,743	3,355,470
429,361	388,559	354,859
867,867	852,361	898,337
341,149	241,607	18,750
3,609,233	1,056,929	604,856
<u>14,359,439</u>	<u>11,359,689</u>	<u>9,962,031</u>

Boone County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Health and Human Services: Drug-Free Communities Support Program Grants	93.276	1 H/9 SP11259-01	\$ 85,354
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		11,185
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction Highway Planning and Construction	20.205	BROS-C008(30)-8J-08 BROS-C008(35)-8J-08	1,632 1,840 <u>3,472</u>
Iowa Department of Public Safety: Governor's Traffic Safety Bureau: Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	PAP 06-163 Task 6	5,633
U.S. Department of Homeland Security: Iowa Department of Public Defense: Emergency Management Performance Grants Iowa Homeland Security and Emergency Management Division: Homeland Security Grant Program Homeland Security Grant Program	97.042 97.067 97.067	EMPG 04 HSGP-Citizens Corp 05 HSGP EOC	19,334 166,960 18,812 <u>185,772</u>
U.S. Elections Assistance Commission: Iowa Secretary of State: Help America Vote Act Requirements Payments	90.401	06-HAVA-08-100	176,096
U.S. Department of Health and Human Services: Iowa Department of Human Services: Human Services Administrative Reimbursements: Temporary Assistance for Needy Families Child Care Mandatory and Matching Funds of the Child Care and Development Fund Foster Care - Title IV-E Adoption Assistance Medical Assistance Program Social Services Block Grant Social Services Block Grant	93.558 93.596 93.658 93.659 93.778 93.667 93.667		13,519 3,223 6,942 1,720 17,890 8,547 91,556 <u>100,103</u>
Iowa Secretary of State: Voting Access for Individuals with Disabilities-Grants to States Total indirect	93.617	06-HAVA-08-001	2,500 <u>547,389</u>
Total			<u>\$ 632,743</u>

Boone County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Boone County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the 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.

Boone County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 Boone County:

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

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

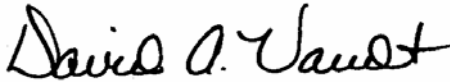
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boone County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

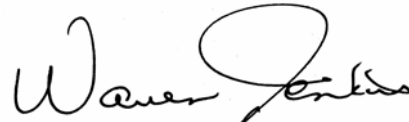
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Boone County and other parties to whom Boone 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 Boone County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 30, 2006

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance
In Accordance with OMB Circular A-133**

Boone County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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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 Boone County:

Compliance

We have audited the compliance of Boone 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 its major federal programs for the year ended June 30, 2006. Boone 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 its major federal programs is the responsibility of Boone County's management. Our responsibility is to express an opinion on Boone County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boone 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 Boone County's compliance with those requirements.

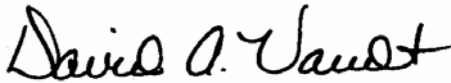
In our opinion, Boone County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

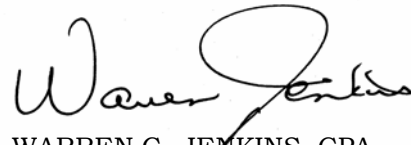
The management of Boone County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Boone County's internal control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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Boone County and other parties to whom Boone 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 30, 2006

Boone County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part I: Summary of Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, none of which were considered to be 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 the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 90.401 – Help America Vote Act Requirements Payments
 - CFDA Number 97.067 – Homeland Security Grant Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Boone County did not qualify as a low-risk auditee.

Boone County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

II-A-06 Credit Cards – Various County employees use credit cards and store charge cards issued to the County. Only store charge cards are allowed according to the County's policy. Credit cards are not to be issued in the County's name, but the Emergency Management office has been issued a Capital One card. In addition, detailed credit card receipts were not always available to support credit card charges or reconciled to the credit card statements from which payment was made.

Recommendation – The County should ensure compliance with credit card policies for all expenditures. Also, credit card receipts should be maintained and reconciled to credit card statements prior to payment.

Response – Emergency Management board of directors have requested a revision of the Boone County financial policy allowing use of a credit card to pay for travel and meeting expenses for director. The change has been approved.

The County Auditors' office is under the assumption that detail documentation is available for credit and charge card statements. Department heads review detail and if they don't send it with their claim, they are to keep the detailed sales slips with their copy of claim in their office.

Conclusion – Response acknowledged. The County should establish procedures to ensure credit card charges are reviewed for compliance, receipts are maintained and are reconciled to credit card statements prior to payment.

II-B-06 County Recorder – Although monthly bank reconciliations were performed, the variance between the book balance and the bank balance of \$4,560 at June 30, 2006 was not investigated and resolved.

Recommendation – Variances between book and bank balances should be investigated and resolved in a timely manner to improve financial accountability and control. Also, all reconciling items between the book and bank balances should be documented each month, including an accounts receivable listing at the end of each month. In addition, the book balance should be reconciled to a listing of month end liabilities.

Response – We do run an accounts receivable listing each month, prior to sending out monthly statements. We are writing a check for \$4,000 to the Boone County Treasurer from the Boone County Recorder's General Fund account to transfer most of the overage to the County General Fund. This amount of overage has stayed pretty constant the last three years. This way it will be in the appropriate County General Fund.

Conclusion – Response accepted.

Boone County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

II-C-06 Landfill Information System – The following weaknesses in the Landfill’s computer based information system was noted:

The Landfill does not have written policies for:

- Password privacy and confidentiality.
- Logging off unattended computers.

Recommendation – The Landfill should develop written policies addressing the above items in order to improve the Landfill’s control over its computer based system.

Response – The Landfill follows the established policies in place for County government. Employees are instructed to not share their computer passwords with anyone other than their supervisor. Only the administrator and the administrative services coordinator have the ability to set up accounts and establish new users and passwords. If needed the Landfill and County will enhance existing written policies to address these issued.

Computers that have access to critical files and/or programs are either kept attended and/or are on a timed “lock out” system that goes into effect within just a couple of minutes of inactivity.

Conclusion – Response accepted.

II-D-06 Landfill Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements.

One individual in the County Landfill’s office has custody of receipts and performed general accounting duties. Also, an initial listing of cash and checks received is not prepared.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the County Landfill should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – The Landfill regularly reviews its processes to ensure adequate protections and as much accountability as possible. The Landfill utilizes a professionally developed software system that is designed specifically for solid waste operations and which recognizes that landfills involve a significant number of cash transactions. Daily reports are generated by the software system that details all charges, cash, checks and, most importantly, any voided transaction tickets.

These daily reports are generated before the information is transferred electronically to the administrative services coordinator’s computer system for permanent archiving. Further, the administrator reviews these reports and compared them to daily receipts. In most cases it is the administrator that takes deposits to the County Treasurer.

Boone County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

For checks received through the mail, mail is opened in the presence of scale attendants in an open office. The envelope the check was received in is marked as to which records system(s) the payment must be entered.

The administrator or administrative services coordinator prepare receipts for the County Treasurer to deposit. These receipts are entered on prenumbered deposit slips. The number on the deposit slip is also entered on the Treasurer's receipts that is provided back to the Landfill.

The Landfill will evaluate the feasibility of having a scale attendant (whenever there is one on duty) log in and stamp checks received by mail prior to giving them to the administrative services coordinator or administrator to be entered into the relevant computer records system. This log could then be retained in a dedicated binder.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Boone County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over the major programs were noted.

Boone County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amount budgeted in the debt service function before amendment. Disbursements in the Medical Examiner department exceeded the amount appropriated before amendment.

Recommendation – The budget should have been amended as required by Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Response – The County understands that departmental appropriations within the same service area can be lowered 10% or \$5,000, which ever is smaller, without a formal budget amendment hearing. The County intended to do that to provide adequate spending authority for Medical Examiner department, however the process never was recorded in the Board minutes. The County will make sure to document procedure in the Board minutes in future.

Conclusion – Response accepted.

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

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

IV-D-06 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Sandy Fehr, wife of Sheriff	Matron fees	\$ 38
Jean Iben, mother-in-law of Sheriff and part-time cook for jail	Transport/Matron fees	223

Recommendation – In accordance with Chapter 331.342(10) of the Code of Iowa, the matron and transport fees do not appear to represent conflicts of interest since the total for each was less than \$1,500 during the fiscal year.

IV-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

Boone County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

- IV-F-06 Board Minutes – No transactions were found we believe should have been approved in the Board minutes but were not.
- IV-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-06 Resource Enhancement and Protection Certification – The County chose not to dedicate property tax revenue to conservation purposes to the extent 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).

The County produces a significant amount of revenue in its Conservation Department through camping and golf fees. This revenue is used to offset conservation expenses in lieu of property tax revenue.

- IV-I-06 Financial Assurance – The Boone County Landfill has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

	Original Area		Expansion Area	
	Closure	Postclosure	Closure	Postclosure
Total estimated costs for closure and postclosure care	\$ 269,700	453,000	874,600	495,000
Less: Balance of funds held in the local dedicated fund at June 30, 2005	(284,406)	(456,500)	(493,535)	(303,330)
Reallocation of surplus funds held based on current estimated costs	14,706	3,500	(14,706)	(3,500)
Total funds held at June 30, 2005	(269,700)	(453,000)	(508,241)	(306,830)
	-	-	366,359	188,170
Divided by the number of years remaining in the pay-in period	2	2	4	4
Required payment into the local dedicated fund for the year ended June 30, 2006	-	-	91,590	47,043
Balance of funds held in the local dedicated fund at June 30, 2005, as reallocated	269,700	453,000	508,241	306,830
Required balance of funds to be held in the local dedicated fund at June 30, 2006	\$ 269,700	453,000	599,831	353,873
Amount County has restricted for closure and postclosure care at June 30, 2006	\$ 269,700	453,000	651,650	368,817

Boone County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

IV-J-06 Solid Waste Fees Retainage – During the year ended June 30, 2006, the County used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.

IV-K-06 Deficit Fund Balance – The Mental Health Fund had a deficit fund balance of \$13,332 at June 30, 2006.

Recommendation – The County should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

Response – The Mental Health Fund cash balance was \$352,058 on June 30, 2006. A negative fund balance means the County has no equity in the assets of that fund. (assets = liabilities + fund equity). The County through ISAC is pursuing extra State funding for mental health system. If the State does not add additional dollars to the system, Boone County and many other Iowa counties will have to make service cuts to persons who are now receiving services.

Conclusion – Response accepted.

IV-L-06 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted.

IV-M-06 Special Appraiser's Levy – Chapter 441.50 of the Code of Iowa states:

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

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

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

Boone County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

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

The County Assessor and Conference board should consult the County Attorney to determine the proper disposition of the amounts levied for the Special Appraiser’s Fund for fiscal 2007 and prior years.

Response – For 2007 and future budgets, I will follow the rules set forth in the Attorney General’s letter.

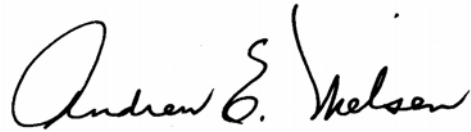
Conclusion – Response acknowledged. The County Assessor and Conference board should also consult the County Attorney to determine the proper disposition of the amounts levied for the Special Appraiser’s Fund for prior years.

Boone County

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Karen L. Brustkern, CPA, Senior Auditor II
Donna R. Neubauer, Staff Auditor
Shawn R. Elsbury, Staff Auditor
Janet K. Mortvedt, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and a distinct 'E'.

Andrew E. Nielsen, CPA
Deputy Auditor of State